

# COVER SHEET

SEC Registration Number

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Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

L	i	b	e	r	t	y	B	u	i	l	d	i	n	g	,	8	3	5	A	.	A	r	n	a	i
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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

**info@libertygroup.com.ph**

Company's Telephone Number/s

**(02) 892-5011**

Mobile Number

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No. of Stockholders

**443**

Annual Meeting  
Month/Day

**Last Wednesday of May**

Fiscal Year  
Month/Day

**December 31**

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Jose Ma. Lopez**

Email Address

**jmlopez@pltdsl.net**

Telephone Number/s

**(02) 892-5011**

Mobile Number

**-**

Contact Person's Address

**Liberty Building, 835 A. Arnaiz Avenue, Makati City**

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- 1. For the quarterly period ended: **September 30, 2019**
- 2. Commission identification number: **14782**
- 3. BIR Tax Identification No: **000-128-846-V**
- 4. Exact name of registrant as specified in its charter: **LIBERTY FLOUR MILLS, INC.**
- 5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**
- 6. Industry Classification Code: XXXXXXXXXX (SEC Use Only)
- 7. **Liberty Building, A. Arnaiz Avenue, Makati City** **1229**  
Address of issuer's principal office Postal Code
- 8. Issuer's telephone number, including area code: **(632) 8892-5011**
- 9. Former name, former address and former fiscal year, if changed since last report: **-NA-**
- 10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>150,000,000</b>

- 11. Are any or all of the securities listed on a stock exchange?

Yes [] No []

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

Stock Exchange	Class of Securities
<b>Philippine Stock Exchange, Inc.</b>	<b>Common Shares</b>

- 12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

## **PART I- FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Please refer to the unaudited interim financial statement of the Liberty Flour Mills, Inc. (the "Company") and its subsidiary for the nine (9) months ended September 30, 2019 which is attached hereto as Annex "A" and which is hereby incorporated by reference to form an integral part of the Report. Likewise, attached as Annex "B" is the Company's Statement of Changes in Stockholder's Equity for the nine (9) months ended September 30, 2019 and as compared to same period for the year 2018, and the Company's basis for the computation of Basic Earnings per share.

The interim financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS) in accordance with the Securities Regulations Code.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The operations for nine-month period ended 30 September 2019 resulted in a net income of PHP36.72 million, a significant increase by 141% from previous year's same period net income of PHP15.26 million. In terms of sales, the increase posted in Q3 ending September 30 greatly made up for the shortfall recorded in the early two quarters (Q1 & Q2) of 2019. The substantial increase in sales value contribution of mill feeds more than offset 3% decrease in sales volume of flour bags. Cost of sales for the nine-month period ended 30 September 2019 increased slightly compared to same period last year due to increase in prices of imported wheat grains coupled with peso depreciation during Q3 of 2019. Interest income in debt instruments had decreased by 1% primarily due to lower money market placements while dividend income on quoted securities had declined by 8% compared to same period last year due to decrease in investments of one of the subsidiaries.

For the quarter ended 30 September 2019, total gross income amounted to PHP35.19 million, which is 34% higher from the previous year's same period operation that made gross profit amounting to PHP26.32 million. There was an improvement in sales generated during the quarter resulting in GM of 17% vs. 15% GM of previous year's Q3.

Other operating income represents rental income which had an aggregate amount of PHP55.39 million for the third quarter of 2019 which is higher by 89% compared to previous year's same period of PHP29.33 million. Increase is due to higher tenants' occupancy rates on the new bldg. of one of the subsidiaries.

Operating expenses for the third quarter of 2019 amounted PHP63.33 million, 31% higher than the previous year's same period operating expense of PHP48.17 million. The substantial increase is due to higher depreciation/amortization expenses and utilities for building expenses recognized by one of the subsidiaries. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

For the third quarter of 2019, the Company had an operating income of Php27.25 million versus previous year's same period operating income of Php7.50 million. The operating income is primarily due to the above stated reasons.

Other income and (charges), net, for the third quarter of 2019 amounted to Php12.84 million, which is 136% higher than last year's same period amounting to Php5.44 million. The account consists of net interest income and expense, dividend income and net miscellaneous income from scrap sales. During the period, the Company earned dividend income from various investments.

