SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-Q

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

1. For the quarterly period ended **JUNE 30, 2004**

2. Commission Identification Number **21134**

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

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

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

   (SEC Use Only)
6. Industry Classification Code

7. **ABANGAN SUR, MC ARTHUR HIGHWAY, MARILAO, BULACAN 3019**
   Address of principal office Postal Code

8. **843-30-33; 843-02-37 to47 Connecting all departments**
   Registrant's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock - Shares outstanding	**409,969,764**

11. Are any or all the securities listed in the Philippine Stock Exchange?

Yes (**x**) No ( )

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [**x**] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [ ] No [**x**]

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

VITARICH CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SECOND QUARTER ENDED JUNE 30, 2004 AND 2003
(IN THOUSANDS)

	2004	2003	2004	2003
	JAN - JUNE	JAN - JUNE	APRIL-JUNE	APRIL-JUNE
REVENUES				
Sale of goods	2,021,406	2,217,270	1,088,202	1,196,135
Others	1,317	605	421	384
	2,022,723	2,217,875	1,088,623	1,196,519
COSTS AND EXPENSES				
Cost of goods sold	1,842,614	2,013,352	998,764	1,058,696
Operating Expenses	203,508	373,203	96,599	164,765
	2,046,122	2,386,555	1,095,363	1,223,461
INCOME FROM OPERATIONS	(23,399)	(168,680)	(6,740)	(26,942)
OTHER CHARGES (INCOME)				
Finance costs	46,800	182,479	23,400	92,430
Minority Interest				
	46,800	182,479	23,400	92,430
INCOME(LOSS) BEFORE TAX	(70,199)	(351,159)	(30,140)	(119,372)
PROVISION FOR INCOME TAX				
NET INCOME (LOSS)	(70,199)	(351,159)	(30,140)	(119,372)
EARNING PER SHARE WERE COMPUTED AS FOLLOWS:				
Net Income (loss)	(70,199)	(351,159)	(30,140)	(119,372)
Divided by the wighted average number of outstanding shares	409,970	409,970	409,970	409,970
EARNING PER SHARE	(0.17)	(0.86)	(0.07)	(0.29)

VITARICH CORPORATION
CONSOLIDATED BALANCE SHEET
FOR THE SECOND QUARTER ENDED JUNE 30, 2004 AND THE YEAR ENDED DECEMBER 31, 2003
(IN THOUSANDS)

ASSETS

	JUNE 2004	(audited) DEC. 2003
CURRENT ASSETS		
Cash	41,574	114,429
Trade & other receivables-net	921,180	915,665
Inventories	761,685	651,650
Due from related parties	94,124	93,411
Prepaid expenses & other current as	25,390	20,016
Deferred tax assets	65,193	65,193
Total Current assets	1,909,146	1,860,365
NON-CURRENT ASSETS		
Property, plant & equipment - net	2,118,747	2,183,313
Other non-current assets	230,362	228,406
Total Non - Current assets	2,349,109	2,411,718
TOTAL ASSETS	4,258,255	4,272,083

LIABILITIES AND STOCKHOLDERS' EQUITY

	JUNE 2004	(audited) DEC. 2003
CURRENT LIABILITIES		
Trade & other payables	986,178	927,887
Interest-bearing loans	-	-
Due to related parties	-	4
Income Tax Payable		534
Total Current Liabilities	986,178	928,425
NON-CURRENT LIABILITIES		
Interest-bearing loans	3,198,429	3,198,429
Cash bond deposits	33,890	34,874
Other non-current liabilities	4,557	4,954
Total Non-Current Liabilities	3,236,876	3,238,257
Total Liabilities	4,223,054	4,166,682
EQUITY		
Capital stock	409,970	409,970
Additional Paid-in capital	913,740	913,740
Revaluation increment in property	913,821	966,186
Retained earnings	(2,202,328)	(2,184,494)
Total Equity	35,201	105,401
TOTAL LIABILITIES & EQUITY	4,258,255	4,272,083

VITARICH CORPORATION
STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED JUNE 30, 2004 AND 2003

