



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

Resilience Redefined

2023 ANNUAL REPORT



Resilience Redefined

Resilience, likened to the bamboo plant, embodies the essence of strength, flexibility, and perseverance in the face of adversity. Much like the bamboo, Vitarich possesses an inner resilience deeply anchored in its rich experience and history, providing stability and support during turbulent times. With each challenge it encounters, Vitarich embraces it as an opportunity for growth and transformation – a reminder that true strength lies not in resistance, but in resilience; not in rigidity, but in flexibility; and not in defeat, but in the ability to rise again, stronger, and more resilient than before.

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ABOUT THIS REPORT

This report outlines various aspects of our accomplishments and methodologies, demonstrating our efforts to enhance growth. We invite you to examine this document to gain insight into our strategic approach and operational methods in fulfilling our mission, upholding sustainability goals, and positively impacting communities nationwide.

ABOUT US

Vitarich Corporation is a leading poultry integrator and manufacturer of animal feeds and food products in the Philippines. Certified to international standards for sanitation, food safety, and quality, we operate in three primary segments: feeds, foods, and farms – forging livelihood and nourishing lives.

Vitarich shares are listed on the Philippine Stock Exchange under the symbol “VITA”.

To learn more, visit www.vitarich.com.

OUR PURPOSE

Forging Livelihood, Nourishing Lives

CORE VALUES

Leadership with Integrity | Excellence | Care for Others

OUR BUSINESSES

FEEDS

animal feeds, health and nutritional products, and supplements sold to distributors, dealers, and end users

FOODS

broiler chickens sold to hotels, restaurants, institutions, supermarkets, and wet markets

FARMS

day-old chicks sold to commercial end users or supplied to contract growers

REVENUES

₱ 5.1B

₱ 6.9B

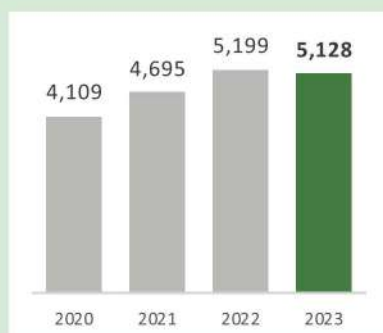
₱ 424M

REVENUE CONTRIBUTION

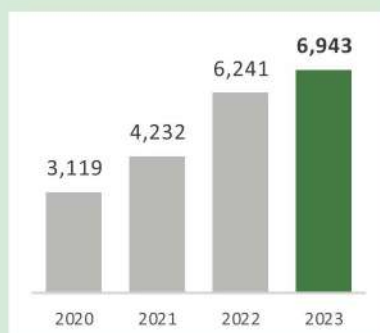
41%

56%

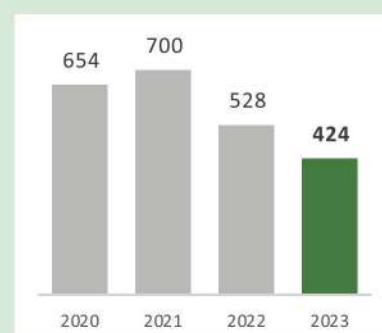
3%



FEEDS REVENUES
₱ in millions



FOODS REVENUES
₱ in millions



FARMS REVENUES
₱ in millions

LETTER TO SHAREHOLDERS



"We remain guardedly hopeful about our future prospects and committed to navigating these uncertainties with strategic foresight and resilience."

Dear Fellow Shareholders,

We present to you our annual report for the year 2023, detailing our performance, achievements, and strategic outlook. Despite the challenges posed by various factors, including market dynamics and external risks, we report modest financial results and significant progress in key areas of our business. We remain guardedly hopeful about our future prospects and committed to navigating these uncertainties with strategic foresight and resilience.

In 2023, we achieved a total consolidated revenue of Php 12.5 billion, a 4% increase compared to the previous year. This growth was primarily driven by volume expansion in the chicken segment and strategic adjustments in feed pricing. Net income was posted at Php 13.3 million, largely due to a decline in gross profits coupled with elevated operating expenses, primarily stemming from heightened labor costs.

Risk Management

We recognize the diverse array of financial, liquidity, and operational risks that are inherent in our industry. These challenges include animal diseases, rising raw materials prices, currency fluctuations, fuel costs, interest rate changes, and market oversupply. Nevertheless, we remain vigilant in managing these risks and have implemented proactive measures to safeguard our operations and financial stability. Our proactive measures include:

- increasing biosecurity measures to protect against animal diseases
- implementing a comprehensive vaccination program in our broiler farms
- optimizing efficiency among different core ingredients for feeds
- implementing one-year contracts with rebate agreements among micro-ingredient suppliers
- diversifying our product offering through value-added products and expanding our brand footprint in the retail, food service, and digital platforms

Opportunities for Innovation

The availability of multiple sales channels continues to provide opportunities for innovation and growth. In the last quarter of 2023, we introduced compact variants of Cook's Flavor Origins: French Roast, Mediterranean Roast, and South African Roast, in convenient 250g packs.

This product is suitable for solo-living consumers and customers seeking novel food items. We complemented this product line expansion with targeted sampling initiatives at select supermarkets in the National Capital Region, including South Supermarket, All Day Supermarket, and Hi-Top. This portfolio addition played a crucial role in our engagements with national retail giants such as SM, Robinsons, and Puregold. In 2024, we plan to introduce 14 new products and increase our availability in modern trade branches by 497%. Additionally, we will be launching Cook's official online store in the first semester of 2024.



We took the initiative to enhance our production capabilities by acquiring two automated marination systems and one sealing vacuum machine for our dressing plant in Bulacan. This project boosted our output capacity by 50%, successfully meeting the rising demand from our food service clients. These initiatives reaffirm our dedication to meeting the evolving needs of our clients and stakeholders, further solidifying our market presence, and enhancing our ability to cater to diverse consumer preferences.

"We recognize the diverse
array of financial,
liquidity, and operational
risks that are inherent in
our industry."



Commitment to Excellence

In 2023, our strategic focus encompassed building robust supplier relationships, ensuring the timely delivery of raw materials, implementing efficient inventory management practices, and optimizing warehouse spaces. These efforts have been complemented by achieving and maintaining key certifications such as:

- ISO 22000:2018 certifications for our Iloilo and Davao feed mills, demonstrating our commitment to quality and product safety in various aspects of feed manufacturing
- Hazard Analysis and Critical Control Points (HACCP) adherence of our dressing plants in Bulacan and Davao, guaranteeing delivery of safe and quality chicken products
- Halal certifications of our dressing plants, ensuring that they meet the dietary requirements of our diverse customers

We are confident that these efforts will continue to drive our growth and success in the coming years, as we remain committed to continuous improvement and excellence in all aspects of our operations.

2023 Performance

In 2023, we faced significant challenges. These included market oversupply of chicken, heightened production costs, and a diminished livestock population due to disease outbreaks. To address these headwinds, we are strengthening our business model with augmented marketing and brand support, capability investments, and increased visibility in modern trade channels to drive top-line growth and profitability.

- Revenues reached ₱12.5 billion, an increase of 4% year-over-year. The Food segment achieved slight profitability.
 - o Foods revenues amounted to ₱6.9 billion, marking 11% growth over the previous year and was the largest contributor to revenues at 56%. This was propelled by a 14% expansion in volume led by demand in Luzon and Visayas. Pricing, however, was under pressure amid the over supply of chicken in the market.
 - o Feeds revenues slightly decreased by 1% to ₱5.1 billion, contributing 41% to total revenues. Pricing rose by 16% while sales volume decreased by 15%. Factors including continued gradual increases in selling prices in response to higher input cost inflation, lower demand for hog feeds due to the continued spread of African swine fever, and the depressed selling prices of chicken, which dampened the demand for broiler feeds among the commercial farms affected the segment's overall performance.
 - o Farms segment accounted for 3% of revenues, reflecting a 20% decline to ₱424.4 million as a result of overall market conditions. Fair value changes on biological assets amounting to a loss of ₱47.8 million were recognized as part of revenues based on lower estimated selling prices of chicken in the market.
- Gross profit was ₱904.5 million, a 15% decline from the previous year, as cost of goods rose by 6% to ₱11.6 billion due to higher production costs. Gross margins decreased to 7% from 9% year on year.
- Net income was ₱13.3 million with earnings per share of ₱0.004, down 86% over the previous year. This was largely due to the decline in gross profit combined with higher operating expenses mainly from increased labor costs.

Financial Highlights

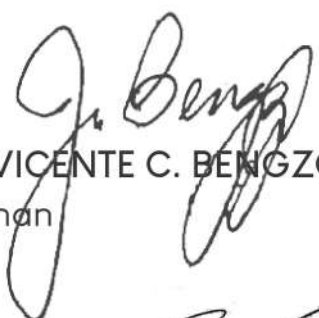
(₱ in millions, except per share amounts and percentages)

	2023	2022 (Restated)	2021	2020
Revenues	12,496	11,968	9,626	7,882
Gross Profit	904	1,069	874	572
Gross Profit Margin	7.2%	8.9%	9.1%	7.3%
Operating Profit	22	194	174	79
Operating Profit Margin	0.2%	1.6%	1.8%	1.0%
Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA)	230	316	250	222
EBITDA Margin	1.8%	2.6%	2.6%	2.8%
Net Income	13	90	89	9
Earnings Per Share	0.004	0.029	0.029	0.003

Looking Ahead

As we look to the future, we remain cautiously optimistic about the opportunities that lie ahead. With a focus on innovation, sustainability, and strategic growth initiatives, we are well-positioned to navigate challenges and drive continued success. We are committed to delivering long-term value to our shareholders and stakeholders. We want to express our sincere gratitude to each of you, our valued shareholders, for your continued support and confidence in Vitarich Corporation. Together, we will continue to innovate, expand, and achieve new heights of success.

Thank you for your trust and partnership.



JOSE VICENTE C. BENGZON III
Chairman



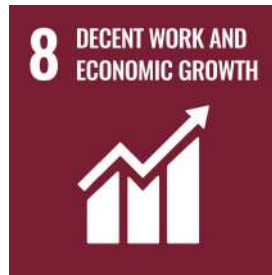
RICARDO MANUEL M. SARMIENTO
President and Chief Executive Officer

OUR PURPOSE

Forging Livelihood, Nourishing Lives

Forging a Path Towards Sustainability

We commit to cultivating a culture that values a better tomorrow for everyone by continuously fostering an Environmental, Social, and Governance (ESG) perspective. For us, this entails harmonizing our endeavors with our purpose, to forge livelihood and nourish lives, while enhancing our business resilience in ways that benefit our customers, employees, shareholders, and other stakeholders. In doing so, we actively support the United Nations Sustainable Development Goals (SDGs), focusing on three pivotal SDGs of most importance to our stakeholders: Zero Hunger, Decent Work and Economic Growth, and Responsible Production and Consumption.



Materiality Assessment

We conduct a materiality assessment anchored on the Materiality Matrix advocated by the Securities and Exchange Commission (SEC) and the framework established by the Sustainability Accounting Standards Board (SASB). This assessment helps us identify and prioritize key ESG-related topics that may impact our business and stakeholders.

Our approach involves conducting research, gathering and analyzing information, and deliberating on the findings with our management and department representatives. Additionally, we review other sources of information that we provide to regulatory authorities such as the Bureau of Internal Revenue (BIR), Department of Labor and Employment (DOLE), and Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB). This process helps us establish context and understand current practices and standards relevant to our sector. Moreover, it allows us to reflect on areas for improvement in our strategy, risk management, and reporting.

The result of our annual materiality assessment is summarized as follows:

- Direct Economic Value Generated and Distributed
- Climate Related Risks and Opportunities
- Proportion of Spending on Local Suppliers
- Resource Management except Ecosystems and Biodiversity as the Corporation does not operate within or adjacent to protected areas and areas of high biodiversity value outside protected areas
- Environmental Impact Management
- Environmental Compliance
- Employee Management
- Occupational Health and Safety
- Relationship with Community, except those pertaining to Indigenous Peoples (IPs); and
- Customer Management, except Customer Privacy

BRAND PURPOSE

FORGING LIVELIHOOD, NOURISHING LIVES



VISION

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

MISSION

Continuously adopt new business development programs and technological advancements to enhance product and service quality

Empower employees, trade partners, and customers through knowledge sharing and innovations in agribusiness

Provide comprehensive solutions to raise the standards of the country's agribusiness industry

Build partnerships with our business partners and customers to achieve long term profitability and sustainability and increase shareholder value

INPUTS

Financial Capital
Manufactured Capital
Intellectual Capital
Human Capital
Social Capital
Natural Capital

BUSINESS ACTIVITIES/ PROCESSES

Manufacturing and distribution of various animal feeds public
Integration of broiler chicken from contract growing
Production and distribution of dressed chicken and value-added products
Production and distribution of animal health products

OUTPUTS

Several lines of hogs and poultry feeds for different customers
Dressed chicken and value-added products under the flagship brand Cook's
Sustainable relationships with institutional customers, distributors, key retail stores, and SMEs
Presence in social commerce
Animal health products for partner growers, broilers, hog raisers, and customers in the general public

OUTCOMES

Sustainable business and partnerships with growers, broilers, and hog raisers, as well as farmers and suppliers, and other stakeholders where employees are engaged, product integrity is prioritized, productivity is improved, and negative impacts of our operations to the environment and social risks are reduced
Continued contribution to the country's economic development through jobs, incomes, and improved competencies, as well as taxes paid to the government

CORE VALUES

Leadership with Integrity | Excellence | Care for Others

Economic

Growth in the agricultural sector carries wide implications on our country's economy, on the livelihood of many rural families, and on ensuring food security for a population of more than 100 million. This reality compels our company to adopt a long-term perspective in running the business, aiming to bring economic value for all our stakeholders.

OUR IMPACT

We bear the responsibility of safeguarding the welfare and stability of our workforce, partners, suppliers, and wider stakeholder groups. By acknowledging their needs and relevant circumstances, as well as effectively managing our business in line with ethical business standards, we can sustainably make a positive contribution towards economic growth and prosperity.

2023 was a year of challenges for us, allowing a 4% growth compared to the previous year. Direct economic value generated surpassed the P12 billion mark.

Direct economic value generated and distributed

Disclosure (in PHP)	2023	2022 (Restated)	2021
Direct economic value generated	12,509,448,015	11,978,605,046	9,637,636,148
Direct economic value distributed			
a. Operating costs	11,555,586,962	10,853,828,605	8,714,012,893
b. Employee wages and benefits	352,734,377	324,516,851	269,437,204
c. Payments to suppliers, other operating costs	544,145,841	576,235,796	452,197,716
d. Interest payments to loan providers	75,823,288	40,001,976	23,051,290
e. Taxes to government	242,259,018	244,056,997	123,431,294

OUR MANAGEMENT APPROACH

We believe that a successful company is guided by a diverse and entrepreneurial board, whose role is to promote the long-term sustainable future of the company for all its stakeholders. In line with this principle, our Board has established a robust governance framework, reinforced by efficient controls and processes. Additionally, this structure is complemented by a team of appointed officers entrusted with overseeing the daily management of our key strategic objectives, operational activities, and principal risks and uncertainties.

Based on this division of responsibilities, our management team meets at least twice a month to discuss the results of operations, the factors for achieving said results or non-attainment of targets, the financial and climate-related risks and opportunities, as well as any emerging issues such as animal diseases and viruses. Our Board, in turn, reviews these matters on a monthly basis, along with forecasts for the next months. Within this framework, appropriate adjustments in the business strategies may be made, where applicable.

Over the years, we have thoughtfully transformed our company to be the resilient business it is today. 2023 was no different. During the year, we:

- continued to strengthen our operations in the Foods segment by covering various areas nationwide – in Luzon: Isabela and Bicol; in Visayas: Samar and Leyte; in Mindanao: Zamboanga City, Bukidnon, Marawi, Sultan Kudarat, and Sarangani.
- continued to push our Cook's Flavor Origins as part of our growth strategy at the retail and e-commerce level with the addition of the convenient 250g packs
- expanded our poultry operations in General Santos and North Cotabato with multi-tier broiler farms
- sustained our use of reusable woven feed sacks from laminated bags to manage our product life cycle

While we strive for significant progress in strategic domains, we acknowledge the presence of external uncertainties and shifts in our supply chain that could adversely affect our performance and the industry at large. These include the threats posed by African Swine Flu (ASF), Avian Influenza, rising cost of fuel and interest rates, fluctuations in foreign exchange rates impacting raw materials, and other factors that we are unable to predict or control. Despite these risks, we know we can face them with determination and confidence, just like the past challenges that we have navigated our way through.

Climate-Related Risks

As is typical in our industry, we have high exposure to physical and operational risks brought about by climate change. Drought, typhoon, extreme rains and flooding are identified as occurrences that can potentially disrupt our operations in the following ways:

1. Higher costs due to shortage of raw materials resulting from disruptions in the crop production;
2. Decrease in demand for feeds due to a material adverse effect in the growth efficiency of farm animals especially poultry;
3. Disruption in the supply chain arising from changes in breeding cycles which lead to a scarcity of day-old chicks;
4. Exposure to all sorts of risks should corn importations increase to more than 50% of the corn requirement due to a decrease in local corn produce and producers; and
5. Disruptions in poultry growing

To address these risks, our department heads:

1. Conduct an ongoing analysis of our business processes and the climate risk factors that could affect our processes and targets;
2. Review our past negative experiences and their root causes; and
3. Carry out continuous research and benchmarking with other companies from the same industry, utilizing the findings as basis for recommending mitigation actions

Any climate-related issue that affects or may potentially affect our business operations is taken up during our management team's bimonthly meetings. These concerns are further deliberated upon during the Board's monthly meeting where preventive and corrective measures are discussed to address the issues.