The total combined assets amounted to Php3.68 billion as of 30 September 2019 which is lower by 2% vs. 31 December 2018 mainly due to decrease in Financial Assets at FVPL; lower Inventories and Receivables but partly offset by higher Cash & Cash Equivalent. Total liabilities amounted to Php1.02 billion which is lower by 10%, primarily due to lower bank loans and other liabilities, from balances as of 31 December 2018.

The Company has no knowledge of any trends, events or uncertainties which are reasonably expected to have a material impact on the net sales or revenues of the Company. There are no seasonal aspects which had a material effect on the Company's financial condition or results of operation.

Further discussion of material changes in amount of accounts with 5.0% or more change:

Accounts Receivable – The decrease in account is due to higher collection made for the period due to intensified collection drive.

Inventories – The decrease in account is due to lower importation of raw materials made for the period ended.

Financial Assets at FVPL – The decrease is due to the valuation recognized for the period.

Prepaid expenses and other current assets – – The decrease in account balance is mainly due to the decrease in the prepaid import charges during the third quarter of 2019 as these were closed to corresponding inventory account.

Accounts payable – The decrease is due to reduction in Trust Receipts payable and accruals during the third quarter of 2019.

Income tax payable – The decrease is basically due to lower recognition of income tax payable for the third quarter of 2019.

Bank Loans – The significant increase was due to loans made by the subsidiary to finance current priority projects.

Retained earnings – Balance as of September 30, 2019 is basically on the same level as of previous period last year.

## Performance Indicators

The Company and its subsidiaries determine their performance on the following five (5) key performances indicators:

- Selling Price, Volume and Revenue Growth

These indicate external performance of the Company in relation to the movements of consumer demand and the competitors' action to market behavior. These also express market acceptability and room for development and innovation. These are being monitored and compared as basis for further study and development.

During the nine-month period ended 30 September 2019, there was an overall slight increase in total revenue on the sales of flour and its byproducts -mill feeds as compared to previous year's same period performance. The substantial increase in sales value contribution of mill feeds more than offset decrease in sales volume of flour bags. Also, there was an increase in the rental income of the Company and one of its subsidiaries by 41% due to increase in occupancy rates and partly also on rental rates.

- Cost Contribution

This measures the amount of supply and cost-efficiency of the applicable products of the Company. It shows the trend of supplies' cost particularly in imported raw materials where there are foreign exchange exposures. Cost are analyzed regularly pursuant to cost reduction and efficiency measures.

For the nine-month period ended 30 September 2019, there was a very minimal total increase in cost of sales over the previous year's same period performance. The previous two quarters Q1 & Q2 lower cost recorded were pulled up by the higher cost in Q3 ending September 30 due to increases in prices of imported wheat grains coupled with the deterioration of peso.

- Gross Profit Contribution

Review of sales less cost is done on a regular basis to check if targets are being met. This measures the profitability within the bounds of cost and demand. Like other indicators, this is reviewed on a regular basis for proper action and consideration.

During the nine-month period ended 30 September 2019, the Company generated gross profit of 15%, which is on the same level to previous year's period performance.

- Operating margin

This shows the result after operation expenses have been deducted. Operating expenses are examined, checked and traced for major expenses. These are being analyzed and compared to budget and expenses incurred in previous years to ensure prudence and discipline in spending behind marketing and selling activities.

During the nine-month period ended 30 September 2019, there was an increase in operating expenses by 17% over the previous year's same period performance. Despite higher operating expenses the Company was able to post Operating Income this Quarter 3 primarily as a result of increase in rental income.

- **Plant Capacity Utilization**

This determines total usage of the plant capacity, Full utilization produces better yield thus better margin. Standard rates for the plants were set and monthly utilization is determined to property equate and carefully assess the differences.

There are no events that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation. There were also 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.

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2019 and as of quarter ended 30 September 2019 with a current ratio at 7.68:1. The working capital requirement of the Company to carry its business is entirely generated internally.

#### **MARKET PRICE**

The market price of the Company's common shares closed at PhP26.40 on 30 September 2019. For the Company's high and low prices for the third quarter of 2019, please see table below:

<b>Stock</b>	<b>Quarter</b>	<b>High</b>	<b>Low</b>
LFM	3	26.40	26.40

## PART II – FINANCIAL DISCLOSURES

### Financial Instruments and Financial Risk Disclosure

The Group's financial instruments consist of cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI and AFS investments. The main purpose of these financial instrument is to fund the group's operations. The other financial assets and financial arising directly from its operations are trade receivables, liabilities under trust receipts, accounts payable and accrued expenses. The main risk arising from the use of these financial instruments are credit risk, equity price risk, foreign currency risk and liquidity risk.