	JUNE 2004	JUNE 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(70,199)	(351,159)
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation	72,426	75,568
Deferred income provision (benefit) tax		
Loss(gain) on sale of property, plant & equipment & other assets		
Sub-Total	2,227	(275,591)
Net Changes in Working Capital		
Decrease (increase) in:		
Trade & other receivables	(5,515)	72,333
Inventories	(110,035)	256,962
Prepaid expenses & Other Current Assets	(5,374)	20,558
Net Due from related parties	(717)	(1,572)
Other non-current assets	(1,957)	25,035
Increase (decrease) in:		
Income Tax Payable	(534)	(290)
Trade & other payables	57,894	(146,127)
Total Changes in Working Capital	(66,238)	226,899
Net Cash Provided by Operating Activities	(64,011)	(48,692)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal (acquisitions) of property & eqpt	(7,860)	(35,511)
Increase(decrease) in minority interest		
Net cash Used in Investing Activities	(7,860)	(35,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest bearing loans & long-term debt		
Cash bond deposits received	(984)	(675)
Net Cash Provided by (Used in) Financing Activities	(984)	(675)
NET INCREASE(DECREASE) IN CASH	(72,855)	(84,878)
CASH AT BEGINNING OF YEAR	114,429	108,570
CASH AT END OF PERIOD	41,574	23,693

VITARICH CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED JUNE 30, 2004 AND 2003

	JUNE 2004	JUNE 2003
CAPITAL STOCK	409,970	409,970
ADDITIONAL PAID-IN CAPITAL	913,740	913,740
REVALUATION INCREMENT IN PROPERTY		
Balance, beginning of year	966,186	1,010,371
Transfer to retained earnings of revaluation increment absorbed through depreaciation	(52,365)	(11,250)
Revaluation increment in property disposed		
Balance, end of quarter	913,821	999,121
RETAINED EARNINGS		
Balance, beginning of year	(2,184,494)	(1,756,690)
Net Income (Loss)	(70,199)	(351,159)
Transfer of revaluation increment absorbed through depreciation	52,365	11,250
Revaluation increment in property disposed		
Balance, end of quarter	(2,202,328)	(2,096,598)
TOTAL EQUITY	35,201	226,232

VITARICH CORPORATION
AGING OF RECEIVABLE
AS OF JUNE 30, 2004

TRADE RECEIVABLES

	TOTAL	CURRENT	1-30	31-60	61-90	91-120	OVER 120
FEEDS	366,218	251,319	44,390	14,688	7,986	11,914	35,921
FARMS	33,026	20,235	4,687	797	547	669	6,091
		-	-	-	-	-	
FOODS	487,039	305,457	6,816	1,944	831	2,750	169,241
TOTAL	886,283	577,011	55,893	17,429	9,364	15,333	211,253
Less: Allowance for BD	211,253						211,253
NET TRADE RECEIVABLES	675,030	577,011	55,893	17,429	9,364	15,333	-
OTHER RECEIVABLES	356,079	118,161	-	-	-	-	237,918
Less: Allowance for Bad Debts	109,929	-	-	-	-	-	109,929
NET NON-TRADE RECEIVABLES	246,150	118,161	-	-	-	-	127,989
NET RECEIVABLES	**921,180**	**695,172**	**55,893**	**17,429**	**9,364**	**15,333**	**127,989**
	-						

VITARICH CORPORATION
SEGMENT INFORMATION
FOR THE SECOND QUARTER ENDED JUNE 30, 2004
(in thousands)

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Foods segment is engaged in the growing, production and distribution of chicken broilers, either as live or dressed. It is also involved into processing of chicken meat products. Its products are distributed to wet markets and supermarkets, as well as institutional customers. The Feeds segment caters to the feed requirements of the poultry growers industry. It is involved in the manufacture and distribution of animal and aqua feeds,animal health and nutritional products, and feed supplements.The Farms segment is involved in the production of day-old chicks and pullets. The Corporate and Others segment includes general and corporate income and expense items.

The following table presents revenue and profit information regarding business segments for the second quarter ended June 30, 2004, and certain asset and liability information regarding business segments at June 30, 2004.
(in thousand pesos)

	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
TOTAL REVENUES						
Net Sales						
External Sales	485,244	538,255	65,123			1,088,622
Inter-segment sales	7,337	7,207			(14,544)	-
	492,581	545,462	65,123	-	(14,544)	1,088,622
RESULTS						
Segment Results	(14,231)	4,569	2,922			(6,740)
Interest Expense				23,400		23,400
Minority Interest						
Income (Loss) before taxes						(30,140)
Income taxes						
Net Income (Loss)						(30,140)
OTHER INFORMATION						
Segment assets	870,067	2,363,782	535,828	646,439	(157,862)	4,258,254
Investment in and advances to subsidiaries and associates				57,236	(57,236)	-
Consolidated total assets	870,067	2,363,782	535,828	703,675		4,258,254
Segment liabilities	786,443	106,331	95,843	787,782	(751,774)	1,024,625
Long-term debt				3,198,428		3,198,428
Consolidated total liabilities	786,443	106,331	95,843	3,986,210		4,223,053
OTHER SEGMENT INFORMATION:						
Depreciation & amortization charged to operations	4,940	299	42	3,768		9,049

VITARICH CORPORATION
SELECTED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the accounting standards generally accepted in the Philippines.