Procurement

As Vitarich allots more of its procurement budget on local suppliers, our procurement policies and strategies were crafted, reviewed, revised, and implemented in a manner consistent with our vision of being the backbone of every Filipino farmer's success and mission of building partnerships with its suppliers, among others. An important aspect of our approach is to use a multiple sourcing strategy which we believe allows us to manage climate-related risks. This strategy gives us access to raw materials and other input goods and services throughout the year. Moreover, relying on a network of reliable suppliers enables us to maintain operational efficiencies amidst changing weather patterns and extreme weather events. Additionally, it helps us respond swiftly to notable cost escalations. In 2023, our procurement budget spent on local suppliers was 92%, up from 84% in 2022 due to lower importation of major raw materials. This spending includes payments for raw materials and other inputs, excluding fees for service providers such as consultants and contractors. To this day, the Zero Hunger Task Force created in 2022, continues to strengthen our supply chain and collaboration philosophy in proactively increasing the number of trusted suppliers, helping in the livelihood of the community where we operate, and strengthening support to local agriculture. We also offered regular trainings on biosecurity measures for our farm business partners.

Environment

Our industry relies heavily on natural resources as critical inputs for value creation. While we are currently in the initial phase of incorporating our sustainability strategy, it does not mean our commitment to responsible stewardship of the environment is any less clear. We are working on enhancing our approaches to resource management, impact management, and environmental compliance. By viewing our business and operations through this perspective, we aim to instill a sense of urgency and drive action regarding climate change.

Disclosure		Location	2023	2022	2021	Units
Energy Consumption	Renewable Sources	Iloilo	195,626	197,573	0	kWh
		Davao	0	0	0	
	SFO	Iloilo	4,465	3,887	4,363	GJ
		Davao	0	0	0	
	Gasoline	Iloilo	2,410	0	0	liters
		Davao	9,908	0	0	
	LPG	Iloilo	180	200	233	kg
		Davao	0	0	0	
	Electricity	Iloilo	1,317,683	1,651,452	1,657,600	kWh
		Davao	3,794,324	3,535,203	3,146,111	
Water Consumption	Water Withdrawal	Iloilo	4,317	5,663	6,089	cubic meters
		Davao	5,842	6,306	6,142	
	Water Consumption	Iloilo	4,437	5,871	6,089	
		Davao	5,971	6,425	6,140	
	Water Recycled and Reused	Iloilo	0	0	0	
		Davao	0	2	2	
GHG	Direct (Scope 1) GHG Emissions	Iloilo	2,040	1,704	0,079	tonnes CO ₂ e
		Davao	4.5	10.6	4.2	
	Energy Indirect (Scope 2) GHG Emissions	Iloilo	0	0	0	tonnes CO ₂ e
		Davao	0	0	0	
	Emissions of Ozone-Depleting Substances (ODS)	Iloilo	0	0	0	tonnes
		Davao	0	0	0	
Air Pollutants	NOx	Iloilo	87	22	35	Ave concentration in mg/Nm ²
		Davao	467	340	389	
	SOx	Iloilo	1	590	618	mg/Nm ³
		Davao	72	14	12	
	Persistent Organic Pollutants (POPs)	Iloilo	0	0	0	kg
		Davao	0	0	0	
	Volatile Organic Compounds (VOCs)	Iloilo	0	0	0	kg
		Davao	0	0	0	
	Hazardous Air Pollutants (HAPs)	Iloilo	0	0	0	kg
		Davao	0	0	0	
Solid Waste	Total Solid Waste Generated	Iloilo	1,600	1,750	1,700	kg/month
		Davao	2,300	2,500	2,500	
	Reusable	Iloilo	200	250	300	
		Davao	450	500	500	
	Recyclable	Iloilo	250	300	250	
		Davao	300	300	300	
	Composted	Iloilo	200	200	150	
		Davao	600	700	700	
	Incinerated	Iloilo	0	0	0	
		Davao	0	0	0	
Hazardous Waste	Residuals/Landfilled	Iloilo	950	1,000	1,000	
		Davao	1,000	1,000	1,000	
	Total Weight of Waste Generated (Used Oil)	Iloilo	250	300	350	liters
		Davao	0	0	1,000	
	Total Weight of Waste Generated (Busted Lamps)	Iloilo	45	55	61	kg
		Davao	20	33	0	
	Total Weight of Waste Transported	Iloilo	0	0	0	liters
		Davao	0	0	1,000	
Effluents	Total Volume of Water Discharges	Iloilo	720	840	792	cubic meters
		Davao	0	0	0	
	Percent of Waste Water Recycled	Iloilo	0.0%	0.0%	0.0%	
		Davao	0.0%	4.1%	4.1%	
Non-Compliance With Environmental Laws and Regulations	Total Amount of Monetary Fines for Non-Compliance	Iloilo	0	0	0	Php
		Davao				
	No. of Non-Monetary Fines for Non-Compliance	Iloilo	None	None	None	No. of Incidence
		Davao				
	No. of Cases Resolved Through Dispute Resolution Mechanism	Iloilo	None	None	None	No. of Incidence
		Davao				

OUR MANAGEMENT APPROACH

Over time, our governance framework for responsible production and consumption (SDG Goal 12) has proven to be effective in enabling us to comply with all applicable laws and regulations. Moreover, it continuously challenges us to maintain sustainability over the long haul, including aligning with international standards for sanitation, food safety, and quality. For instance, we initially attained International Organization for Standardization (ISO): 9001 certification in 2002 and Hazard Analysis and Critical Control Points (HACCP) in 2020. Keeping pace with the evolving landscape, we currently hold the latest certifications in ISO 22000:2018 and HACCP, underscoring our commitment to staying current and adaptable.

Our teams are unified and actively involved in staying updated on emerging trends, mitigating adverse environmental impacts, and increasing productivity. Specifically, we have dedicated technical persons competent in pollution control and environmental management, officially accredited by the Environmental Management Bureau (EMB) to carry out these duties. We invest in new machinery and processes, conduct regular preventive maintenance on our equipment and facilities, maintain a Materials Recovery Facility (MRF), utilize third-party services for solid waste collection, monitor resource consumption, and foster awareness among employees and operators, among others. In parallel, we hold our suppliers and partners to high standards, mandating compliance with all relevant environmental laws and regulations. These requirements are integrated into our contracts which also outline the consequences for any breaches. Last year was once again a year of building momentum. Some examples of our accomplishments include:

- the commissioning of the solar energy project in our Iloilo feed mill plant, which now produces approximately 16% of the site's total annual power consumption, and is the reason for the reduction in our CO₂, NO_x, and SO₂ emissions in 2022. Following the completion, we expect to reduce our energy consumption in Iloilo by 13% and generate over 366 megawatt hours of solar energy per year—equivalent to powering 150 homes annually. This initiative is estimated to offset nearly 444 metric tons of CO₂ emissions annually, equivalent to 472,000 pounds of coal burned in one year.
- the successful transition of our Feeds packaging to reusable woven sacks from laminated bags to manage our product lifecycle.
- the meaningful steps taken to comply with the Extended Producer Responsibility (EPR) Act, a law that requires large companies to manage their own plastic packaging waste. These actions include seeking accreditation from Philippine Alliance for Recycling and Materials Sustainability (PARMS), a non-stock non-profit industry organization that brings together stakeholders across the supply and waste value chain working closely with government to achieve its vision of Zero Waste to Nature 2030. Vitarich is an Obligated Enterprise under PARMS. All our EPR activities will be anchored to PARMS EPR activities.
- the installation of perimeter solar lights in our Davao feed mill plant while we are evaluating proposals for solar power.

Social

Our purpose forms the bedrock of our organization. We are guided by our mission to forge livelihood and nourish lives. By combining this with our competitive strengths, we create opportunities that honor, safeguard, and benefit our employees, customers, communities, and investors.

Disclosure			2023	2022	2021	Units
Employee Data	Total Number of Employees		908 (672 are regular)	855 (619 are regular)	822 (581 are regular)	Number
	Female		245	236	223	
	Male		663	619	599	
	Attrition Rate		0.62%	1.14%	1.75%	%
	Ratio of Lowest Paid Employee Against Minimum Wage		None	None	None	Ratio
Employee Benefits	SSS	Female	11.5%	11.5%	6.2%	Percentage of employees who availed for the year
		Male	6.1%	15.7%	9.6%	
	Philhealth	Female	3.1%	10.2%	2.4%	
		Male	4.2%	16.3%	2.6%	
	Pag-ibig	Female	21.4%	15.0%	5.0%	
		Male	19.5%	23.9%	9.5%	
	Parental Leaves	Female	6.5%	1.0%	2.8%	
		Male	2.4%	1.3%	0.7%	
	Vacation Leaves	Female	73.3%	29.1%	32.0%	
		Male	65.9%	45.7%	51.0%	
	Sick Leaves	Female	53.4%	21.2%	23.1%	
		Male	38.8%	30.2%	30.3%	
	Medical Benefits (aside from Philhealth)	Female	16.4%	11.8%	19.1%	
		Male	16.1%	13.4%	27.7%	
	Housing Assistance (aside from Pag-ibig)	Female	0.0%	0.0%	0.0%	
		Male	0.0%	0.2%	0.0%	
	Retirement Fund (aside from Sss)	Female	0.0%	0.5%	0.2%	
		Male	0.2%	1.0%	1.0%	
	Telecommuting	Female	37.4%	5.5%	63.4%	
		Male	8.3%	1.3%	21.7%	
	Flexible Working Hours	Female	17.6%	5.3%	4.7%	
		Male	25.6%	9.1%	11.2%	
Employee Training and Development	Training Hours	Female	6,923	4,954	1,534	Hours
		Male	5,966	3,809	2,710	
	Average Training Hours per Employee	Female	9.6	21.0	7.4	
		Male	6.5	9.9	7.5	

OUR MANAGEMENT APPROACH

At Vitarich, our culture stands as a formidable strength. Over the years, this culture has shaped our stance on social issues, guiding us to focus on areas where we can make the most significant value, which are addressing hunger (SDG Goal 2) and promoting decent work and economic growth (SDG Goal 8).

Employees

Our efforts to contribute positively to the society begins with our responsibility in taking care of our employees. With this principle in the forefront, we allocate resources to attract, nurture, and retain individuals who share our ambition and shape our future.

Hiring and Benefits

In our continuous evaluation of our practices, we monitor government laws and regulations as well as industry standards and benchmarks in relation to our employee benefits. We also regularly communicate with our workforce through our Employee Lifetime Profitable Partnership (“Employee LPP”), aimed at collecting feedback, formulating plans, and increasing employee engagement. As a result, we provide the following benefits to our regular employees in addition to the government-mandated benefits:

- | | |
|--|---|
| <ul style="list-style-type: none">• Health Maintenance Organization (HMO) provision for our regular employees;• Group health insurance plan for the dependents of our employees;• Group personal accident insurance;• PPEs and uniform; | <ul style="list-style-type: none">• Rice subsidy;• Seniority pay;• Transportation and meal allowances, as applicable;• Funeral assistance; and• Hazard pay to qualified employees |
|--|---|

We consistently underscore the importance of training and development in acquiring new skills and progressing in one’s career.

Training and Development

To promote the development of our team, we maintain a training calendar per region. Training sessions are held monthly and are based on the needs of employees and concerned departments. These are capped by post-training evaluation and regular performance review to measure employee growth and improvement.

As in prior years, our development programs were specific on technical topics, administrative and support, and leadership. In 2023, there was an increase of 47% in training hours compared to 2022 due to the increase in onsite and hybrid (virtual and onsite) trainings provided to employees. Trainings conducted for the year were related to compliance with ISO-FSMS and Halal certifications, fundamentals of sales capability, food safety, as well as upskilling of our workforce, management trainings, and orientation for new employees. Together with our HMO provider, we also organized health and wellness webinars on occupational safety, metabolic and lifestyle diseases, reproductive health, mental health, stress management, and self-care.

Occupational Health and Safety

We work to maintain the highest standards of health, safety, and security across all facets of our operations and in all our work environments. Moreover, we collaborate with our partners to raise the standards in the country’s agribusiness industry.

Based on the data compiled by our Safety Officer, there was a total of 1,618,523 safe man-hours recorded in our plants. The increase in safe man-hours was primarily due to the absence of work-related injuries, illnesses, and fatalities, despite the expansion of business operations and activities in 2023.

Some of our initiatives include conducting safety-related training sessions, providing employees with personal protective equipment (PPE), and collaborating with government bodies to conduct emergency drills such as fire safety and earthquake drills. Moreover, we have established dedicated roles and responsibilities across all our locations. For instance, we have a Safety Policy and Safety Officers in all our company-owned manufacturing sites who actively promote health and safety awareness among employees and enforce sanitary and biosecurity measures. In addition, we have company physicians assigned to each region (Luzon, Visayas, Mindanao), who regularly visit our head offices and plant facilities to conduct employee check-ups and provide medical consultations, as needed. Furthermore, starting in 2023, our employees have access to the services offered by our HMO provider for additional health consultations, lab tests, diagnoses, hospitalization, and similar medical needs.

Even as the COVID-19 pandemic restrictions were gradually eased and lifted in 2023, we remained steadfast in upholding the health and safety protocols that have been integral to our business approach. We ensured compliance with all recommended and mandatory public health standards, conducting regular health and safety campaigns that extended beyond addressing COVID-19 concerns.

Customers and Communities

We are a pioneer, agribusiness partner and leader in the animal feeds industry in the Philippines since the 1960s. Our corporate culture, coupled with our Lifetime Profitable Partnership approach, has fostered long-standing relationships with stakeholders. These relationships form the backbone of our strengths, competitiveness, and other cost efficiency, all of which are achieved through a robust and compliant supply chain that is both effective and efficient.

Health and Safety

Over time, our governance framework for Health and Safety. In our view, rigorous technical and quality standards, continuing education and support, and accreditation by our stakeholders strengthen every link in our supply chain. For this reason, we particularly devote resources towards health and safety. Our current certifications in ISO 22000:2018 and HACCP exemplify some of the strategic initiatives we have undertaken.

In addition, we conduct broad-based information campaigns and leadership webinars occasionally. These events cover a diverse range of topics that are relevant and timely to our target audience such as biosecurity measures, potential sources of contamination, best practices for farm cleaning and disinfection, routine disinfection procedures, water sanitation and disinfection methods, and chicken layer farm management strategies.

Customer Satisfaction

Excellent customer service translates to customer satisfaction, which in turn, results in several core factors that could be advantageous to us, including:

- a strong relationship with the customer;
- continuous improvement of our products, services, and processes;
- the morale and productivity of our employees;
- our relationship with suppliers; and
- the financial growth of our business partners

As a reflection of our Lifetime Profitable Partnership (LPP) principle and good practice, we regularly perform customer satisfaction surveys with target responses from farmers, retailers, and distributors. We use this tool as a guide to gather information and devise improvements on our products, services, and processes. We also have quarterly business reviews and annual trade partners' night with distributors, and bi-annual business reviews with key customers.

In 2023, we administered customer satisfaction surveys in July with respect to our Feeds business. The results give us insight into how customers feel about our products and services in this segment. The table below shows our nationwide average scores in each category. Our overall score increased to 4.0 out of 5 in 2023, higher than the ratings received from the past 2 years of 3.8 out of 5.0 In addition, we have been able to pilot a customer satisfaction survey for our Central Luzon Foods operations and received a rating of 3.73 out of 5.0.

Looking ahead, we see opportunities to enhance our customer care processes, particularly in improving customer service. This includes formalizing mechanisms to gather feedback from our Visayas and Mindanao counterparts, along with their institutional clients and end-users of our products under our Foods Business and Cook's brand.

Metric (Feeds products)	July 2023	July 2022	September 2021
Product (color, size, texture, odor, weight, and price)	4.0	3.4	3.9
Performance of Feeds	4.0	3.9	4.2
Logistics	4.0	3.9	3.6
Sales Services Provided to Customers	4.3	4.1	3.8
Marketing Services Provided to Customers	4.1	3.7	3.4
Average scope for all criteria	4.0	3.8	3.8

Customer Relationship

Aligned with our advocacy on food security, we engage in voluntary actions to support social development such as policy discussions and stakeholder engagement.

Through our Director Stephanie Nicole Garcia, Vitarich partnered with the Philippine International Travel Assistance Center Multi-Purpose Cooperative (PITAC-MPC), a cooperative based in Region 10 that primarily supports local farmers from the region. This initiative supports the government's corn buyback program, which aims to improve the agriculture sector, by providing our farmers access to profitable markets. By doing so, it facilitates increase of their income, encourages more farmers to sustain their production, and ultimately strengthens the corn industry and ensures food security.



On December 16, 2023, we were awarded the “Gawad Galing Marileño” which recognizes our company’s valuable contribution to the local community. Our evaluation included four key criteria: business growth, employment, sustainability, and social responsibility.

Investors

We are committed to raise our visibility and promote a two-way communication between us and the investing public through:

- regulatory reporting and continuous disclosures;
- investor marketing and outreach; and
- research and perception study

As we cultivate relations with the investment community, we also partner with the members of the business and financial media to augment our investor relations (IR) efforts and help deliver the company's investment story to a wider audience. We engage with them through various channels including email correspondence and phone calls, providing the information sought by their readers.

On September 25, 2023, our President & CEO Ricardo Manuel Sarmiento participated in an interview with Michelle Ong, a journalist from ANC's Market Edge. The conversation focused on the state of our business operations a year after the Covid-19 pandemic. Key topics included challenges brought by the oversupply of chicken in the market, the war in Ukraine, and the potential risks associated with El Nino. Moreover, the discussion encompassed outlook and growth projections, touching on facility improvements, business partnerships, and expansion initiatives.



Other activities in the past year include the Annual Stockholders' Meeting and direct engagements with analysts and investors. These were initiated by our investor relations advisor, Onward Investor Relations Inc.

Governance

We remain committed to our values and ethics through our governance structure. This includes our Manual on Corporate Governance, Code of Business Conduct and Ethics, and Board committee charters, all of which are available on our website www.vitarich.com

We also post our Integrated Annual Corporate Governance Report (I-ACGR), which summarizes our governance strategy and efforts. It also highlights how we run our business, including topics on The Board's Governance Responsibilities, Disclosure and Transparency, Internal Control System and Risk Management Framework, Cultivating a Synergic Relationship with Shareholders, and Duties to Stakeholders. We encourage you to review the report to gain a better understanding of our practices in these areas.