The main risk arising from the Group's financial instruments are credit risk and liquidity risk. The Group's exposure to foreign currency risk is minimal as this only relates to the Group's foreign currency-denominated cash in banks. The BOD reviews and approves policies for managing each of these risks.

#### a. Credit Risk

This represent the loss that the Group would incur if counterparty failed to perform under its contractual obligations. The Group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counterparties. The Group is operating under a sound credit-granting process over its distributors. Credit monitoring process involves a weekly check over collections based on a benchmark.

The Group trade receivables is concentrated with its three distributors which account for 99% of the total trade receivables as of September 30, 2019. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. With respect to credit risk arising from other financial assets of the Group which comprise of cash equivalents, financial assets at FVPL, debt instruments classified as financial asset at FVOCI and debt instruments classified as AFS investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancement held over these assets.

#### b. Market Risk

Market risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk because of investments in quoted equity securities. The Group's policy is to maintain the risk at an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

#### c. Foreign Currency Risk

This risk describes the impact of changes in foreign exchange rates on the consolidated balance sheet and consolidated statement of income items denominated in foreign currencies.

The Group's foreign currency-denominated financial assets and liabilities which are all in US dollar (\$) as of September 30, follows:

	2019	2018
Cash in bank	\$ 1,441	\$ 1,547
Total US dollar-denominated assets	\$ 1,441	\$ 1,547

The exchange rate per \$1.00 to Philippine peso is P52.042 and P54.251 respectively.

d. Liquidity Risk

Liquidity risk is the risk that the Group will be unable to pay its obligations when they fall due under normal and stress circumstances. The Group manages risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

There are no Company's investments in foreign securities.

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

a. Financial assets at FVPL

The fair value of the quoted shares of stock is based on quoted market price.

b. AFS financial assets

The fair value of the quoted debt instruments and equities is based on quoted market price. Unquoted shares of stock are carried and presented at cost less impairment since their values cannot be reliably determined.

c. Financial assets at FVOCI

The fair value of the quoted debt instruments and equities is based on quoted market price. Unquoted shares of stock have been estimated using the adjusted net asset method. The adjusted net asset method involves deriving the fair value of the investee's equity instruments by reference to the fair value of its assets and liabilities.

d. Deposits on long-term leases

The fair value of deposits on long-term leases is based on the present value of expected future cash flows discounted at the applicable rates for similar types of financial instruments.

e. Other financial assets and financial liabilities

Due to the short-term nature of other financial assets and financial liabilities, the fair value of cash and cash equivalents, receivables, liabilities under trust receipts, accounts payable and accrued expenses and other current liabilities approximate the carrying amount as of balance sheet.

### **PART III - OTHER INFORMATION**

All other information which requires disclosure under the full Disclosure Rules of the Securities and Exchange Commission has been previously filed by the Company under SEC Form 17-C

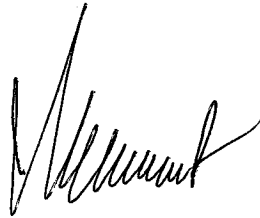


## SIGNATURE

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

### LIBERTY FLOUR MILLS, INC.

By:



**WILLIAM CARLOS UY**  
Chairman of the Board



**WILLIAM CARLOS UY**  
Chief Executive Officer



**JOSE MA. S. LOPEZ**  
Chief Financial Officer

# **ANNEX “A”**

**LIBERTY FLOUR MILLS, INC.**

**LIBERTY BLDG., 835 A. ARNAIZ AVE.  
MAKATI CITY**

**UNAUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2019**  
(With comparative figures for year ended Dec. 31, 2018 and nine months ended September 30, 2018)