The accounting policies and methods of computation have been consistently applied by the Company and its subsidiaries in the interim financial statement as compared with the most recent annual audited financial statements.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and feed supplements – weighted average.
- Finished feeds, processed foods, animal health products, supplies and other livestock inventories other than poultry breeding stocks – first in, first out.

Poultry breeding stocks, included in livestock inventories, are carried at accumulated costs net of amortization. Costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive life of 40 weeks of the poultry breeding stocks.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The major components of inventories are as follows:(in thousands)

	June, 2004	Audited 2003
Feeds:		
Finished Goods	P 96,449	P 68,091
Raw materials and feeds supplements	248,727	186,538
Livestock	167,582	166,808
Processed Foods:		
Finished Goods	5	5
Raw Materials	605	605
Supplies & animal health products	235,758	228.526
Materials in transit	20,227	10,668
	769,353	661,241
Less: allowance for obsolescence	(7,668)	(9,591)
	P 761,685	P 651,650

Property, Plant and Equipment

The Company's property, plant and equipment (except for transportation equipment which are stated at cost less accumulated depreciation) are stated at appraised values as determined by an independent firm of appraisers on December 29, 2002. Subsequent acquisitions are carried at cost less accumulated depreciation and amortization, and impairment losses.

Revaluations of property, plant and equipment carried at appraised values are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

The net appraisal surplus resulting from the revaluation was credited to the Revaluation Surplus in Property account shown under the equity section in the consolidated balance sheets. The amount of the revaluation surplus absorbed through depreciation and the related revaluation surplus in any property sold is transferred to Deficit.

The property, plant and equipment of the subsidiaries are stated at cost less accumulated depreciation and amortization. The property, plant and equipment of the subsidiaries were not appraised as the subsidiaries have no immediate plans to have its assets appraised.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals that add to the productive capacity or extend the asset's life are capitalized; major expenditures for repairs and maintenance are charged to expenses as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation, amortization and impairment losses are removed from the respective accounts and any resulting gain or loss is reflected in income for the period.

Construction in progress pertains to the accumulated costs of putting up assets, additions, or improvements. Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. Depreciation of such assets is performed only when significant portions of the related assets, additions, or improvements are used in the operations of the Group or when the Group has signified complete acceptance of the contract work.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is recognized over the estimated useful life of the improvements or the terms of the lease, whichever is shorter. The depreciation and amortization periods for property, plant and equipment, based on the above policies, are as follows:

Buildings	20 years
Machinery and equipment	10 to 20 years
Office furniture, fixtures and equipment	3 to 10 years
Transportation equipment	4 to 5 years
Land and leasehold improvements	2 to 5 years

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

Trade & Other Payables

This account consists of:

	June 30, 2004	Audited 2003
Trade & Non-Trade	P 505,992	P 502,406
Accrued expenses	303,989	298,471
Others	176,197	127,010
	P 986,178	P 927,887

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Sale of goods – when the title to inventories passes to the buyer.
- Rental income – at the time services have been rendered which is usually at the end of each month or as stated in the lease contract.
- Interest – as the interest accrues (taking into account the effective yield on the assets).

Issuances, repurchases, and repayments of debt & equity securites;

There were no issuances, repurchases, and repayments of debt and equity securities made for the first quarter of the year.

Dividends

In 1995, the Corporation declared cash dividend of P0.10/share. For 1996 up to second quarter of 2004, the Corporation did not declare any dividend because of the losses suffered by it.

Equity

As of June 30, 2004 and December 2003, capital stock consists of:
(in thousands pesos)

	Shares	Amount
Authorized – 500 million shares, P 1 par value		
Issued and outstanding	409,969,764	P 409,970

Earnings(Loss) Per Share (EPS)

Earnings (loss) per share are determined by dividing net income (loss) by the weighted average number of shares subscribed and issued during the year after retroactive effect for any stock dividends.