BOARD OF DIRECTORS



JOSE VICENTE C. BENGZON III

Chairman
Non-Executive Director



RICARDO MANUEL M. SARMIENTO

Executive Director
President, and
Chief Executive Officer



**STEPHANIE NICOLE M.
SARMIENTO-GARCIA**

Executive Director,
Executive Vice President,
Chief Sustainability Officer,
Corporate Management Services
Director, and Treasurer



ROGELIO M. SARMIENTO

Chairman Emeritus,
Non-Executive Director



BENJAMIN I. SARMIENTO, JR.

Non-Executive Director



LORENZO VITO M. SARMIENTO III

Non-Executive Director



**JUAN ARTURO ILUMINADO
C. DE CASTRO**

Non-Executive Director



VICENTE JULIAN A. SARZA
Independent Director



PIERRE CARLO C. CURAY
Independent Director

BOARD OF DIRECTORS



MANAGEMENT COMMITTEE

JOSE VICENTE C. BENGZON III	Chairman of the Board
RICARDO MANUEL M. SARMIENTO	President and Chief Executive Officer
STEPHANIE NICOLE M. SARMIENTO-GARCIA	Executive Vice President, Chief Sustainability Officer, Corporate Management Services Director, and Treasurer
REYNALDO D. ORTEGA	Senior Vice President and General Manager - Poultry, Foods and Feeds Sales
ALICIA G. DANQUE	Senior Vice President and Supply Chain Director
MA. DIANA M. CUNA	Senior Vice President and Chief Human Resource Officer
EMMANUEL S. MANALANG	Vice President and Nutrition, Research and Development Director
CARMENCITA S. POLICARPIO	Vice President for Corporate Technical Services (Facilities and Project Management)
DILBERT D. TAN	Vice President and Finance Operations Director
ELAINE C. NANTES	Vice President for Corporate Quality and Technical Services Director
CARINA M. FABIAN	Vice President and Corporate Special Projects Director
MARC AURELIUS T. MENDIOLA	Assistant Vice President for Poultry Live Operations
ALLAN RAYMOND B. CHAVEZ	Assistant Vice President and Visayas and Mindanao Food Sales Manager
RUBY P. MACARIO	Executive Assistant to the President and Corporate Communications Officer
MARIAN A. DIONISIO	Comptroller
CAMILLE ANNE A. SARMIENTO	HR Talent Acquisition, Learning and Development Manager
LILIBETH R. CARAO	HR Admin and Compliance Manager
ROVIE ANN M. DOMASIG	Corporate Planning Manager
AISON BENEDICT C. VELASCO	Corporate Secretary
MARY CHRISTINE DABU-PEPITO	Assistant Corporate Secretary, Corporate Information Officer, and Compliance Officer



FINANCIAL STATEMENTS

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of **Vitarich Corporation** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2023, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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

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

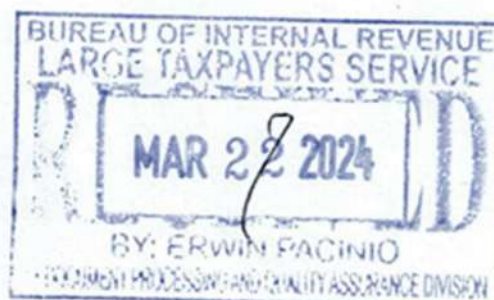
The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

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


JOSE VICENTE C. BENGZON III
Chairman



RICARDO MANUEL M. SARMIENTO
President/Chief Executive Officer


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



Subscribed and sworn to before me this MAR 21 2024 at PASIG CITY, Affiant exhibited to me their respective government-issued ID's as competent proof of their identities and acknowledged that they executed the same freely and voluntarily, to wit:

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Book No. 23
Series of 2024


FERDINAND D. AYAHAO
Notary Public
For and in Pasig City and the Municipality of Pateros
Appointment No.96 (2024-2025) valid until 12/31/2025
MCLE Exemption No. VIII-BEP003234, until 04/14/28
Roll No. 46377; BP L.R.N 02459; OR 535886; 06/21/2001
TIN 123-011-785; PTR 1634583AA; 01/03/24; Pasig City
Unit 5, West Tower PSH, Exchange Road
Ortigas Center, Pasig City Tel.+632-86314090



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Vitarich Corporation and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

The following key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Expected Credit Losses on Receivable from an Insurance Company

The Group is involved in legal proceedings to collect the remaining balance of a receivable from an insurance company with carrying amount of ₱70.2 million as at December 31, 2023. The assessment of the expected credit losses (ECL) on this receivable is significant to our audit because the determination whether the amount is impaired requires significant management judgment (see Note 10).



We obtained an understanding of the Group's assessment on the recoverability of the receivable and the estimation of the related ECL. We reviewed the status of the legal proceedings and obtained management's estimates of the amount and timing of the future cash inflows arising from the recoverability of the claims. We evaluated management's assessment based on the results of our correspondences with the Group's external legal counsel and reviewed the appropriateness of disclosures in the notes to consolidated financial statements.

Fair Valuation of Biological Assets

The Group's biological assets, which are measured at fair value less costs to sell, amounted to ₱129.4 million as at December 31, 2023. The Group recognized loss on the fair value changes of biological assets amounting to ₱47.8 million in 2023 (see Note 8).

The assessment of the fair valuation of biological asset is significant to our audit because of the complexity of the underlying methodologies and processes in determining fair value. We focused our audit on the management's determination of the fair value because the process involves significant management judgment and estimates when selecting the appropriate valuation techniques and inputs used.

We obtained an understanding of the methodologies and processes developed by management in measuring fair value of the biological assets. We reviewed the reasonableness of the inputs and assumptions used to estimate the fair value of the Group's biological assets by testing the key assumptions for the fair value measurement such as future selling prices and growing costs, hatchability and mortality rates and estimated volume of production, among others, on a sample basis. We also reviewed the appropriateness of management's disclosures in the notes to consolidated financial statements.

Valuation of Property, Plant and Equipment at Revalued Amounts

As at December 31, 2023, the Group's property, plant and equipment (excluding transportation equipment and construction in-progress) which are accounted for using the revaluation model amounted to ₱1,949.5 million (see Note 11). The fair value measurement is significant to our audit as the property, plant and equipment carried at revalued amounts account for 37.3% of the Group's total assets as at December 31, 2023.

We focused our audit on the management's determination of the revalued amounts of property, plant and equipment because the process involves significant management judgment when selecting the appropriate valuation techniques and inputs used to determine revalued amounts.

We have assessed the independence and competency of the appraiser engaged by the Group. We have also reviewed the reasonableness of the assumptions used to estimate the revalued amounts of its property, plant and equipment on a sample basis by: (1) testing land's value by referring to the value of similar properties in the vicinity, (2) testing reproduction costs against current market prices, and (3) verifying valuation inputs such as published market data, as applicable, to ascertain if these are reasonably appropriate.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

Other Matter

The consolidated financial statements of the Group as at and for the years ended December 31, 2022 and 2021 were audited by another auditor whose report dated April 1, 2023 expressed an unmodified opinion on those consolidated financial statements.

As part of our audit of the consolidated financial statements as at and for the year ended December 31, 2023, we also audited the adjustments described in Note 4 that were applied to restate the consolidated financial statements as at and for the years ended December 31, 2022 and 2021. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedure to the Group's consolidated financial statements as at and for the years ended December 31, 2022 and 2021 other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements as at and for the years ended December 31, 2022 and 2021 taken as a whole.

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ
Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 21, 2024

Makati City, Metro Manila

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023
(With Comparative Figures as at December 31, 2022)

		December 31	
	Note	2023	2022 (As restated - Note 4)
ASSETS			
Current Assets			
Cash	5	P398,265,061	P369,416,726
Trade and other receivables	6	949,957,779	882,943,523
Inventories	7	924,634,088	863,367,449
Biological assets - livestock	8	129,394,759	116,118,755
Advances to suppliers		123,918,753	466,876,004
Other current assets	9	223,862,219	156,311,704
Total Current Assets		2,750,032,659	2,855,034,161
Noncurrent Assets			
Receivable from an insurance company	10	70,203,810	70,203,810
Property, plant and equipment:	11		
At revalued amounts		1,949,466,138	1,842,877,962
At cost		45,592,722	126,640,633
Investment properties	12	301,346,351	238,473,942
Right-of-use assets	24	82,437,724	55,529,616
Other noncurrent assets	13	23,416,664	32,115,321
Total Noncurrent Assets		2,472,463,409	2,365,841,284
		P5,222,496,068	P5,220,875,445
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14	P2,066,852,350	P2,001,706,561
Current portion of:			
Loans payable	15	873,297,858	985,478,495
Lease liabilities	24	22,442,663	15,413,841
Cash bond deposits	16	60,503,952	56,299,659
Total Current Liabilities		3,023,096,823	3,058,898,556
Noncurrent Liabilities			
Loans payable - net of current portion	15	24,821,427	49,642,856
Lease liabilities - net of current portion	24	61,148,857	36,885,998
Net retirement liability	23	180,585,650	147,057,502
Net deferred tax liabilities	25	31,501,233	55,355,149
Total Noncurrent Liabilities		298,057,167	288,941,505
Total Liabilities		3,321,153,990	3,347,840,061
Equity			
Capital stock	17	1,160,646,925	1,160,646,925
Additional paid-in capital		1,470,859	1,470,859
Retained earnings		303,502,861	273,417,535
Other comprehensive income	17	435,721,433	437,500,065
Total Equity		1,901,342,078	1,873,035,384
		P5,222,496,068	P5,220,875,445

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for 2022 and 2021)

Years Ended December 31				
			2022 (As restated - Note 4)	
	Note	2023		2021
REVENUES				
Net sale of goods	18	P12,543,694,175	P11,957,515,851	P9,649,161,808
Fair value changes on biological assets	8	(47,779,579)	10,936,438	(22,854,221)
		12,495,914,596	11,968,452,289	9,626,307,587
COST OF GOODS SOLD	19	(11,591,440,968)	(10,899,643,424)	(8,752,485,623)
GROSS PROFIT		904,473,628	1,068,808,865	873,821,964
OPERATING EXPENSES	20	(893,811,266)	(883,361,808)	(711,084,451)
OTHER INCOME (CHARGES)				
Interest expense	15	(75,823,288)	(40,001,976)	(23,051,290)
Net gain on fair value changes of investment properties	12	64,113,985	28,167,200	1,268,133
Other operating income	22	11,473,363	8,792,042	11,096,404
Interest income	5	1,536,781	2,398,459	1,293,145
Other charges - net	22	(5,382,506)	(41,340,082)	(32,738,155)
		(4,081,665)	(41,984,357)	(42,131,763)
INCOME BEFORE INCOME TAX		6,580,697	143,462,700	120,605,750
PROVISION FOR (BENEFIT FROM) INCOME TAX	25			
Current		22,130,289	51,302,707	25,793,096
Deferred		(28,854,508)	2,525,379	5,371,040
		(6,724,219)	53,828,086	31,164,136
NET INCOME		13,304,916	89,634,614	89,441,614
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss:</i>				
Revaluation increment on property, plant and equipment - net of deferred income tax	11	25,194,607	97,372,482	22,782,016
Remeasurement gain (loss) on net retirement liability - net of deferred income tax	23	(10,192,829)	31,841,070	(17,348,399)
		15,001,778	129,213,552	5,433,617
TOTAL COMPREHENSIVE INCOME		P28,306,694	P218,848,166	P94,875,231
BASIC/DILUTED EARNINGS PER SHARE	27	P0.004	P0.029	P0.029

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for 2022 and 2021)

Years Ended December 31				
			2022 (As restated - Note 4)	
	Note	2023		2021
CAPITAL STOCK	17	P1,160,646,925	P1,160,646,925	P1,160,646,925
ADDITIONAL PAID-IN CAPITAL		1,470,859	1,470,859	1,470,859
RETAINED EARNINGS				
Balance at beginning of year, as previously reported		275,775,940	135,021,722	41,157,542
Prior period adjustments	4	(2,358,405)	36,867,910	36,867,910
Balance at beginning of year, as restated		273,417,535	171,889,632	78,025,452
Net income		13,304,916	89,634,614	89,441,614
Transfer from revaluation surplus to retained earnings - net of deferred income tax	17	16,780,410	11,893,289	4,422,566
Balance at end of year		303,502,861	273,417,535	171,889,632
OTHER COMPREHENSIVE INCOME (LOSS)				
CUMULATIVE REMEASUREMENT GAIN (LOSS) ON NET RETIREMENT LIABILITY - net of deferred income tax				
Balance at beginning of year		3,956,055	(27,885,015)	(10,536,616)
Remeasurement gain (loss) - net of deferred income tax	23	(10,192,829)	31,841,070	(17,348,399)
Balance at end of year		(6,236,774)	3,956,055	(27,885,015)
REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT - net of deferred income tax				
Balance at beginning of year, as previously reported		414,078,150	347,844,301	329,484,851
Prior period adjustments	4	19,465,860	220,516	220,516
Balance at beginning of year, as restated		433,544,010	348,064,817	329,705,367
Revaluation increment on property, plant and equipment - net of deferred income tax	11	25,194,607	97,372,482	22,782,016
Transfer from revaluation surplus to retained earnings - net of deferred income tax	17	(16,780,410)	(11,893,289)	(4,422,566)
Balance at end of year		441,958,207	433,544,010	348,064,817
		435,721,433	437,500,065	320,179,802
		P1,901,342,078	P1,873,035,384	P1,654,187,218

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for 2022 and 2021)

Years Ended December 31				
			2022 (As restated - Note 4)	
	Note	2023		2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱6,580,697	₱143,462,700	₱120,605,750
Adjustments for:				
Depreciation and amortization	11	147,740,279	132,971,153	106,006,621
Interest expense	15	75,823,288	40,001,976	23,051,290
Net gain on fair value changes of investment properties	12	(64,113,985)	(28,167,200)	(1,268,133)
Fair value changes on biological assets	8	47,779,579	(10,936,438)	22,854,221
Retirement expense	23	22,122,540	22,336,339	16,993,091
Provision for expected credit loss	6	3,539,062	1,704,635	10,157,719
Interest income	5	(1,536,781)	(2,398,459)	(1,293,145)
Loss (gain) on disposal of property, plant and equipment and investment properties	22	(523,275)	1,037,744	1,060,988
Operating income before working capital changes		237,411,404	300,012,450	298,168,402
Decrease (increase) in:				
Trade and other receivables		(70,553,318)	(22,646,867)	(96,066,045)
Inventories and biological assets - livestock		(122,322,222)	(293,063,699)	(195,411,784)
Advances to suppliers and other current assets		275,406,736	(274,079,556)	(50,976,411)
Other noncurrent assets related to operations		5,300,636	(15,705,660)	(11,299,126)
Increase in:				
Trade and other payables		65,145,789	287,936,590	63,288,294
Cash bond deposits		4,204,293	8,247,570	7,954,810
Net cash generated from (used for) operations		394,593,318	(9,299,172)	15,658,140
Income taxes paid		(22,130,289)	(51,302,707)	(25,793,096)
Retirement benefits paid	23	(2,184,831)	(9,124,310)	(5,868,959)
Interest received		1,536,781	108,859	140,673
Net cash provided by (used in) operating activities		₱371,814,979	(₱69,617,330)	(₱15,863,242)

(Forward)

Years Ended December 31				
			2022	
	Note	2023	(As restated - Note 4)	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	11	(P113,415,223)	(P257,212,366)	(P117,646,700)
Proceeds from sale of property, plant and equipment and investment properties		3,597,483	200,000	1,025,000
Additions to investment properties	12	(1,712,209)	—	—
Net cash used in investing activities		(111,529,949)	(257,012,366)	(116,621,700)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of loans	15	(1,877,235,724)	(1,819,489,528)	(315,594,041)
Availments of loans payable	15	1,740,233,658	2,349,559,151	540,681,912
Interest paid	15	(68,308,882)	(35,735,576)	(20,665,516)
Payments of lease liabilities	24	(26,125,747)	(28,303,544)	(19,226,261)
Net cash provided by (used in) financing activities		(231,436,695)	466,030,503	185,196,094
NET INCREASE IN CASH		28,848,335	139,400,807	52,711,152
CASH AT BEGINNING OF YEAR		369,416,726	230,015,919	177,304,767
CASH AT END OF YEAR		P398,265,061	P369,416,726	P230,015,919
NONCASH FINANCIAL INFORMATION				
Recognition of ROU assets and lease liabilities	24	P49,903,022	P34,331,713	P23,208,300

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Information for 2022 and 2021)

1. General Information

Corporate Information

Vitarich Corporation (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 31, 1962 to engage primarily in manufacturing, preparing, processing, mixing and dealing with feeds, foodstuffs, grains, and commodities of every description for poultry, livestock and all kinds of animal feeding. The Parent Company's shares of stock were listed with the Philippine Stock Exchange on February 8, 1995.

The consolidated financial statements include the financial statements of the Parent Company and Barbatos Ventures Corporation (BVC), a wholly-owned subsidiary engaged in the poultry dressing business as at December 31, 2023 and 2022 (collectively referred herein as "the Group"). BVC was acquired by the Parent Company effective January 1, 2022 (see Note 33).

The registered principal place of business of the Parent Company is 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.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2024, as reviewed and recommended for approval by the Audit Committee on March 14, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for property, plant and equipment (excluding transportation equipment and construction in-progress) which are carried at revalued amounts, investment properties which are carried at fair value, biological assets which are carried at fair value less costs to sell, agricultural produce which are carried at fair value less costs to sell at point of harvest, lease liabilities which are carried at the present value of future lease payments, and retirement liability which is carried at the present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value of consideration received in exchange for incurring liability.

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 by the Group.