<u>Assets</u>	September 30, 2019		December 31, 2018 <u>Audited</u>		September 30, 2018
<b>Current Assets</b>					
Cash and cash equivalents	P	293,824,821	P	78,622,637	P 216,409,420
Receivables		668,769,345		726,545,705	686,895,662
Financial assets at fair value through profit or loss		45,215,032		157,453,153	12,185,073
Inventories:					
Finished goods	P	37,103,740	P	5,486,024	P 40,894,551
Raw materials		128,762,908		236,537,472	191,447,035
Inventories-in Transit		-		-	-
		<hr/>		<hr/>	
Total Inventories		165,866,648		242,023,496	232,341,586
Prepaid expenses & other current assets		45,342,487		75,888,274	78,202,488
		<hr/>		<hr/>	
Total current assets	P	1,219,018,333	P	1,280,533,265	P 1,226,034,229
Financial assets at fair value through OCI		1,147,650,603		1,168,856,451	
Available for sale financial assets		-		-	1,171,359,944
Investment properties		518,138,588		1,202,125,662	517,968,146
Plant, Property & Equipment, net		730,258,327		62,020,215	692,121,158
Deferred Charges & Other Assets		63,718,266		39,771,894	39,574,989
		<hr/>		<hr/>	
<b>Total Assets</b>	<b>P</b>	<b><u>3,678,784,117</u></b>	<b>P</b>	<b><u>3,753,307,487</u></b>	<b>P <u>3,647,058,466</u></b>
 <b><u>Liabilities &amp; Stockholders' Equity</u></b>					
<b>Current Liabilities</b>					
Accounts Payable	P	123,196,436	P	218,897,470	P 141,212,459
Income Tax Payable		798,714		6,412,134	132,502
Other Liabilities		34,734,747		22,610,776	-
		<hr/>		<hr/>	
Total Current Liabilities	P	158,729,897	P	247,920,380	P 141,344,961
Bank Loans		759,400,000		770,400,000	762,400,000
Deposit on long-term lease		-		15,021,340	33,884,612
Liability for Retirement Fund		84,633,834		84,689,014	99,026,048
Deferred Income Tax Liability		-		-	2,594,009
Other Non-current Liabilities		12,923,308		12,693,876	631,613
		<hr/>		<hr/>	
Total Liabilities	P	1,015,687,039	P	1,130,724,610	P 1,039,881,243
<b>Stockholders' Equity</b>					
Capital Stock, authorized - 200,000,000 shares at P10 par value per share P2,000,000,000.					
Issued and outstanding, 150,000,000 shares	P	1,500,000,000	P	1,500,000,000	P 1,500,000,000
Fair value on available for sale assets		-		-	(79,423,728)
Fair value changes on financial assets through OCI		(73,678,991)		(122,474,302)	
Remeasurement gain (loss) on defined benefit		2,919,808		2,919,808	(3,183,500)
Retained earnings					
Appropriated	P	-	P	-	-
Unappropriated		1,233,856,261		1,242,137,371	1,189,784,452
Total Retained Earnings		<hr/>		<hr/>	<hr/>
Treasury Stock, at cost		-		-	-
		<hr/>		<hr/>	
Total Stockholders' Equity	P	2,663,097,078	P	2,622,582,877	P 2,607,177,224
		<hr/>		<hr/>	
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>P</b>	<b><u>3,678,784,117</u></b>	<b>P</b>	<b><u>3,753,307,487</u></b>	<b>P <u>3,647,058,466</u></b>

**LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**  
**STATEMENT OF INCOME AND EXPENSES**  
For quarter ended September 30, 2019  
and for the nine months ended September 30, 2019

(With comparative figures for the quarter ended September 30, 2018 and for the nine months ended September 30, 2018)

		<u>July 1 to September 30, 2019</u>	<u>January 1 to September 30, 2019</u>	<u>July 1 to September 30, 2018</u>	<u>January 1 to September 30, 2018</u>
Net Sales	P	203,443,701	P 499,697,525	P 179,082,387	P 497,143,891
Cost of Sales		(168,250,016)	<u>(424,018,412)</u>	(152,764,671)	<u>(423,528,630)</u>
Gross Profit	P	35,193,685	P 75,679,113	P 26,317,716	P 73,615,261
Other operating income		55,390,370	125,558,646	29,333,328	88,893,952
Operating Expenses		(63,335,784)	<u>(187,950,566)</u>	(48,168,321)	<u>(160,211,263)</u>
Income from operations	P	27,248,271	P 13,287,193	P 7,482,723	P 2,297,950
Other Income/Charges, net		12,838,836	<u>27,713,371</u>	5,444,806	<u>18,128,802</u>
Income before Income Tax	P	<b>40,087,107</b>	P <b>41,000,564</b>	P <b>12,927,529</b>	P <b>20,426,752</b>
Provision for Income Tax, current		(2,655,625)	<u>(4,281,674)</u>	(809,979)	<u>(5,164,017)</u>
Provision for Income Tax, Deferred					
Net Income for the period	P	<u><b>37,431,482</b></u>	P <u><b>36,718,890</b></u>	P <u><b>12,117,550</b></u>	P <u><b>15,262,735</b></u>
Earnings per share	P	<u><b>0.25</b></u>	P <u><b>0.24</b></u>	P <u><b>0.08</b></u>	P <u><b>0.10</b></u>

**LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**  
**STATEMENT OF CASH FLOWS**  
For quarter ended September 30, 2019  
and for the nine months ended September 30, 2019

(With comparative figures for the quarter ended September 30, 2018 and for the nine months ended September 30, 2018)

	July 1 to September 30, 2019	January 1 to September 30, 2019	July 1 to September 30, 2018	January 1 to September 30, 2018
<b>CASHFLOWS FROM OPERATING ACTIVITIES:</b>				
Income before tax	P 40,087,107	P 41,000,564	P 12,927,529	P 20,426,752
Adjustment for:				
Depreciation	13,771,272	34,074,921	7,339,691	21,505,581
Fair Value changes of financial assets at FVPL	(4,259,329)	(16,178,672)	3,349,882	11,249,335
Retirement Benefit Cost	656,821	(55,181)	995,668	(742,834)
Interest income	(5,874,198)	(18,578,364)	(6,212,148)	(18,940,309)
Dividend Income	(14,108,949)	(28,587,302)	(10,970,627)	(30,749,316)
Interest expense	13,170,379	39,112,271	8,600,660	20,877,188
Loss (Gain) on the sale of AFS investments	-	-	-	(52,920)
Loss on sale of FVPL investments	-	-	-	-
<b>Operating Income before working capital changes</b>	<b>43,443,103</b>	<b>50,788,237</b>	<b>16,030,656</b>	<b>23,573,478</b>
Decrease (Increase) in:				
Receivables	(17,926,477)	57,776,361	(3,444,683)	76,522,833
Inventories	77,630,196	76,156,848	(30,806,641)	(27,080,770)
Prepayments and other assets	9,794,813	6,972,981	9,022,662	(3,580,105)
Increase (Decrease) in:				
Trade Payables and other liabilities	9,537,063	(82,758,347)	15,775,435	(14,477,871)
Deposit on long term lease	474,279	(9,400,181)	18,370,077	18,629,593
Unearned Rental Income	(1,830,294)	(6,210,446)	-	(3,614,844)
<b>Cash generated (used) from operations</b>	<b>121,122,683</b>	<b>93,325,453</b>	<b>24,947,506</b>	<b>69,972,313</b>
Income tax paid	(2,437,503)	(9,895,095)	(1,823,785)	(6,071,164)
Interest Received	5,874,198	18,578,364	6,212,148	18,940,309
<b>Net cash provided by (used in) operating activities:</b>	<b>124,559,378</b>	<b>102,008,722</b>	<b>29,335,868</b>	<b>82,841,457</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES:</b>				
Acquisition of Financial assets at FVPL	(216,510)	(4,285,777)	(1,288,714)	(8,115,454)
Acquisition of Marketable securities	-	-	(6,661,840)	147,282,596
Proceeds from sale of AFS investments	(40,000,000)	-	-	5,897,193
Proceeds from sale of FVPL	198,769,853	202,703,728	-	-
Dividends received	14,108,949	28,587,302	10,970,627	30,749,316
Acquisition of investment property	(2,364,000)	(2,364,000)	(3,571,429)	(3,571,429)
Gain on sale of AFS	-	-	-	-
Acquisition of plant, property and equipment	(5,547,290)	(15,275,770)	(48,538,150)	(164,068,243)
Decrease(increase) in other non-current assets	1,061,305	(1,059,750)	(50,000)	(2,655,107)
<b>Net cash used in investing activities</b>	<b>165,812,307</b>	<b>208,305,733</b>	<b>(49,139,506)</b>	<b>5,518,872</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>				
Availment of Loans	-	28,000,000	19,000,000	166,500,000
Loan Payments	(33,000,000)	(39,000,000)	-	(74,559,530)
Interest paid	(13,170,379)	(39,112,271)	(8,600,660)	(20,877,188)
Payments of cash dividends	-	(45,000,000)	-	(75,000,000)
<b>Net cash generated from financing activities</b>	<b>(46,170,379)</b>	<b>(95,112,271)</b>	<b>10,399,340</b>	<b>(3,936,718)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<b>244,201,306</b>	<b>215,202,184</b>	<b>(9,404,298)</b>	<b>84,423,611</b>
Add: Cash and cash equivalents:				
January 1	-	78,622,637	-	131,985,809
July 1	49,623,515	-	225,813,718	-
<b>CASH AND CASH EQUIVALENTS, END</b>	<b>P 293,824,821</b>	<b>P 293,824,821</b>	<b>P 216,409,420</b>	<b>P 216,409,420</b>

**LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2019**

**1. Basis of Financial Statement Preparation**

The consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) in 2018 and available-for-sale (AFS) investments in 2017 that are measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional and presentation currency, and rounded to the nearest peso except as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of September 30, 2019.

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

**2. Significant Accounting Policies**

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 9, *Financial Instruments*

PFRS 9, *Financial Instruments* replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 retrospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue and related Interpretations* and it applies with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

Adoption of PFRS 15 did not have significant impact to the Group's consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements, unless otherwise indicated.

*Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*



- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

### **3. Others**

1. The same accounting policies and methods of computation are followed in the interim financial statements as of September 30, 2019 as compared with the audited financial statements as of December 31, 2018.
2. The business operation of the company for the interim period is continuous, there is no cycle and it is not seasonal.
3. There are no unusual items that affected assets, liabilities, equity and cash flows.
4. There are no changes in estimates of amounts reported in prior financial years.
5. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
6. There are no changes in the composition of this issuer during the interim period. There are no business combinations, no acquisition or disposal of subsidiaries and long term investments, no restructuring and no discontinuing operations.
7. There are no contingent liabilities and contingent assets.

# **ANNEX “B”**

**LIBERTY FLOUR MILLS, INC.**

**LIBERTY BLDG., 835 A. ARNAIZ AVE.  
MAKATI CITY**

**STATEMENT OF CHANGES  
IN STOCKHOLDER’S EQUITY  
SEPTEMBER 30,2019**

**LIBERTY FLOUR MILLS, INC.**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

For nine months ended September 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>CAPITAL STOCK</b>		
Authorized - 200 million shares at P10 par value per share <u>P2 billion</u>		
Issued and outstanding -150 million shares      P	1,500,000,000	P 1,500,000,000
<b>TREASURY STOCK, at cost</b>	-	-
Fair value on available for sale assets	-	-
Fair value changes on financial assets through OCI	(73,678,991)	(79,423,728)
Accumulated Remeasurement on Retirement Benefits	2,919,808	(3,183,500)
<b>RETAINED EARNINGS</b>		
January `1	1,242,137,371	1,249,521,717
Net income (loss) for the period	36,718,890	15,262,735
Cash dividends declared and paid	(45,000,000)	(75,000,000)
	1,233,856,261	1,189,784,452
	<b>2,663,097,078</b>	<b>2,607,177,224</b>

**BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE**

		<b>2019</b>		<b>2018</b>
<b>NUMERATOR:</b>				
Net income (loss) for the three quarters	P	36,718,890	P	15,262,735
<b>DENOMINATOR:</b>				
Outstanding shares		150,000,000		150,000,000
Treasury Stock		0		0
<b>TOTAL WEIGHTED AVERAGE SHARES</b>		<b>150,000,000</b>		<b>150,000,000</b>

**LIBERTY FLOUR MILLS, INC. and Subsidiaries**

Aging of Accounts Receivable

As of September 30, 2019

Type of Accounts Receivable	Total	Current	1 Month	2-3 Months	Over 3 Mos.
a) Trade Receivables					
Flour and Millfeed customers	P 634,675,356	P 284,262,512.00	P 66,059,338	P 128,913,963	P 155,439,543.00
Building Tenants	6,806,180	4,988,483.00	56,894.00	13,542.00	1,747,261.38
b) Non-Trade Receivables:					
Others	27,287,809	93,004.00	5,252,480.00	3,610,146	18,332,179.00
<b>Total</b>	<b>P 668,769,345</b>	<b>P 289,343,999</b>	<b>P 71,368,712</b>	<b>P 132,537,651</b>	<b>P 175,518,983</b>