Interest – Bearing Loans
The composition of Interest-bearing loans is presented below:
(in thousands)

	June 2004	Audited 2003
Current:		
Interest-bearing loans	P -	P -
Current portion of long-term debt		
	-	
Non-current :		
Serviceable debt	1,040,000	1,757,440
Non-serviceable debt	2,158,429	2,158,429
	3,198,429	3,198,429
	P 3,198,429	P 3,198,429

Other Matters

- There were no contingent asset or liability since the last annual balance sheet date.
- There were no material commitments for capital expenditures.

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

Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

Under the Second Amendment dated March 19, 2003, entered into by the Corporation with the creditor banks, if the Corporation defaults in its obligation under it, it shall be considered as an event of default under the Omnibus Agreement, and will result to an adverse financial liability of the Corporation.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Second quarter consolidated sales reached ₱1.1 billion, a 9% decline from ₱1.2 billion in the same period last year. As of June, total sales amounted to ₱2.1 billion, a decrease of 9% over last year sales of ₱2.2 billion. The decrease was due to the sudden drop in volume of poultry, as a result of the company's deliberate move to reduce its poultry business. Sales mix shifted from 61% poultry and 39% feeds to 43% & 57%, respectively.

Whilst production costs remained high due to increasing cost of feed ingredients, selling prices dropped as a result of cost competitiveness in the market. Given the still depressed chicken prices during the second quarter period, the company recorded an operating loss of ₱6.7M, 75% better than the same period last year. As of June, the company posted a net loss of ₱70.1M, a significant improvement from the same period last year of ₱351.2M loss.

Feeds volume though remained below budget as the company experienced the effects of aggressive competition due to the entry of more players who enticed the market with reduced prices and better credit facilities. The company continues to review its plans and programs to address the current situation. Consequently, preparation in improving the products i.e. extensive training and recruiting of sales force has been made to enhance the feed sales performance.

On the other hand, operating expenses decreased by 41% as compared to the same quarter last year. The decrease was due to continuous implementation of cost saving measures such as keeping strict control of operating expenses, contracting out of facilities that could no longer be operated efficiently to third parties, disposing of idle foreclosed properties and other positive decision that can be of great assistance financially.

The approval of the company's restructuring plan resulted to lower financial charges for the entire year. Again, this will allow the company to re-channel its resources and strengthen its feeds business both for farms and aquatic animals.

Philippines' Favorite Chicken, Inc. (PFCI), a subsidiary of the Company and the exclusive distributor of Texas Chicken Restaurant in the Philippines, registered a sales revenue for the quarter of ₱35.0M or 15% increase as compared to the same period last year. The increase was attributable to aggressive marketing campaigns that resulted in a very encouraging consumer response. This was also due to the closure of non-profitable branches, leaving only six (6) operational stores. We closed down these stores with the confident objective of wiping out the subsidiary's losses by year-end and focusing on the remaining profitable mall stores.

Gromax, Inc., another subsidiary of the Company, yielded positive results for the second quarter as it registered total sales revenue of ₱22.6M, though 33% off as against the same period last year but remaining above the budget. Likewise, operating expenses decreased by 22% as a result of the company's cost cutting measures.

Financial Condition

Current ratio for the second quarter slightly declined from 2:1 of December 31, 2003 to 1.94:1. The decrease was basically due to increase in trade and other payables account.

Unaudited Balance Sheet June 30, 2004 vs. Audited December 31, 2003

The Company's total assets as of June 30, 2004 stood at ₱4.26B, slightly lower than 2003 level of ₱4.27B. The 3% increase in current assets was mainly due to increase in inventories by 17%, basically due to increase of raw materials inventory for its subsequent month's requirements. Likewise, trade and other receivables slightly increased by 1% due to lower collection efficiency.

Second quarter cash balance declined to ₱41.6M from ₱114.4M as of end 2003 due to payment of financing charges worth ₱70.1M to our creditor banks. The reduction was also attributed to net cash outflows used in operating activities particularly for working capital requirements.

Prepayments and other current assets totaled ₱25.4 M, higher by 27% as against last year.

Trade and other payables went up by 6% due to rising cost of raw materials and other operating expenses. The increase was also due to the Company's decision to impose strict measures on cash disbursement to reserve more cash for operations.

Stockholders' equity also declined to only ₱35.2 M basically due to incurred losses of ₱30.1M for the second quarter as a result of poor performance for poultry business and other segments.

OTHER INFORMATION :

There was no other list of disclosure not made under SEC Form 17- C.

SIGNATURES

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

Registrant - **VITARICH CORPORATION**

By:

ROGELIO M. SARMIENTO
Chairman / COO

JULIETA M. HERRERA
Controller