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.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values are included in the following:

Note 3 - Significant Judgments, Accounting Estimates and Assumptions

Note 8 - Biological Assets - Livestock

Note 11 - Property, Plant and Equipment

Note 12 - Investment Properties

Note 31 – Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendments to PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

The adoption of the amendments to PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amendments to PFRS Already Issued But Not Yet Effective

Under prevailing circumstances, the relevant amendments to PFRS already issued but which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements are not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As at December 31, 2023 and 2022, the Group does not have financial assets at FVOCI and financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired or through the amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, the Group's cash, trade and other receivables (excluding advances to officers and employees), receivable from an insurance company and security deposits (presented under "Other Noncurrent Assets" account) are classified under this category (see Notes 5, 6, 10 and 13).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2023 and 2022, the Group's trade and other payables (excluding statutory payables), loans payable, cash bond deposits and lease liabilities are classified under this category (see Notes 14, 15, 16 and 24).

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group 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.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial 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 Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

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 statements of comprehensive income.

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

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Inventories

Inventories consist of feeds, raw materials and feed supplements, supplies and animal health products, finished goods and hatching eggs. Cost is determined using the moving average method. Inventories are measured at the lower of cost and net realizable value (NRV).

Feeds. Feeds include costs of raw materials and costs of direct labor and manufacturing overhead.

Raw Materials, Feed Supplements, Supplies and Animal Health Products. For these inventories, 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.

Finished Goods. Finished goods, which include fresh and frozen chicken cut-ups, include costs of direct materials, labor and overhead.

Hatching Eggs. Hatching eggs are initially measured at the fair value less estimated costs to sell at the point of harvest.

The NRV of feeds, feed supplements, animal health products, finished goods and hatching eggs is based on the estimated selling price in the ordinary course of business less the cost of marketing and distribution, while the NRV of raw materials and supplies is the current replacement cost.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in profit or loss.

Biological Assets - Livestock

This consists of biological assets such as day-old chicks after undergoing the hatching process, chicks which are grown as chicken broilers, and parent stock. These are measured on initial recognition and at the end of each reporting period at fair value less costs to sell. The Group's fair valuation takes into consideration inputs based on the hatchability rate of eggs, mortality of chicks being grown as chicken broilers and parent stock, estimated future cash flows to be incurred in hatching the eggs and growing the chicks and parent stock, among others.

Gain or loss arising on initial recognition and any changes in the fair value less costs to sell of livestock are recorded as adjustment to "Net Sale of Goods" in the consolidated statements of comprehensive income.

Advances to Suppliers

Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried in the consolidated statements of financial position at face amount and are recognized as expense in profit or loss or to the corresponding asset account when the services or goods for which the advances were made are received by and delivered to the Group with reference to percentage of completion, if any.

Advances to suppliers are classified as current assets since the corresponding goods or services are expected to be delivered or performed for no more than 12 months after the financial reporting period.

Other Current Assets

Other current assets consist of creditable withholding taxes (CWTs), advances to contract growers and breeders, prepayments and input value-added taxes (VAT).

CWTs. CWTs represent the amounts withheld at source by the Group'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.

Advances to Contract Growers and Breeders. Advances to contract growers and breeders pertain to purchases of animal health products and feeds that are already paid in advance. These are expected to be received by and delivered to the Group for no more than 12 months after the financial reporting period.

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 that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Input VAT. Revenue, expenses and assets are recognized net of the amount of VAT except in cases where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable, or receivable and payables that are stated with the amount of VAT included.

Property, Plant and Equipment

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

The initial cost of property, plant and equipment consists of the purchase price, including import duties and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property, plant and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Subsequent to initial recognition at cost, property, plant and equipment (except for land, transportation equipment and construction in-progress) are carried at revalued amounts less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Land is carried at revalued amount less accumulated impairment losses, if any. 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 surplus is credited to "Revaluation Surplus" account presented under "Other Comprehensive Income" section of the consolidated statements of financial position. Any decrease in the revaluation surplus of the same asset is charged to OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset and the remaining decline, if any, is recognized in the consolidated statements of comprehensive income.

Annually, an amount from the "Revaluation Surplus" account is transferred to "Retained Earnings" under the "Equity" section in the consolidated statements of financial position for the depreciation relating to the revaluation surplus, net of related taxes. Upon disposal, any revaluation surplus relating to the particular asset sold is transferred to "Retained Earnings". Revaluations are performed every one to two years to ensure 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 calculated on a straight-line basis over the following estimated useful lives of the assets:

Asset Type	Number of Years
Plant, 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

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the account until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss in the year the asset is derecognized.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

The Group uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using Sales Comparison approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments, as applicable.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sell.

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

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

Other Noncurrent Assets

Other noncurrent assets consist of project development costs, security deposits classified as financial assets and computer software.

Project Development Costs. These represent costs directly attributable to the development of the Parent Company's aqua feeds and aqua culture projects. The capitalized development costs pertain to 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.

Computer Software. Computer software is measured at cost of acquisition less any accumulated amortization and impairment losses, if any. Computer software is amortized on a straight-line basis over the economic useful life of three years and assessed for impairment whenever there is an indication that the computer software may be impaired. Amortization period and amortization method for computer software are reviewed at each reporting date. Any change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is recognized prospectively.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as Lessee

The Group recognizes right-of-use (ROU) asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Group measures the ROU assets at cost. The cost comprises:

- The amount of the initial measurement of lease liabilities;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging as follows:

Asset Type	Number of Years
Building	2 to 5 years
Transportation equipment	5 years

Lease Liabilities. At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liabilities are remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

The Group as a Lessor

Leases where the Group retains substantially all the risks and rewards 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 over the lease term on the same basis as rental income.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital (APIC). APIC is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Retained Earnings. Retained earnings represents the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

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

Revenue Recognition

The Group is engaged in the manufacturing and distribution of animal feeds, animal health and nutritional products, and feeds supplements. The Group is also engaged in the production of day-old chicks and in the growing, production and distribution of chicken broilers, either as live or dressed chickens.

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

Revenue from the Group's sale of goods is recognized at point in time when control of the goods is transferred to the customers, which is normally upon delivery.

The following specific recognition criteria must also be met before other revenue items outside the scope of PFRS 15 are recognized:

Rental Income. Rental income on leased property is recognized on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as interest accrues, taking into consideration the effective yield on the asset.

Other Income. Other income is recognized when earned.

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Goods Sold. Cost of goods sold are recognized as expense when the related goods are delivered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market its products. These are expensed as incurred.

Interest Expense. These are recognized in profit or loss using the effective interest method.

Other Charges. Other charges are recognized when incurred.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has a partially funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements pertaining to actuarial gains and losses and return on plan assets 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 Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting defined benefit asset is limited to the asset ceiling which is the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation 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 so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused NOLCO and MCIT 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 taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products provided, with each segment reporting a strategic business unit that offers different products and markets. Financial information on the Group's business segments is presented in Note 32 to the consolidated financial statements.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including risks and uncertainties associated with the present obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Basic and Diluted Earnings per Share

Basic earnings per share is computed by dividing the net income for the period attributable to common equity holders of the Parent Company by the weighted average number of issued, subscribed and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted earnings per share is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. These are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

Judgments

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

Determining the Operating Segments. The Group's determination of the operating segments is based on the information about the components that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Group's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance.

The Group reports separate information about an operating segment that meets any of the following quantitative thresholds:

- 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;
- 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
- the assets of the segment are 10% or more of the combined assets of all operating segments.

The Group has three reportable operating segments which are its foods, feeds and farms segments, and one geographical segment as the Group's operations are located in the Philippines. The Group operates and derives all its revenue from domestic operations.

Classifying the Property, Plant and Equipment and Investment Properties. The Group determines whether a property qualifies as an investment property or an item of property, plant and equipment. In making its judgment, the Group considers whether the property is held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes by the Group.

The carrying amounts of property, plant and equipment and investment properties as at December 31, 2023 and 2022 are disclosed in Notes 11 and 12, respectively.

Determining the Highest and Best Use of Investment Properties. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible.

The carrying amounts of investment properties as at December 31, 2023 and 2022 are disclosed in Note 12.

Determining the Lease Commitments – The Group as a Lessor. Leases where the Group retains substantially all the risks and rewards 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 over the lease term on the same basis as rental income. Contingent rents, if any, are recognized as revenue in the period in which these are earned.

Rental income earned in 2023, 2022 and 2021 are disclosed in Note 24.

Determining the Lease Term and Incremental Borrowing Rate. The lease term is a significant component in the measurement of both the ROU assets and lease liabilities. Judgment is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset, if any, will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements, and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liabilities at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the ROU assets, with similar terms, security and economic environment. The Group uses its general borrowing rate adjusted for the lease terms, securities of an item with the underlying nature of the leased assets and expectations of residual value, among others.

The carrying amounts of ROU assets and lease liabilities as at December 31, 2023 and 2022 are disclosed in Note 24.

Assessing Provisions and Contingencies. The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

Accounting Estimates and Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Assessing the ECL on Trade Receivables. The Group initially uses a provision matrix based on the historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions, as applicable.

The Group adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the industry. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The amount of provision for ECL and the carrying amount of the Group's trade receivables as at and for the years ended December 31, 2023 and 2022 are disclosed in Note 6.

Estimating the ECL of the Receivable from an Insurance Company. The Group is currently involved in legal proceedings to pursue the collection of its remaining insurance claims for typhoon damages from an insurance company. The determination of whether the insurance claims receivable is still realizable requires consultations with legal counsel and management's estimate of the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected settlement of the claims.

Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result to any significant adverse impact on the Group's financial condition and results of operations. Thus, no provision for ECL was recognized in 2023, 2022 and 2021.

The carrying amount of receivable from an insurance company and the allowance for ECL recognized as at December 31, 2023 and 2022 are disclosed in Note 10.

Assessing the ECL on Other Financial Assets at Amortized Cost (excluding Trade Receivables and Receivable from an Insurance Company). The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition, in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; or
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Group also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The amount of provision for ECL recognized in 2023, 2022 and 2021 are disclosed in Note 6.

Estimating the Fair Value of Biological Assets. The fair values of the Group's biological assets are based on the most reliable estimate of market prices at the end of the reporting period. The fair values of day-old chicks, growing broilers and parent stock were determined using the income approach which considers the net cash flows expected to be generated from the sale of day-old chicks, sale of fully-grown broilers as dressed chickens and net cash flows expected to be generated from parent stock. These are measured as Level 3 in the fair value hierarchy.

The cash flow projections include specific estimates of the hatching period, the hatchability and mortality rates, and volume of harvest. In addition, the significant unobservable inputs also include the estimated future sales price of day-old chicks, dressed chickens and parent stock, as well as the estimated costs to be incurred in the hatching, growing and dressing processes, as applicable.

Generally, the estimated fair value would increase (decrease) if the estimated future sales price, cash inflows, hatchability rates or volume of production were higher (lower). Meanwhile, the estimated fair value would increase (decrease) if the estimated costs to be incurred in the hatching, growing and dressing processes or estimated mortality rates were lower (higher).

The gain or loss on fair value changes of biological assets recognized under "Revenues" in the consolidated statements of comprehensive income in 2023, 2022 and 2021 are presented in Note 8.

Estimating the Revalued Amounts of Property, Plant and Equipment (excluding Transportation Equipment and CIP). The Group measures its property, plant and equipment (excluding transportation equipment and CIP) at revalued amounts with changes in fair value being recognized in OCI.

In determining the revalued amounts of property, plant and equipment (excluding transportation equipment and CIP), the Group hired independent firms of appraisers as at December 31, 2023 and 2022. 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 carrying amounts of property, plant and equipment at revalued amounts as at December 31, 2023 and 2022 are disclosed in Note 11.

Estimating the Useful Lives of Property, Plant and Equipment. The Group reviews annually the estimated useful lives of property, plant and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment.

There were no changes in the estimated useful lives of property, plant and equipment in 2023, 2022 and 2021. The carrying amounts of property, plant and equipment as at December 31, 2023 and 2022 are disclosed in Note 11.

Estimating the Fair Value of Investment Properties. The Group's investment properties are measured at fair values. The Group works closely with external qualified appraisers who performs the valuation using appropriate valuation techniques. The Group estimates expected future cash flows, yields, and discount rates.

The valuation techniques and inputs used in the fair value measurement of investment properties, as well as the carrying amounts of investment properties as at December 31, 2023 and 2022 are disclosed in Note 12.

Assessing the Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost 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 the continuing use of an asset and from its disposal at the end of its useful life. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2023, 2022 and 2021.

The carrying amounts of nonfinancial assets which consists of advances to officers and employees, other current assets, property, plant and equipment, investment properties, other noncurrent assets (excluding security deposits) and ROU assets and are disclosed in Notes 6, 9, 11, 12, 13 and 24.

Estimating the Retirement Liability. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

The carrying amounts of net retirement liability as at December 31, 2023 and 2022 are disclosed in Note 23.

Assessing the Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused NOLCO is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

As at December 31, 2023 and 2022, the carrying amounts of recognized deferred tax assets and the amount of unrecognized deferred tax assets which management has assessed may not be realized in the future, are disclosed in Note 25.

4. Prior Period Adjustments

The consolidated financial statements as at and for the year ended December 31, 2022 have been restated to reflect the reclassification to property, plant and equipment of the Parent Company's investment properties which are being operated by BVC, as a result of the consolidation of BVC's operations to the Parent Company effective January 1, 2022 (see Note 33). Accordingly, the adjustments also included reclassifications from gain on change in fair value of investment properties in profit or loss to revaluation surplus in OCI, as well as the corresponding recognition of depreciation charges of property, plant and equipment in profit or loss, and other restatements to deferred taxes as presented in the related notes to consolidated financial statements.

The net effects of the prior period adjustments and reclassifications on the Group's consolidated financial statements as at December 31, 2022 which accounted for less than one percent of total equity are as follows (in millions):

	Assets	Liabilities	Equity	Retained Earnings	OCI
As previously reported	P5,248.2	P3,392.2	P1,856.0	P275.8	P418.0
Prior period adjustments and reclassifications	(27.3)	(44.4)	17.1	(2.4)	19.5
As restated	P5,220.9	P3,347.8	P1,873.1	P273.4	P437.5

5. Cash

This account consists of:

	2023	2022
Cash on hand	P6,663,187	P4,752,268
Cash in banks	391,601,874	364,664,458
	P398,265,061	P369,416,726

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Interest income earned from cash in banks amounted to ₱0.1 million in 2023, 2022 and 2021. Total interest income recognized in the consolidated statements of comprehensive income pertain to the following:

	Note	2023	2022	2021
Cash in banks		₱115,845	₱108,860	₱146,284
Trade receivables	6	1,420,936	2,289,599	1,146,861
		₱1,536,781	₱2,398,459	₱1,293,145

6. Trade and Other Receivables

This account consists of:

	Note	2023	2022
Trade receivables from:			
Third parties		₱829,900,061	₱679,515,851
Related parties	26	143,528,241	218,397,603
Nontrade receivables		83,973,350	109,099,431
Advances to officers and employees	26	23,202,566	19,003,504
Other receivables		24,936,968	28,282,385
		1,105,541,186	1,054,298,774
Allowance for ECL		(155,583,407)	(171,355,251)
		₱949,957,779	₱882,943,523

Trade receivables arising mainly from the sale of feeds, foods and livestock are generally collectible within 30 to 90 days. These receivables bear interest ranging from 1.00% to 3.00% in 2023, 2022 and 2021. Interest from overdue trade receivables amounted to ₱1.4 million, ₱2.3 million and ₱1.1 million in 2023, 2022 and 2021, respectively (see Note 5).

Nontrade receivables comprise mainly of receivables arising from the Group's incidental income. These are unsecured, noninterest-bearing and are usually settled within 30 to 90 days.

Advances to officers and employees include salary and other loans granted to employees which are generally noninterest-bearing in nature and collectible through salary deductions. This also includes cash advances for business purposes that are subject to liquidation.

Other receivables mainly consist of short-term rental deposits and receivables from government agencies.

Movements in the allowance for ECL account are shown below:

	Note	Trade	Nontrade	Advances to Officers and Employees	Others	Total
Balance as at January 1, 2023		₱66,028,152	₱88,156,268	₱3,260,572	₱13,910,259	₱171,355,251
Provision for ECL	20	3,539,062	–	–	–	3,539,062
Reclassification		(3,404,875)	(13,814,339)	(1,956,660)	(135,032)	(19,310,906)
Balance as at December 31, 2023		₱66,162,339	₱74,341,929	₱1,303,912	₱13,775,227	₱155,583,407

	Note	Trade	Nontrade	Advances to Officers and Employees	Others	Total
Balance as at January 1, 2022		₱64,323,517	₱88,156,268	₱3,260,572	₱13,910,259	₱169,650,616
Provision for ECL	20	1,704,635	—	—	—	1,704,635
Balance as at December 31, 2022		₱66,028,152	₱88,156,268	₱3,260,572	₱13,910,259	₱171,355,251

In 2023, management reclassified allowance for ECL of receivables aggregating ₱19.3 million to allowance for impairment losses of advances to suppliers and other current assets, as a result of the reclassification of the related gross receivables to advances to suppliers amounting to ₱10.9 million and advances to contract growers and breeders amounting to ₱8.4 million (see Note 9).

7. Inventories

This account consists of:

	2023	2022
At NRV -		
Feeds	₱333,652,987	₱265,341,476
At cost:		
Raw materials and feeds supplements	324,370,311	435,228,997
Supplies and animal health products	132,401,598	95,366,161
Finished goods	74,855,683	23,529,061
Hatching eggs	59,353,509	43,901,754
	₱924,634,088	₱863,367,449

Inventories are valued at lower of cost and NRV as at December 31, 2023 and 2022. The cost of feeds carried at NRV amounted to ₱334.6 million and ₱266.3 million as at December 31, 2023 and 2022, respectively. Inventories charged to cost of goods sold amounted to ₱9,865.3 million, ₱9,525.9 million and ₱7,627.6 million in 2023, 2022 and 2021, respectively (see Note 19).

Allowance for inventory obsolescence amounted to ₱0.9 million as at December 31, 2023 and 2022.

8. Biological Assets - Livestock

The Group's livestock consists of the following:

	2023	2022
Day-old chicks and growing broilers	₱89,607,344	₱110,095,736
Parent stock	39,787,415	6,023,019
	₱129,394,759	₱116,118,755

Movements of the Group's livestock are as follows:

	Note	2023	2022
Balance at beginning of year		₱116,118,755	₱52,467,770
Increase due to production		6,349,921,100	5,183,298,174
Decrease due to sales, harvest and mortality		(6,288,865,517)	(5,130,583,627)
Gain (loss) on fair value changes	18	(47,779,579)	10,936,438
Balance at end of year		₱129,394,759	₱116,118,755

9. Other Current Assets

This account consists of:

	2023	2022
CWTs	₱112,120,283	₱80,816,559
Advances to contract growers	76,927,121	47,546,420
Prepayments	60,397,861	49,606,422
Input VAT	19,485,251	15,103,433
Advances to contract breeders	10,054,368	9,987,452
	278,984,884	203,060,286
Allowance for impairment losses	(55,122,665)	(46,748,582)
	₱223,862,219	₱156,311,704

Movements in the allowance for impairment losses of advances to contract growers and contract breeders as at December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Balance at beginning of year		₱46,748,582	₱46,748,582
Reclassification	6	8,374,083	—
Balance at end of year		₱55,122,665	₱46,748,582

10. Receivable from an Insurance Company

The Parent Company has an outstanding insurance claim for typhoon damages from Charter Ping An Insurance Corporation (Charter Ping An). Pursuant to the Insurance Code, the Parent Company is entitled to interest on its claim at a rate twice the ceiling prescribed by the Monetary Board beginning March 12, 2010, or 90 days from the date the Parent Company filed the claim.

On August 17, 2016, the Parent Company received ₱58.9 million as partial settlement. On May 31, 2023, the Regional Trial Court (RTC) of Bulacan granted the claim of the Parent Company and ordered Charter Ping An to pay the insurance claim, to which Charter Ping An filed a Notice of Appeal with the Court of Appeals (CA) in Manila City. On June 14, 2023, the RTC of Bulacan issued an Order directing the records of the case to be forwarded to the Court of Appeals, Manila City. The Parent Company will file a Motion for Execution Pending Appeal before the CA.

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

The composition of the receivable as at December 31, 2023 and 2022 are as follows:

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

The Parent Company continues to legally pursue the remaining balance of the insurance claim as at December 31, 2023 and 2022. No provisions nor write-off of allowance for ECL of the receivable were recognized in 2023, 2022 and 2021.

11. Property, Plant and Equipment

At Revalued Amounts

The composition and movements of the Group's property, plant and equipment carried at revalued amounts are as follows:

2023						
	Land	Plant, Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	P904,156,050	P1,001,325,070	P323,320,085	P98,113,233	P98,539,706	P2,425,454,144
Additions	-	73,459,890	509,240	904,265	7,317,842	82,191,237
Reclassifications from CIP	-	921,410	106,500,000	1,812,378	427,850	109,661,638
Disposals	-	(2,724,911)	-	-	(190,824)	(2,915,735)
Revaluation	28,292,260	12,229,675	(5,687,741)	(1,241,385)	-	33,592,809
Balance at end of year	932,448,310	1,085,211,134	424,641,584	99,588,491	106,094,574	2,647,984,093
Accumulated Depreciation and Amortization						
Balance at beginning of year	-	357,337,651	86,242,759	53,576,563	85,419,209	582,576,182
Depreciation and amortization	-	81,723,402	18,890,399	9,554,047	8,630,737	118,798,585
Disposals	-	(2,724,911)	-	-	(131,901)	(2,856,812)
Balance at end of year	-	436,336,142	105,133,158	63,130,610	93,918,045	698,517,955
Carrying Amount	P932,448,310	P648,874,992	P319,508,426	P36,457,881	P12,176,529	P1,949,466,138

2022 (As restated - see Note 4)						
Note	Land	Plant, Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year, as previously reported	P434,169,887	P583,219,988	P173,442,789	P36,525,997	P92,622,295	P1,319,980,956
Prior period reclassifications	12	341,171,700	250,472,247	143,361,630	25,439,737	760,445,314
Balance at beginning of year, as adjusted	775,341,587	833,692,235	316,804,419	61,965,734	92,622,295	2,080,426,270
Additions	-	152,820,383	6,604,164	2,397,003	12,870,426	174,691,976
Additions from acquisition of a subsidiary	33	-	8,061,552	-	1,695,166	40,652,564
Reclassifications from CIP	-	415,353	4,841,141	1,010,000	-	6,265,494
Disposals	-	(4,964,322)	-	-	(87,548)	(5,051,870)
Adjustments	-	-	-	-	(1,361,266)	(1,361,266)
Revaluation	128,814,463	11,299,869	(4,929,639)	1,844,650	(7,199,367)	129,829,976
Balance at end of year	904,156,050	1,001,325,070	323,320,085	98,113,233	98,539,706	2,425,454,144
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	-	68,599,950	14,865,473	8,991,915	12,961,049	105,418,387
Additions from acquisition of a subsidiary	33	-	4,096,756	-	927,763	33,912,851
Reclassification	-	-	-	-	(775,990)	(775,990)
Disposals	-	(3,915,577)	-	-	(32,208)	(3,947,785)
Balance at end of year	-	357,337,651	86,242,759	53,576,563	85,419,209	582,576,182
Carrying Amount	P904,156,050	P643,987,419	P237,077,326	P44,536,670	P13,120,497	P1,842,877,962

Revaluation increment on property, plant and equipment amounted to P33.6 million, P129.8 million and P30.4 million in 2023, 2022 and 2021, respectively.

Had the above property, plant and equipment been measured using the cost model, the carrying amounts would have been as follows:

	2023	2022
Land	P355,331,190	P355,331,190
Plant, machinery and equipment	649,213,180	580,747,224
Buildings	308,661,367	265,293,469
Leasehold and land improvements	35,219,777	46,031,718
Office furniture, fixtures and equipment	11,763,016	17,415,683
	P1,360,188,530	P1,264,819,284

The Group's property, plant and equipment (except for transportation equipment and construction in-progress) were appraised by an independent firm of appraisers as at December 31, 2023 and 2022.

Details of the valuation techniques used in measuring fair values of property, plant and equipment classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Techniques	Significant Inputs	Range	
			2023	2022
Land	Sales comparison approach	Price per square meter (sqm)	₱2,995 - ₱10,500	₱1,500 - ₱6,000
		Value adjustments	5% - 35%	5% - 35%
Plant, machinery and equipment	Depreciated replacement cost method	Replacement cost	₱306.4 million	₱306.4 million
		Remaining economic life	3 - 25 years	3 - 25 years
	Discounted cash flow (DCF) approach	Discount rate	11.01%	11.75%
		Per monthly rent	₱1.4 million - ₱4.0 million	₱1.2 million - ₱2.4 million
Buildings	Depreciated replacement cost method	Replacement cost	₱176.7 million	₱176.7 million
		Remaining economic life	7 - 25 years	7 - 25 years
	DCF approach	Discount rate	11.01%	11.75%
		Per monthly rent	₱0.2 million - ₱1.2 million	₱0.2 million - ₱1.3 million
Leasehold and land improvements	Depreciated replacement cost method	Replacement cost	₱20.3 million	₱20.3 million
		Remaining economic life	2 - 4 years	2 - 4 years
	DCF approach	Discount rate	11.01%	11.75%
		Per monthly rent	₱0.1 million	₱0.1 million
Office furniture, fixtures and equipment	Depreciated replacement cost method	Replacement cost	₱12.2 million	₱11.0 million
		Remaining economic life	2 - 4 years	2 - 4 years

The description of the valuation techniques and inputs used in the fair value measurement are as follows:

Sales Comparison Approach

Sales comparison approach involves the comparison of the Group's land to those that are more or less located within the vicinity of the appraised properties 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.

The inputs to fair valuation are as follows:

- *Price per sqm* - 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 property taking into account the location, size and architectural features among others.

Depreciated Replacement Cost Method

Depreciated replacement cost method is used to estimate valuation of plant, machinery and equipment, buildings, leasehold and land improvements and office furniture, fixtures and equipment by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration and functional and economic obsolescence.

Generally, significant increases (decreases) in depreciated replacement cost in isolation would result in a significantly higher (lower) fair value measurement.

Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

Generally, significant increases (decreases) in monthly rental rate per building, leasehold and land improvements and machinery and equipment in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate in isolation would result in a significantly lower (higher) fair value measurement.

The reconciliation of the balances of property, plant and equipment classified according to level in the fair value hierarchy is as follows:

		2023		
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year		P904,156,050	P938,721,912	P1,842,877,962
Net revaluation increment		28,292,260	5,300,549	33,592,809
Net additions		—	188,937,140	188,937,140
Depreciation and amortization - net of disposals		—	(115,941,773)	(115,941,773)
Balance at end of year		P932,448,310	P1,017,017,828	P1,949,466,138

		2022 (As restated - see Note 4)		
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year		P775,341,587	P857,115,964	P1,632,457,551
Net revaluation increment		128,814,463	(3,676,253)	125,138,210
Net additions		—	183,960,876	183,960,876
Additions from acquisition of a subsidiary	33	—	6,739,713	6,739,713
Depreciation and amortization		—	(105,418,388)	(105,418,388)
Balance at end of year		P904,156,050	P938,721,912	P1,842,877,962

There are no transfers between the levels of fair value hierarchy in 2023, 2022 and 2021.

At Cost

The following transportation equipment and construction in-progress (CIP) are carried at cost:

	2023		
	Transportation Equipment	CIP	Total
Cost			
Balance at beginning of year	₱49,017,924	₱122,736,649	₱171,754,573
Additions	624,480	30,599,506	31,223,986
Reclassifications	—	(109,661,638)	(109,661,638)
Disposal	(3,515,234)	—	(3,515,234)
Balance at end of year	46,127,170	43,674,517	89,801,687
Accumulated Depreciation			
Balance at beginning of year	45,113,940	—	45,113,940
Depreciation	2,548,759	—	2,548,759
Disposal	(3,453,734)	—	(3,453,734)
Balance at end of year	44,208,965	—	44,208,965
Carrying amount	₱1,918,205	₱43,674,517	₱45,592,722

	2022		
	Transportation Equipment	CIP	Total
Cost			
Balance at beginning of year	₱48,160,960	₱38,699,957	₱86,860,917
Additions	426,964	77,451,662	77,878,626
Additions from acquisition of a subsidiary	430,000	—	430,000
Adjustments	—	12,851,524	12,851,524
Reclassifications	—	(6,266,494)	(6,266,494)
Balance at end of year	49,017,924	122,736,649	171,754,573
Accumulated Depreciation			
Balance at beginning of year	40,879,752	—	40,879,752
Depreciation	4,033,521	—	4,033,521
Additions from acquisition of a subsidiary	200,667	—	200,667
Balance at end of year	45,113,940	—	45,113,940
Carrying amount	₱3,903,984	₱122,736,649	₱126,640,633

CIP represents cost of raw materials, general construction works and installation costs incurred in the construction of the Group's offices, cabling installation, piping, bagging system installation and other developments. Completed construction costs amounting to ₱109.7 million, ₱6.3 million and ₱15.0 million in 2023, 2022 and 2021, respectively, were reclassified to appropriate property, plant and equipment accounts. As at December 31, 2023 and 2022, there are no significant contractual commitments entered into by the Group.

In 2023, 2022 and 2021, the Group sold property, plant and equipment and investment properties for a cash consideration resulting to a gain (loss) on disposal amounting to ₱0.5 million, (₱1.0 million) and (₱1.1 million), respectively (see Note 22).

As at December 31, 2023 and 2022, fully depreciated property, plant and equipment that are still being used by the Group amounted to ₱383.5 million and ₱259.3 million, respectively.

Depreciation and amortization expense recognized in the consolidated statements of comprehensive income are as follows:

			2022 (As restated - see Note 4)	2021
	Note	2023		
Property, plant and equipment:				
At revaluated amounts		₱118,798,585	₱105,418,387	₱80,327,323
At cost		2,548,759	4,033,521	4,922,099
ROU assets	24	22,994,914	17,723,732	17,079,097
Computer software	13	3,398,021	5,795,513	3,678,102
		₱147,740,279	₱132,971,153	₱106,006,621

Depreciation and amortization expense were charged to the following:

			2022 (As restated - see Note 4)	2021
	Note	2023		
Cost of goods sold	19	₱105,338,143	₱95,998,634	₱72,016,730
Operating expenses:	20			
Selling and distribution		26,754,216	21,642,518	17,309,846
Administrative expenses		15,647,920	15,330,001	16,680,045
		42,402,136	36,972,519	33,989,891
		₱147,740,279	₱132,971,153	₱106,006,621

12. Investment Properties

This consists of the Group's parcels of land arising from the foreclosure of properties as settlement of its customers' liabilities to the Group, and properties which are held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are measured using the fair value model. The composition and movements in this account are summarized below:

	2023		
	Land	Building	Total
Balance at beginning of year, at cost	₱178,403,468	₱15,567,585	₱193,971,053
Additions	1,712,209	-	1,712,209
Disposals	(2,953,785)	-	(2,953,785)
Balance at end of year, at cost	177,161,892	15,567,585	192,729,477
Cumulative gain (loss) on changes in fair value	109,431,064	(814,190)	108,616,874
Balance at end of year, at fair value	₱286,592,956	₱14,753,395	₱301,346,351

	Note	2022		
		Land	Building	Total
Balance at beginning of year as previously reported, at cost		₱522,205,862	₱434,841,199	₱957,047,061
Prior period reclassifications	11	(341,171,700)	(419,273,614)	(760,445,314)
Balance at beginning of year as adjusted		181,034,162	15,567,585	196,601,747
Disposal		(2,630,694)	—	(2,630,694)
Balance at end of year, at cost		178,403,468	15,567,585	193,971,053
Cumulative gain (loss) on changes in fair value		45,122,474	(619,585)	44,502,889
Balance at end of year, at fair value		₱223,525,942	₱14,948,000	₱238,473,942

The Group's investment properties were appraised by an independent firm of appraisers as at December 31, 2023 and 2022. Gain on change in fair value amounted to ₱64.1 million, ₱28.2 million and ₱1.3 million in 2023, 2022 and 2021, respectively.

The Group recognized revenue from leasing operations amounting to ₱5.3 million, ₱7.8 million and ₱11.1 million in 2023, 2022 and 2021, respectively (see Note 22). Direct costs related to the lease of investment properties amounted to ₱1.0 million, ₱1.1 million and ₱1.3 million in 2023, 2022 and 2021, respectively.

Details of the valuation techniques used in measuring fair values of classified under Level 2 of the fair value hierarchy are as follows:

Class of Property	Valuation Techniques	Significant Inputs	Range	
			2023	2022
Land	Sales comparison approach	Price per square meter (sqm)	₱45 - ₱17,000	₱50 - ₱14,200
		Value adjustments	5% - 70%	5% - 80%

Sales comparison approach involves the comparison of the Group's land to those that are more or less located within the vicinity of the appraised properties 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.

The significant inputs to fair valuation are as follows:

- *Price per sqm* - 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 and architectural features among others.

Meanwhile, building was valued using DCF approach (Level 3) and utilized discount rate and monthly rental rates as significant inputs. Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

Generally, significant increases (decreases) in the discount rate in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in rental rate in isolation would result in a significantly higher (lower) fair value measurement.

13. Other Noncurrent Assets

This account consists of:

	Note	2023	2022
Project development costs		₱31,368,395	₱31,368,395
Security deposits	24	12,928,688	18,229,324
Computer software		10,487,976	13,885,997
		54,785,059	63,483,716
Allowance for impairment losses		(31,368,395)	(31,368,395)
		₱23,416,664	₱32,115,321

Project development costs represent expenses incurred on the Group's aqua feeds and aqua culture projects. These were already fully provided with valuation allowance as at December 31, 2023 and 2022 since based on management's evaluation, these costs may no longer be recoverable.

Computer software is amortized over the economic life of three (3) years. Movements in computer software are as follows:

	Note	2023	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 Amortization			
Balance at beginning of year		29,479,134	23,683,621
Amortization	11	3,398,021	5,795,513
Balance at end of year		32,877,155	29,479,134
Carrying Amount		₱10,487,976	₱13,885,997

14. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trade payables:			
Third parties		₱1,642,893,759	₱1,627,742,437
Related parties	26	3,907,536	4,333,416
Accrued expenses:			
Selling and administrative		189,328,480	175,537,109
Outside services		25,503,169	16,315,967
Others		14,830,005	49,318,293
Nontrade payables		148,419,428	62,588,749
Statutory payables		27,729,615	20,241,561
Customers' deposits		14,240,358	45,629,029
		₱2,066,852,350	₱2,001,706,561

Trade payables consist of liabilities arising from purchases of inventories in the normal course of business. These are noninterest-bearing and are generally settled within 30 to 90 days.

Accrued expenses mainly pertain to selling and administrative expenses, outside services, salaries and wages, freight and handling, outside services, taxes and licenses, commission and supplies, among others. These are normally settled within one year.

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

Statutory payables consist of liabilities to government agencies. These are normally settled within a month.

Customers' deposits include amounts advanced by the customers to the Group.

15. Loans Payable

The Group's outstanding loans payable to local banks amounted to ₱898.1 million and ₱1,035.1 million as at December 31, 2023 and 2022, respectively. The Group's short-term and long-term loans are not subject to any debt covenants.

	2023	2022
Short-term loans	₱848,476,429	₱960,657,066
Current portion of long-term loans	24,821,429	24,821,429
Current portion of loans payable	873,297,858	985,478,495
Noncurrent portion of loans payable	24,821,427	49,642,856
	₱898,119,285	₱1,035,121,351

Short-term Loans Payable

In 2023 and 2022, the Group obtained unsecured, Peso-denominated short-term loans from local banks to finance its working capital requirements. The Group's short-term loans mature within 90 days and bear annual interest rates ranging from 6.00% to 6.50%. Outstanding balance amounted to ₱848.5 million and ₱960.7 million as at December 31, 2023 and 2022, respectively.

Long-term Loans Payable

The following are the Group's long-term loans payable:

a. ₱86.9 million promissory note

On October 31, 2018, the Parent Company entered into an eight-year loan agreement with China Bank Savings, Inc. ("CBS") amounting to ₱86.9 million, payable in 28 quarterly installments starting January 31, 2020 and bearing an interest rate of 7.875% per annum, repriced annually. Repriced interest rate is 7.750% in 2023 and 6.250% in 2022. Outstanding balance amounted to ₱24.8 million and ₱37.2 million as at December 31, 2023 and 2022, respectively.

b. ₱86.9 million promissory note

On December 6, 2018, the Parent Company entered into another eight-year loan agreement with CBS amounting to ₱86.9 million, payable in 28 quarterly installments, starting March 6, 2020 and bearing an interest rate of 8.125% per annum, repriced annually. Repriced interest rate is 7.750% in 2023 and 6.125% in 2022. Outstanding balance amounted to ₱24.8 million and ₱37.2 million as at December 31, 2023 and 2022, respectively.

Total availments of loans payable amounted to ₱1,740.2 million and ₱2,349.6 million in 2023 and 2022, respectively. Total payments of loans payable amounted to ₱1,877.2 million and ₱1,819.5 million in 2023 and 2022, respectively (see Note 28).

Interest expense on loans payable amounted to ₱68.3 million, ₱35.7 million, and ₱20.7 million in 2023, 2022 and 2021, respectively. Total interest expense recognized in the consolidated statements of comprehensive income consists of the following:

	Note	2023	2022	2021
Loans payable		₱68,308,882	₱35,735,576	₱20,665,516
Accretion of interest on lease liabilities	24	7,514,406	4,266,400	2,385,774
		₱75,823,288	₱40,001,976	₱23,051,290

16. Cash Bond Deposits

Cash bond deposits amounting to ₱60.5 million and ₱56.3 million as at December 31, 2023 and 2022, respectively, mainly pertains to surety bond deposits from contract growers, contract breeders, and salesmen.

These are generally renewed on an annual basis and cash bond deposits will be refunded upon termination of the contract.

17. Equity

Capital Stock

As of December 31, 2023 and 2022, the Parent Company has issued and outstanding common shares of 3,054,334,014 common shares at ₱0.38 par value equivalent to ₱1.2 billion. Details of the authorized, issued and outstanding common shares as at December 31 are as follows:

	2023	2022
Authorized	3,500,000,000	3,500,000,000
Issued and outstanding	3,054,334,014	3,054,334,014
Capital stock	₱1,160,646,925	₱1,160,646,925

The details and movements of the common shares listed with PSE follows:

Date of SEC Approval	Authorized Shares	No. of Shares Issued
October 2, 1972	5,000,000	5,000,000
May 2, 1973	10,000,000	10,000,000
October 31, 1974	7,000,000	7,000,000
December 5, 1977	45,000,000	45,000,000
December 5, 1982	33,000,000	33,000,000
August 11, 1986	200,000,000	200,000,000
February 9, 1989	200,000,000	200,000,000
October 16, 2013	3,500,000,000	2,286,497,901
December 22, 2017	3,500,000,000	267,836,113
		3,054,334,014

The Parent Company has 4,103 and 4,113 stockholders as at December 31, 2023 and 2022, respectively.

Other Comprehensive Income

The components and movements of other comprehensive income are presented below:

	2023		
	Revaluation Surplus	Accumulated Remeasurement Gain (Loss)	Total
Balance at beginning of year	₱433,544,010	₱3,956,055	₱437,500,065
Revaluation increment - net of tax	25,194,607	-	25,194,607
Remeasurement loss - net of tax	-	(10,192,829)	(10,192,829)
Transfer of revaluation surplus realized through depreciation to retained earnings - net of tax	(16,780,410)	-	(16,780,410)
Balance at end of year	₱441,958,207	(₱6,236,774)	₱435,721,433

	2022		
	Revaluation Surplus	Accumulated Remeasurement Gain (Loss)	Total
Balance at beginning of year	₱348,064,817	(₱27,885,015)	₱320,179,802
Revaluation increment - net of tax	97,372,482	-	97,372,482
Remeasurement gain - net of tax	-	31,841,070	31,841,070
Transfer of revaluation surplus realized through depreciation to retained earnings - net of tax	(11,893,289)	-	(11,893,289)
Balance at end of year	₱433,544,010	₱3,956,055	₱437,500,065

18. Revenues

This account consists of:

	Note	2023	2022	2021
Net sales from:				
Foods		₱6,943,470,958	₱6,241,334,413	₱4,231,571,048
Feeds		5,128,051,942	5,199,285,802	4,694,677,304
Farms		472,171,275	516,895,636	722,913,456
		12,543,694,175	11,957,515,851	9,649,161,808
Fair value changes on biological assets	8	(47,779,579)	10,936,438	(22,854,221)
		₱12,495,914,596	₱11,968,452,289	₱9,626,307,587

19. Cost of Goods Sold

This account consists of the following:

	Note	2023	2022 (As restated - see Note 4)	2021
Inventories sold	7	₱9,865,346,419	₱9,525,944,014	₱7,627,567,945
Outside services	24	1,125,872,634	858,830,177	712,164,921
Contractual services		426,291,217	312,262,806	258,517,601
Depreciation and amortization	11	105,338,143	95,998,634	72,016,730
Salaries and employee benefits	21	35,854,006	45,814,819	38,472,730
Communications, light and water		24,024,344	40,263,703	31,797,494
Repairs and maintenance		5,418,750	14,693,513	8,216,556
Others		3,295,455	5,835,758	3,731,646
		₱11,591,440,968	₱10,899,643,424	₱8,752,485,623

20. Operating Expenses

This account consists of the following:

	2023	2022 (As restated - see Note 4)	2021
Administrative expenses	₱552,140,873	₱560,014,678	₱462,811,838
Selling and distribution expenses	341,670,393	323,347,130	248,272,613
	₱893,811,266	₱883,361,808	₱711,084,451

The details of operating expenses are as follows:

	Note	2023	2022 (As restated - see Note 4)	2021
Salaries and employee benefits		₱316,880,371	₱278,702,032	₱230,964,474
Transportation, travel and freight and handling		284,876,669	292,654,988	207,879,032
Depreciation and amortization	11	42,402,136	36,972,519	33,989,891
Publications and subscriptions		40,088,981	39,323,376	38,877,116
Contractual services		38,187,859	26,600,604	20,517,627
Taxes and licenses		29,245,992	26,719,345	17,764,542
Professional fees		27,945,926	34,746,562	29,894,725
Advertising and promotions		19,578,566	24,540,837	30,852,722
Representation and entertainment		15,475,272	36,605,488	24,959,164
Rentals	24	10,249,091	8,269,477	8,526,711
Communications, light and water		9,768,329	9,687,496	8,374,622
Supplies		6,549,416	6,398,714	7,437,118
Repairs and maintenance		5,336,923	2,897,165	4,121,943
Insurance		4,701,190	5,039,437	4,383,834
Provision for ECL of trade and other receivables	6	3,539,062	1,704,635	10,157,719
Packaging and distribution		2,354,256	3,952,152	2,217,267
Bank charges		102,335	2,571,657	403,805
Others		36,528,892	45,975,324	29,762,139
		₱893,811,266	₱883,361,808	₱711,084,451

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

21. Salaries and Employee Benefits

This account pertains to the following:

	Note	2023	2022	2021
Salaries and wages		P297,188,485	P259,733,525	P218,104,366
Retirement benefits	23	22,122,540	22,336,339	16,993,091
Commissions		16,550,520	27,560,525	21,476,608
Other short-term benefits		16,872,832	14,886,462	12,863,139
		P352,734,377	P324,516,851	P269,437,204

Salaries and employee benefits are allocated as follows:

	Note	2023	2022	2021
Cost of goods sold	19	P35,854,006	P45,814,819	P38,472,730
Operating expenses:				
Administrative		211,849,889	176,820,010	166,331,166
Selling and distribution		105,030,482	101,882,022	64,633,308
		316,880,371	278,702,032	230,964,474
		P352,734,377	P324,516,851	P269,437,204

22. Other Income (Charges)

Other Operating Income

	Note	2023	2022	2021
Rental income	24	P5,255,468	P7,837,895	P11,096,404
Miscellaneous revenues		6,217,895	954,147	-
		P11,473,363	P8,792,042	P11,096,404

Miscellaneous revenues pertain to sale of chicken by-products and other wastes from production.

Other Charges - net

	Note	2023	2022	2021
Penalties		(P5,290,291)	(P10,696,915)	(P10,000,000)
Net foreign exchange loss		(615,490)	(28,701,581)	(5,714,952)
Gain (loss) on disposal of property, plant and equipment and investment properties	11	523,275	(1,037,744)	(1,060,988)
Others		-	(903,842)	(15,962,215)
		(P5,382,506)	(P41,340,082)	(P32,738,155)

23. Net Retirement Liability

The Group has a partially funded, noncontributory defined benefit retirement plan covering all of its qualified employees. The defined benefit plan is being administered by a trustee bank which is responsible for the administration of the plan asset. The Group'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.

There are no unusual or significant risks to which the retirement liability exposes the Group. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Group.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income based on the report of an independent actuary as at December 31, 2023.

Details of retirement expense is as follows (see Note 20):

	2023	2022	2021
Current service costs	₱11,519,694	₱13,896,753	₱11,956,045
Net interest cost	10,602,846	8,439,586	5,037,046
	₱22,122,540	₱22,336,339	₱16,993,091

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

	2023	2022
Present value of DBO	₱184,617,101	₱150,989,435
Fair value of plan assets	(4,031,451)	(3,931,933)
	₱180,585,650	₱147,057,502

While there are no minimum funding requirements in the country, any size of underfunding may pose a cash flow risk in the future when a significant number of employees is expected to retire.

The movements in the present value of DBO are as follows:

	2023	2022
Balance at beginning of year	₱150,989,435	₱180,278,417
Current service costs	11,519,694	13,896,753
Interest expense	10,886,338	8,641,280
Benefits paid	(2,184,831)	(9,124,310)
Remeasurement loss (gain)	13,406,465	(42,702,705)
Balance at end of year	₱184,617,101	₱150,989,435

The movements in the fair value of plan assets are as follows:

	2023	2022
Balance at beginning of year	₱3,931,933	₱3,978,184
Interest income	283,492	201,694
Remeasurement loss	(183,974)	(247,945)
Balance at end of year	₱4,031,451	₱3,931,933

The Group's plan assets are comprised of the following:

	2023	2022
Cash and cash equivalents	₱256,803	₱658,992
Equity instruments	502,722	548,505
Debt instruments - government bonds	3,257,816	2,834,137
Others	14,110	(109,701)
	₱4,031,451	₱3,931,933

There are no expected contributions to the Group's retirement plan in the following year.

The cumulative net remeasurement gains (losses) on net retirement liability recognized in OCI as at December 31 are as follows:

2023			
	Cumulative Remeasurement Gain (Loss)	Deferred Tax	Net
Balance at beginning of year	₱5,274,740	(₱1,318,685)	₱3,956,055
Remeasurement loss	(13,590,439)	3,397,610	(10,192,829)
Balance at end of year	(₱8,315,699)	₱2,078,925	(₱6,236,774)

2022			
	Cumulative Remeasurement Gain (Loss)	Deferred Tax	Net
Balance at beginning of year	(₱37,180,020)	₱9,295,005	(₱27,885,015)
Remeasurement gain	42,454,760	(10,613,690)	31,841,070
Balance at end of year	₱5,274,740	(₱1,318,685)	₱3,956,055

2021			
	Cumulative Remeasurement Loss	Deferred Tax	Net
Balance at beginning of year	(₱14,048,821)	₱3,512,205	(₱10,536,616)
Remeasurement loss	(23,131,199)	5,782,800	(17,348,399)
Balance at end of year	(₱37,180,020)	₱9,295,005	(₱27,885,015)

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2023	2022
Discount rate	6.10%	7.21%
Salary increase projection rate	5.00%	5.00%
Average remaining service years	22.4	23.0

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2023 and 2022 are presented below:

	Change in Assumption	Effect on Present Value of Retirement Liability (<i>in thousands</i>)	
		Discount Rate	Salary Increase Projection Rate
December 31, 2023	+100 bps	(P13,861)	P15,904
	-100 bps	15,888	(14,122)
December 31, 2022	+100 bps	(P10,677)	P12,365
	-100 bps	12,215	(10,984)

The expected future benefit payments of the Group are as follows:

	2023	2022
Less than one year	P26,011,557	P31,611,680
Between one and five years	55,006,165	42,714,397
Beyond five years	142,845,710	116,035,367
	P223,863,432	P190,361,444

The weighted average duration of the present value of retirement benefit obligation as at December 31, 2023 and 2022 are 8.1 years and 7.6 years, respectively.

24. Significant Agreements

Operating Leases - The Group as a Lessor

The Group entered into cancellable leases covering certain production plants (i.e., dressing, rendering and ice production) which have lease terms of around two to three years and are renewable upon mutual agreement of the parties.

Total rent income from these operating leases amounted to P5.3 million, P7.8 million and P11.1 million in 2023, 2022 and 2021, respectively, and are shown as part of "Other Operating Income" account in the consolidated statements of comprehensive income (see Note 22).

The Group as a Lessee - Short-term Leases

The Group leases certain warehouses under operating lease agreements for a period of one year and are renewable upon mutual agreement by the parties. Rent expense amounted to P10.2 million, P8.3 million and P8.5 million in 2023, 2022 and 2021, respectively (see Note 20).

Security deposits amounted to P12.9 million and P18.2 million as at December 31, 2023 and 2022, respectively (see Note 13).

The Group as a Lessee – Long-term Leases

The Group entered into lease agreements of an office space in a building and finance lease agreements for its transportation equipment for a period of more than a year. The Group recognized right-of-use assets and lease liabilities on these transactions using the interest rates implicit in the leases which are fixed at the contract date. The average effective interest rate approximates 7.875% to 8.125% per annum in 2023, 2022 and 2021.

ROU Assets

The movements in ROU assets are as follows:

		2023		
	Note	Building	Transportation Equipment	Total
Cost				
Balance at beginning of year		₱12,065,912	₱128,919,298	₱140,985,210
Additions		9,772,245	40,130,777	49,903,022
Balance at end of year		21,838,157	169,050,075	190,888,232
Accumulated Amortization				
Balance at beginning of year		11,341,957	74,113,637	85,455,594
Amortization	11	2,895,564	20,099,350	22,994,914
Balance at end of year		14,237,521	94,212,987	108,450,508
Carrying Amount		₱7,600,636	₱74,837,088	₱82,437,724

		2022		
	Note	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
Amortization	11	2,895,819	14,827,913	17,723,732
Balance at end of year		11,341,957	74,113,637	85,455,594
Carrying Amount		₱723,955	₱54,805,661	₱55,529,616

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	2023	2022
Balance at beginning of year		₱52,299,839	₱42,005,270
Additions		49,903,022	34,331,713
Accretion of interest	15	7,514,406	4,266,400
Payments		(26,125,747)	(28,303,544)
Balance at end of year		83,591,520	52,299,839
Less: current portion		22,442,663	15,413,841
Noncurrent portion		₱61,148,857	₱36,885,998

The amounts recognized in profit or loss related to leases follow:

	Note	2023	2022	2021
Amortization of ROU assets		₱22,944,914	₱17,723,732	₱17,079,097
Short-term leases	20	10,249,091	8,269,477	8,526,711
Interest expense on lease liabilities		7,514,406	4,266,400	2,385,774
		₱40,708,411	₱30,259,609	₱27,991,582

The gross minimum lease payments and present value of future minimum lease payments as at December 31 are as follows:

	2023		2022	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
Not later than one year	₱29,168,306	₱22,442,663	₱16,731,442	₱15,413,841
Later than one year but not more than five years	69,585,536	61,148,857	40,169,886	36,885,998
	₱98,753,842	₱83,591,520	₱56,901,328	₱52,299,839

Agreements with Contract Breeders and Contract Growers

The Group has entered into various agreements with breeders and growers for the breeding and growing of livestock. These are generally renewed on an annual basis.

Tolling Agreements

The Group has also entered into various toll arrangements, mainly for the manufacture of its feeds, hatching of eggs and dressing of poultry livestock whose services are payable through fixed amounts per unit of output.

Total payments for tolling arrangements amounted to ₱1,125.9 million, ₱858.8 million and ₱712.2 million in 2023, 2022 and 2021, respectively, and are recorded as part of "Outside services" account under "Cost of Goods Sold" account in the consolidated statements of comprehensive income (see Note 19).

25. Income Tax

The components of income tax expense are as follows:

	2023	2022 (As restated - see Note 4)	2021
Reported in profit or loss:			
Current:			
RCIT	₱21,935,240	₱51,302,707	₱25,793,096
MCIT	195,049	—	—
	22,130,289	51,302,707	25,793,096
Deferred	(28,854,508)	2,525,379	5,371,040
	(₱6,724,219)	₱53,828,086	₱31,164,136
Reported in OCI			
Deferred	₱5,000,592	(₱43,071,184)	(₱1,811,206)

The components of the Group's net deferred tax liabilities are as follows:

	2023	2022 (As restated - see Note 4)
Deferred tax assets:		
Retirement liability	P45,146,413	P36,764,376
Allowance for ECL	32,988,099	36,931,060
NOLCO	16,231,570	9,397,440
Allowance for impairment loss on:		
Advances to contract breeders and contract growers	13,780,666	10,802,974
Inventories	224,079	224,079
Fair value changes of biological assets	11,944,895	-
	120,315,722	94,119,929
Deferred tax liabilities:		
Revaluation surplus on property, plant and equipment	(147,319,402)	(144,514,670)
Cumulative gain on fair value changes of investment properties	(3,636,703)	(1,418,854)
Effects of PFRS 16, <i>Leases</i>	(848,147)	(807,444)
Fair value changes of biological assets	-	(2,734,110)
Unrealized gain on foreign exchanges	(12,703)	-
	(151,816,955)	(149,475,078)
	(P31,501,233)	(P55,355,149)

As at December 31, 2023 and 2022, the Group did not recognize deferred tax assets relating to the following as management has assessed that these may not be realized in the future:

	2023	2022
Allowance for ECL on:		
Receivable from an insurance company	P17,865,193	P17,865,193
Trade and other receivables	5,907,753	5,907,753
Allowance for impairment loss on:		
Project development costs	7,842,099	7,842,099
Advances to suppliers	3,618,378	884,172
	P35,233,423	P32,499,217

The Group's NOLCO pertain to operating losses incurred by BVC, as follows:

Year Incurred	Valid Until	Balance as at January 1, 2023	Incurred	Applied/ Expired	Balance as at December 31, 2023
2023	2026	P-	P17,939,079	P-	P17,939,079
2022	2025	36,488,314	-	-	36,488,314
2021	2026	10,498,886	-	-	10,498,886
		P46,987,200	P17,939,079	P-	P64,926,279

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494 (Bayanihan Act to Recover as One Act), allowing the Group's net operating losses for taxable years 2020 and 2021 to be carried over for the next five consecutive taxable years immediately following the year of such loss.

The reconciliation between the income tax based on statutory income tax rate and provision for (benefit from) income tax reported in the consolidated statements of comprehensive income is as follows:

	2023	2022	2021
Provision for income tax computed at the statutory income tax rate	25.0%	25.0%	25.0%
Income tax effects of:			
Nondeductible expenses, change in unrecognized deferred tax assets and other adjustments	(127.2%)	12.5%	(4.1%)
Income already subjected to final tax	0.0%	0.0%	0.0%
Effect of CREATE Law	—	—	4.9%
Effective income tax rates	(102.2%)	37.5%	25.8%

26. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

Related Parties	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
			2023	2022	2023	2022
Trade and other receivables	6					
Entities under common control		Sales	P623,194,605	P509,194,217		
		Collections	(698,063,967)	(553,596,333)	P143,528,241	P218,397,603
Trade and other payables	14					
Entities under common control		Purchases	P745,005,211	P1,097,925,538		
		Payments	(745,431,091)	(1,183,299,952)	P3,907,536	P4,333,416
Advances to officers	6	Advances - net of collections	P4,199,062	P6,589,468	P23,202,566	P19,003,504

Trade and Other Receivables

The Group sells animal feeds, raw materials, feed supplements and dressed chicken to related parties, which are due within 90 days and are noninterest-bearing. Outstanding balances of trade and other receivables from related parties are unsecured and to be settled in cash. No allowance for ECL on trade and other receivables from related parties was recognized as at December 31, 2023 and 2022 (see Note 6).

Trade and Other Payables

The Group buys raw materials and breeder flocks from related parties. These are noninterest-bearing, generally on a 90-day credit term, unsecured and to be settled in cash (see Note 14).

Advances to Officers

The Group grants unsecured, noninterest-bearing advances to its officers which are normally collected within one year through salary deduction. The allowance for ECL on advances to officers as at December 31, 2023 and 2022 are disclosed in Note 6.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2023	2022	2021
Short-term employee benefits	₱54,914,416	₱55,480,527	₱35,561,950
Retirement benefits	5,238,557	5,010,571	5,872,830
Other employee benefits	19,521,032	17,133,565	10,784,789
	₱79,674,005	₱77,624,663	₱52,219,569

Transactions with the Retirement Plan

The Parent Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of government bonds, amounted to ₱4.0 million and ₱3.9 million as at December 31, 2023 and 2022, respectively (see Note 23).

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor are its investments covered by any restrictions or liens.

27. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	Note	2023	2022 (As restated - see Note 4)	2021
Net Income		₱13,304,916	₱89,634,614	₱89,441,614
Divided by the weighted average number of outstanding common shares	17	3,054,334,014	3,054,334,014	3,054,334,014
Basic and diluted earnings per share		₱0.004	₱0.029	₱0.029

Basic earnings per share is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

The Parent Company does not have any dilutive common shares outstanding, thus, the basic and diluted earnings per share as at December 31, 2023, 2022 and 2021 are the same.

28. Reconciliation of Liabilities Arising from Financing Activities

The tables below detail the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

	Note	January 1, 2023	Financing Cash Flows		Non-cash Changes	December 31, 2023
			Availments	Payments		
Loans payable	15	P1,035,121,351	P1,740,233,658	(P1,877,235,724)	P-	P898,119,285
Lease liabilities	24	52,299,839	-	(26,125,747)	57,417,428	83,591,520
Interest expense	15	-	-	(68,308,882)	68,308,882	-
		P1,087,421,190	P1,740,233,658	(P1,971,670,353)	P125,726,310	P981,710,805

	Note	January 1, 2022	Financing Cash Flows		Non-cash Changes	December 31, 2022
			Availments	Payments		
Loans payable	15	P505,051,728	P2,349,559,151	(P1,819,489,528)	P-	P1,035,121,351
Lease liabilities	24	42,005,270	-	(28,303,544)	38,598,113	52,299,839
Interest expense	15	-	-	(35,735,576)	35,735,576	-
		P547,056,998	P2,349,559,151	(P1,883,528,648)	P74,333,689	P1,087,421,190

29. Contingencies

The Group, in the ordinary course of business, has pending legal claims and assessments which are in various stages of discussions, protests and appeal with relevant third parties. Management, in consultation with its legal counsel, believes that the ultimate resolution of these legal claims and assessments would not have a material impact on the Group's financial position and results of operations based upon an analysis of potential results. Thus, no provision for contingencies was recognized in 2023, 2022 and 2021.

30. Financial Risk Management Objectives and Policies

The Group's financial instruments consists of cash, trade and other receivables (excluding advances to officers and employees), receivable from an insurance company, security deposits, trade and other payables (excluding statutory payables), loans payable, lease liabilities and cash bond deposits.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

Credit Risk

The Group's exposure to credit risk arises from the failure of a counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of these financial assets represent its maximum credit exposure.

Trade Receivables. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year. Trade receivables are closely monitored on aging of the account.

As at December 31, 2023 and 2022, there were no significant credit concentrations. The Group also requires collateral which are generally land and real estate from its customers to minimize credit risk.

Financial Assets Other than Trade Receivables. The Group's other financial assets at amortized cost are mostly composed of cash in banks, other receivables (excluding advances to officers and employees), receivable from an insurance company and security deposits.

For cash in banks, the Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For receivable from an insurance company, management and its legal counsel believe that the ongoing litigation on the remaining claims will not result to additional allowance for ECL (see Note 10).

For the other financial assets, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The tables below show the credit quality by class of financial assets based on the Group's credit rating system as at December 31:

	2023				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash in banks	P391,601,874	P—	P—	P—	P391,601,874
Trade and other receivables	42,691,816	—	89,421,068	973,428,302	1,105,541,186
Security deposits	12,928,688	—	—	—	12,928,688
Receivable from an insurance company	—	141,664,583	—	—	141,664,583
	P447,222,378	P141,664,583	P89,421,068	P973,428,302	P1,651,736,331

	2022				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash in banks	P364,664,458	P—	P—	P—	P364,664,458
Trade and other receivables	51,058,221	—	105,327,099	897,913,454	1,054,298,774
Security deposits	18,229,324	—	—	—	18,229,324
Receivable from an insurance company	—	141,664,583	—	—	141,664,583
	P433,952,003	P141,664,583	P105,327,099	P897,913,454	P1,578,857,139

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at December 31:

	2023							Accounts with full provision	Total
	Days Past Due								
	Current	Less than 30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total		
Expected credit loss rate	0.00%	0.01%	0.30%	0.52%	0.69%	6.00%			
Estimated total gross carrying amount at default (in millions)	P674.08	P149.59	P43.56	P11.45	P3.13	P27.32	P909.13	P64.30	P973.43
Expected credit loss (in millions)	P0.00	P0.01	P0.13	P0.06	P0.02	P1.64	P1.86	P64.30	P66.16
	2022							Accounts with full provision	Total
	Days Past Due								
	Current	Less than 30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total		
Expected credit loss rate	0.00%	0.01%	0.30%	0.50%	0.40%	6.00%			
Estimated total gross carrying amount at default (in millions)	P606.11	P149.14	P39.94	P10.50	P2.87	P25.05	P833.61	P64.30	P897.91
Expected credit loss (in millions)	P0.00	P0.01	P0.12	P0.05	P0.01	P1.54	P1.73	P64.30	P66.03

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31:

	2023				Total
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years	
Trade and other payables*	P2,039,122,735	P—	P—	P—	P2,039,122,735
Loans payable	860,887,144	12,410,714	24,821,427	—	898,119,285
Lease liabilities	14,675,411	14,492,895	69,585,536	—	98,753,842
Cash bond deposits	—	60,503,952	—	—	60,503,952
Future interest on long term loans payable	3,046,405	3,080,067	11,226,256	—	17,352,728
	P2,917,731,695	P90,487,628	P105,633,219	P—	P3,113,852,542

*Excludes statutory payables.

	2022				Total
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years	
Trade and other payables*	P1,981,465,000	P—	P—	P—	P1,981,465,000
Loans payable	973,067,781	12,410,714	49,642,856	—	1,035,121,351
Lease liabilities	8,863,586	7,906,408	40,131,333	—	56,901,327
Cash bond deposits	—	56,299,659	—	—	56,299,659
Future interest on long term loans payable	3,949,451	3,460,672	17,336,971	—	24,747,094
	P2,967,345,818	P80,077,453	P107,111,160	P—	P3,154,534,431

*Excludes statutory payables.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial liabilities and cash flows from operations. The Group monitors its cash position by a system of cash forecasting, wherein all expected collections, check disbursements and other payments are determined on a timely basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on regular intervals. The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as management has assessed that future interest rate changes are not expected to significantly affect the Group's consolidated net income.

Financial and Other Risks Relating to Livestock

The Group is exposed to various risks affecting the food industry such as food spoilage and contamination, thus, it is regulated by environmental, health and food safety organizations. The Group has processes and systems in place to monitor food safety risks in all stages of manufacturing and processing to mitigate these risks. In addition, the livestock industry is exposed to risks associated with supply and price volatility of its inventories and livestock.

To mitigate this risk, the Group regularly monitors the supply and price of commodities and enters into supply agreements at a reasonable price.

Capital Management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods is summarized as follows:

	2023	2022 (As restated - see Note 4)
Total liabilities	₱3,321,153,990	₱3,347,840,061
Total equity	1,901,342,078	1,873,035,384
Debt-to-equity ratio	1.75	1.79

31. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy as at December 31:

	2023		2022	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash	₱398,265,061	₱398,265,061	₱369,416,726	₱369,416,726
Trade and other receivables*	928,059,125	928,059,125	867,200,591	867,200,591
Receivable from an insurance company	70,203,810	70,203,810	70,203,810	70,203,810
Security deposits	12,928,688	12,928,688	18,229,324	18,229,324
	₱1,409,456,684	₱1,409,456,684	₱1,325,050,451	₱1,325,050,451
Financial Liabilities at Amortized Cost				
Trade and other payables**	₱2,039,122,735	₱2,039,122,735	₱1,981,465,000	₱1,981,465,000
Loans payable	898,119,285	898,119,285	1,035,121,351	1,035,121,351
Lease liabilities	83,591,520	83,591,520	52,299,839	52,299,839
Cash bond deposits	60,503,952	60,503,952	56,299,659	56,299,659
	₱3,081,337,492	₱3,081,337,492	₱3,125,185,849	₱3,125,185,849

*Excluding advances to officers and employees

**Excluding statutory payables

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

Cash, Trade and Other Receivables (excluding advances to officers and employees), Trade and Other Payables (excluding statutory payables) and Cash Bond Deposits. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

Receivable from an Insurance Company, Security Deposits, Lease Liabilities and Loans Payable. Management believes that the differences between fair values and carrying amounts are not significant.

There have been no transfers between the fair value hierarchy in 2023 and 2022.

32. Operating Segment Information

The Group 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.

Business Segments

The Group mainly operates under the Foods, Feeds and Farms segments:

- a. The Foods segment is engaged in the growing, production and distribution of chicken broilers, either as live or dressed chickens. Its products are distributed to hotels, restaurants, institutional clients, 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 sold to various distributors, dealers and end users.
- c. The Farms segment is involved in the production, sale and distribution of day-old chicks.

The Corporate and Others segment includes general and corporate income and expense items which are not specifically identifiable to a particular segment.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

The following tables present revenues and expenses information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2023 and 2022 (in millions):

December 31, 2023						
	Foods	Feeds	Farms	Corporate and Others	Eliminations	Consolidated
REVENUES						
Net sale of goods	P6,943.4	P5,128.1	P472.2	P—	P—	P12,543.7
Fair value changes on biological assets	—	—	(47.8)	—	—	(47.8)
	6,943.4	5,128.1	424.4	—	—	12,495.9
COSTS AND OTHER OPERATING EXPENSES						
Cost of goods sold, excluding depreciation and amortization	6,379.0	4,622.9	484.2	—	—	11,486.1
Operating expenses, excluding depreciation and amortization	110.6	185.7	11.3	543.8	—	851.4
Depreciation and amortization	13.0	108.6	—	26.1	—	147.7
	6,502.6	4,917.2	495.5	569.9	—	12,485.2
SEGMENT OPERATING PROFIT (LOSS)	P440.8	P210.9	(P71.1)	(P569.9)	P—	P10.7
Other income (charges) - net						(4.1)
INCOME BEFORE INCOME TAX						6.6
Benefit from income tax						6.7
NET INCOME						P13.3
ASSETS AND LIABILITIES						
Segment assets	P2,008.8	P778.8	P182.2	P2,252.7	P—	P5,222.5
Segment liabilities	P1,262.1	P514.7	P120.3	P1,424.1	P—	P3,321.2
OTHER INFORMATION						
Capital expenditures	P63.1	P44.4	P—	P5.9	P—	P113.4
Non-cash expenses other than depreciation and amortization						
Retirement expense	P—	P—	P—	P22.1	P—	P22.1
Provision for expected credit loss	—	—	—	3.5	—	3.5

December 31, 2022						
	Foods	Feeds	Farms	Corporate and Others	Eliminations	Consolidated
REVENUES						
Net sale of goods	P6,241.3	P5,199.3	P516.9	P—	P—	P11,957.5
Fair value changes on biological assets	—	—	10.9	—	—	10.9
	6,241.3	5,199.3	527.8	—	—	11,968.4
COSTS AND OTHER OPERATING EXPENSES						
Cost of goods sold, excluding depreciation and amortization	5,563.2	4,773.7	466.7	—	—	10,803.6
Operating expenses, excluding depreciation and amortization	111.7	185.3	13.3	536.1	—	846.4
Depreciation and amortization	32.5	77.7	—	22.8	—	133.0
	5,707.4	5,036.7	480.0	558.9	—	11,783.0
SEGMENT OPERATING PROFIT (LOSS)	P533.9	P162.6	P47.8	(P558.9)	P—	P185.4
Other income (charges) - net						(42)
INCOME BEFORE INCOME TAX						143.4
Provision for income tax						(53.8)
NET INCOME						P89.6

	December 31, 2022					
	Foods	Feeds	Farms	Corporate and Others	Eliminations	Consolidated
ASSETS AND LIABILITIES						
Segment assets	₱2,036.8	₱771.3	₱180.4	₱2,232.4	₱—	₱5,220.9
Segment liabilities	₱1,302.7	₱509.5	₱119.1	₱1,416.5	₱—	₱3,347.8
OTHER INFORMATION						
Capital expenditures	₱141.1	₱99.3	₱—	₱16.8	₱—	₱257.2
Non-cash expenses other than depreciation and amortization						
Retirement expense	₱—	₱—	₱—	₱22.3	₱—	₱22.3
Provision for expected credit loss	—	—	—	1.7	—	1.7

33. Business Combination

On December 16, 2021, the BOD of the Parent Company approved the acquisition of 100% of the outstanding capital stock of BVC from Luzon Agriventure, Inc. (LAVI) for a consideration of ₱1.00. BVC is a private domestic corporation engaged, among others, in poultry production as well as in the processing, raising and breeding of chickens and similar stocks. The registered principal place of business of the BVC is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan.

BVC operated as the Company's wholly-owned subsidiary starting January 1, 2022. The assets acquired and liabilities assumed from the business combination are as follows:

Cash	₱2,751,245
Trade receivables	11,897,011
Prepayments	6,535,805
Property and equipment	6,739,713
Deferred tax assets	2,200,796
Total assets	₱30,124,570
Trade and other payables	₱30,232,590
Deposits	177,040
Total liabilities	₱30,409,630



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vitarich Corporation (the Parent Company) and Subsidiaries as at and for the year ended December 31, 2023 included in this Form 17-A and have issued our report thereon dated March 21, 2024. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration
- Schedules as required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Conglomerate Map
- Schedule on Financial Soundness Indicators

The schedule on financial soundness indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the year ended December 31, 2023 and no material exceptions were noted.

The other supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the consolidated financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 21, 2024
Makati City, Metro Manila

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VITARICH CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for 2022)

Below is a schedule showing the financial soundness indicators in the years 2023 and 2022.

Formula	2023	2022 (As restated - see Note 4)
Current Ratio		
Current assets	P2,750,032,659	P2,855,034,161
Divided by: Current liabilities	3,023,096,823	3,058,898,556
Current Ratio	0.910	0.933
Debt-to-Equity Ratio		
Total liabilities	P3,321,153,990	P3,347,840,061
Divided by: Total equity	1,901,342,078	1,873,035,384
Debt-to-Equity Ratio	1.747	1.787
Asset-to-Equity Ratio		
Total assets	P5,222,496,068	P5,220,875,445
Divided by: Total equity	1,901,342,078	1,873,035,384
Asset-to-Equity Ratio	2.747	2.787
Solvency Ratio		
Net income before depreciation and amortization	P161,045,195	P222,605,767
Divided by: Total liabilities	3,321,153,990	3,347,840,061
Solvency Ratio	0.048	0.066
Interest Rate Coverage Ratio		
Pretax income before interest	P82,403,985	P183,464,676
Divided by: Interest expense	75,823,288	40,001,976
Interest Rate Coverage Ratio	1.087	4.586
Profitability Ratio		
Net income	P13,304,916	P89,634,614
Divided by: Total equity	1,901,342,078	1,873,035,384
Profitability Ratio	0.007	0.048

	Formula	2023	2022 (As restated - see Note 4)
Gross Profit Margin			
	Gross profit	₱904,473,628	₱1,068,808,865
	Divided by: Net sales	12,543,694,175	11,957,515,851
	Gross Profit Margin	7.211%	8.938%
Net Profit Margin			
	Net income	₱13,304,916	₱89,634,614
	Divided by: Net sales	12,543,694,175	11,957,515,851
	Net Profit Margin	0.106%	0.750%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)			
	Net income	₱13,304,916	₱89,634,614
	Add:		
	Interest expense	75,823,288	40,001,976
	Taxes	(6,724,219)	53,828,086
	Depreciation and amortization	147,740,279	132,971,153
	EBITDA	₱230,144,264	₱316,435,829
EBITDA Margin			
	EBITDA	₱230,144,264	₱316,435,829
	Divided by: Net sales	12,543,694,175	11,957,515,851
	EBITDA Margin	1.835%	2.646%
Price Earnings Ratio			
	Market value per share	0.510	0.600
	Divided by: Earnings per share	0.004	0.029
	Price Earnings Ratio	127.500	20.689
Return on Average Equity			
	Net income	₱13,304,916	₱89,634,614
	Divided by: Average total equity	1,887,188,731	1,763,611,301
	Return on Average Equity	0.705%	5.082%

	Formula	2023	2022 (As restated - see Note 4)
Quick Ratio			
	Quick assets	₱1,348,222,840	₱1,252,360,249
	Divided by: Current liabilities	3,023,096,823	3,058,898,556
	Quick Ratio	0.446	0.409
Debt-to-EBITDA			
	Total liabilities	₱3,321,153,990	₱3,347,840,061
	Divided by: EBITDA	230,144,264	316,435,829
	Debt-to-EBITDA	14.431	10.580
Receivable Days Turnover			
	Average accounts receivable (multiplied by 365 days and divided by net sales)	₱852,695,286	₱705,483,619
	Receivable Days Turnover	25	22
Inventory Days Turnover			
	Average inventory and livestock (multiplied by 365 days and divided by cost of goods sold)	₱1,016,757,526	₱827,486,136
	Inventory Days Turnover	32	28
Accounts Payable Days			
	Average accounts payable (multiplied by 365 days and divided by credit purchases)	₱1,647,612,886	₱1,446,214,805
	Accounts Payable Days	52	47
Cash Conversion Cycle			
	Days inventory outstanding	32	28
	Add: Days sales outstanding	25	22
	Less: Days payable outstanding	(52)	(47)
	Cash Conversion Cycle	5	3

VITARICH CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF REVISED SRC RULE 68
DECEMBER 31, 2023

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A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Long-Term Debt	4
E	Indebtedness to Related Parties	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	5

Notes:

Schedule A - The Group is not required to prepare the schedule because the information requirements are not applicable to the Group.
Schedule E - The Group has no long-term loans from related parties as at December 31, 2023.
Schedule F - The Group did not guarantee any securities of other issuers as at December 31, 2023.

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023
(Amounts in Thousands)

Name and Designation of Debtor	Balance as at Beginning of Year	Deductions		Ending Balance		Balance as at End of Year
		Collected	Amounts Written Off	Current	Noncurrent	
Advances to Officers and Employees:						
Rey D. Ortega, Senior Vice-President and General Manager	P47	P-	P-	P47	P-	P47
Peter Andrew Dompier, Sales Manager	29	-	-	29	-	29
Adriano Barrameda, Sales Manager	63	5	4	64	-	64
Oliver Lupiba, Sales Manager	377	-	8	369	-	369
Cruz, Aaron, Sales Manager	116	15	4	127	-	127
Others*	18,371	10,233	6,037	22,567	-	22,567
	P19,003	P10,253	P6,053	P23,203	P-	P23,203

*Represents advances to officers and employees with balances less than P100,000.

Note: All of the above receivables are current.

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts in Thousands)

Related Party	Balance as at Beginning of Year	Additions	Deductions			Ending Balance		Balance as at End of Year
			Collections	Write Off	Amounts Written Off	Current	Noncurrent	
Amounts Due from Related Parties								
Barbatos Ventures Corporation	P75,606	P87,977	P17,468	P-	P-	P146,115	P-	P146,115

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D – LONG TERM DEBT
DECEMBER 31, 2023
(Amounts in Thousands)

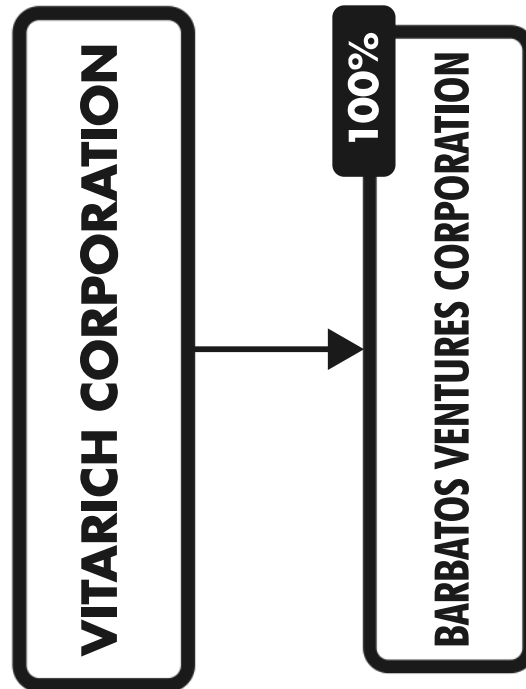
Title of issue and type of obligation	Amount authorized by Indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rates	Payment Terms	Maturity Dates
Loans payable - China Bank Savings	¥86,900	¥12,411	¥12,411	7.750%	28 quarterly payments of principal, monthly interest payments	October 30, 2026
Loans payable - China Bank Savings	86,900	12,411	12,411	7.750%	28 quarterly payments of principal, monthly interest payments	November 30, 2026
	¥173,800	¥24,822	¥24,822			

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2023
(Amounts in Thousands)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock – P0.38 par value per share						
Authorized – 3,500,000,000 shares	3,500,000	3,054,334	–	2,186,199	82,931	785,204

VITARICH CORPORATION AND SUBSIDIARIES

**MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP
DECEMBER 31, 2023**



**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

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

	Amount
Deficit as at the beginning of reporting period	(P224,756,515)
Add: <u>Category A</u> : Items that are directly credited to unappropriated retained earnings	
Transfer from revaluation surplus to retained earnings - net of deferred income tax	16,780,410
Less: <u>Category B</u> : Items that are directly debited to unappropriated retained earnings – prior period adjustments	(6,320,445)
Deficit, as adjusted	(214,296,550)
Add: Net income for the current year	23,827,005
Less: <u>Category C.1</u> : Unrealized income recognized in the profit or loss during the reporting period - net of tax	(61,896,136)
Adjusted net income	(38,069,131)
Add: <u>Category D</u> : Non-actual losses recognized in profit or loss during the reporting period - net of tax	35,834,684
Deficit as at the end of reporting period	(P216,530,997)



VITARICH FEEDS

Alagang Vitarich, Alagang Panalo!



HOGS

Vitarich Professional Hog Creep
Vitarich Professional Hog Pre-Starter
Vitarich Professional Hog Starter
Vitarich Professional Hog Grower
Vitarich Professional Hog Finisher

Vitarich Premium Plus Hog Starter
Vitarich Premium Plus Hog Grower
Vitarich Premium Plus Hog Finisher

Vitarich Advantage Plus Hog Starter
Vitarich Advantage Plus Hog Grower
Vitarich Advantage Plus Hog Finisher

Vitarich Hog Breeder
Vitarich Hog Lactating

BASEMIX (HOGS)

Vitarich Gromax Hog Starter Basemix
Vitarich Gromax Hog Grower Basemix
Vitarich Gromax Hog Growean Basemix
Vitarich Gromax Hog Breeder Basemix
Vitarich Gromax Hog Mamalac Basemix

POULTRY

Vitarich Poultry Advantage 1
Vitarich Poultry Advantage 2
Vitarich Poultry Advantage 3

Vitarich Premium Chicken Layer
Vitarich Premium Quail Layer
Vitarich Premium Duck Layer

Vitarich Premium Chick Booster
Vitarich Premium Broiler Starter
Vitarich Premium Broiler Grower
Vitarich Premium Broiler Finisher

RUMINANTS

Vitarich Gromax Buffalo Starter
Vitarich Gromax Buffalo Grower
Vitarich Gromax Buffalo Dairy

Vitarich Gromax Calf Starter
Vitarich Gromax Calf Grower
Vitarich Gromax Cattle Dairy
Vitarich Gromax Cattle Maintenance

Vitarich Gromax Goat Starter
Vitarich Gromax Goat Grower
Vitarich Gromax Goat Dairy

BASEMIX (POULTRY)

Vitarich Gromax Poultry Layer Basemix
Vitarich Gromax Poultry Layer Basemix with Phytase
Vitarich Gromax Poultry End-Layer Basemix
Vitarich Gromax Poultry Grower Basemix with Phytase
Vitarich Gromax Poultry Broiler Basemix Hi-dense
Vitarich Gromax Quail Starter Basemix
Vitarich Quail Layer Basemix



#LoveCooks



Cook's Fresh Whole Chicken

Cook's Freshly Frozen Chicken

Whole Chicken | approx. .95 to 1.05kg per pack
Wings | approx. .60 to .70kg per pack
Thigh | approx. .95 to 1.05kg per pack
Breast | approx. .95 to 1.05kg per pack
Drumstick | approx. .95 to 1.05kg per pack
Chicken Leg Quarter | approx. 1.2 to 1.35kg per pack
Thigh Fillet | approx. .95 to 1.05kg per pack
Breast Fillet | approx. .95 to 1.05kg per pack

Cook's Flavor Origins

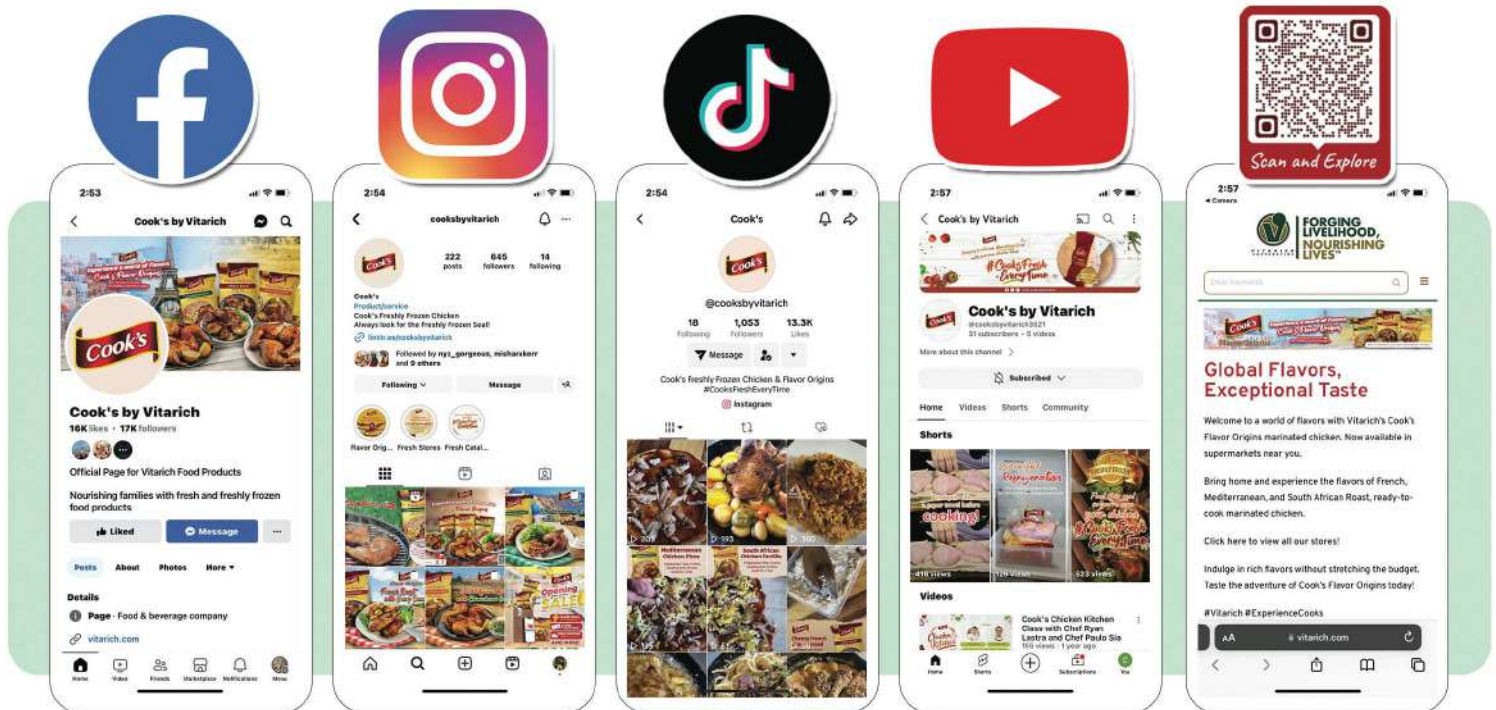
Ready to Cook Marinated Chicken

South African Roast | 1kg, 250g per pack
French Roast | 800g, 250g per pack
Mediterranean Roast | 750g, 250g per pack

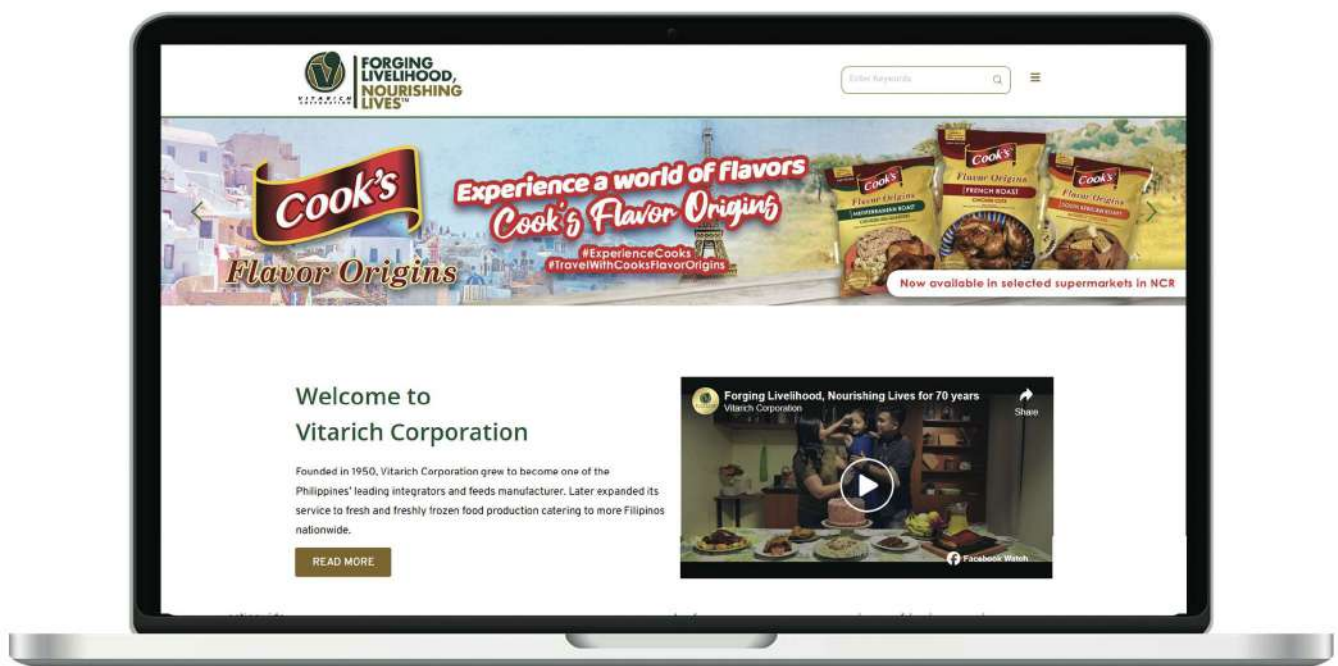
COOK'S ACTIVITIES



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Website: @vitarich.com



Corporate Information & Directory

STOCK EXCHANGE LISTING

Vitarich Corporation common shares are listed on the Philippine Stock Exchange (PSE: VITA, ISIN: PHY937931186).

REGISTERED OFFICES

BULACAN

Marilao-San Jose Road, Sta. Rosa 1
Marilao, Bulacan 3019
Phone: (02) 8843-3033

ISABELA

8 C. Building Maharlika Highway
San Fermin, Cauyan, Isabela
Phone: (078) 258-5531

BICOL

Zone 4, Brgy. San Isidro Magarao,
Camarines Sur
Phone: (054) 881-9104

ILOILO

Brgy. Malli-ao, Pavia, Iloilo
Phone: (033) 320-6753

BACOLOD

Luzuriaga Extension, Reclamation Area,
Brgy. 13 Bacolod City
Phone: (034) 445-3744

CAGAYAN DE ORO

NEO Central Arcade, Unit A, Warehouse 3,
Cugman Highway, Cagayan de Oro
Phone: (088) 857-6938

DAVAO

Km 14, Panacan, Davao City
Phone: (082) 238-0330 to 32

GENERAL SANTOS

Doors D and E, FMUFASCO Building,
National Highway, Brgy. Sinawal,
General Santos City, South Cotabato
Phone: (083) 553-5006

For inquiries from investors, analysts, and members of the media, contact ir@vitarich.com

For inquiries regarding shareholder records, dividend payments, change of address and account status, and lost or damaged stock certificates, contact:

STOCK TRANSFER SERVICE, INC.

Unit 34-D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City 1226
Mobile: 09454852455 | 09982915456
Phone: (02) 8403-2412 | (02) 8403-2410
(02) 8403-3433 | (02) 8403-9853
Fax: (02) 8403-2414



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