

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

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	I	E	S													

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

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Form Type

A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address info@libertygroup.com.ph	Company's Telephone Number (02) 892-5011	Mobile Number -
No. of Stockholders 441	Annual Meeting (Month / Day) May 26	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@pltdtssl.net	Telephone Number/s (02) 892-5011	Mobile Number -
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CONTACT PERSON'S ADDRESS

7F Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

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



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Liberty Flour Mills, Inc.
7F Liberty Building
835 A. Arnaiz Avenue
Makati City

Opinion

We have audited the consolidated financial statements of Liberty Flour Mills, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Provisions and Contingencies

The Group is involved in legal proceedings and assessments for local and national taxes. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these tax assessments require significant judgment and estimate by management. The inherent uncertainty over the outcome of these tax matters is brought about by the differences in the interpretation and implementation of the relevant laws and tax rulings.

The Group's disclosures about provisions and contingencies are included in Notes 3 and 22 to the consolidated financial statements.

Audit response

We involved our internal specialist in the evaluation of management's assessment on whether any provision for tax contingencies should be recognized, and the estimation of such amount. We discussed with management the status of the tax assessments, and obtained correspondences with the relevant tax authorities and opinions of the Group's external legal/tax counsels. We evaluated the tax position of the Group by considering the tax laws, rulings and jurisprudence.

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, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits 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 audits, or otherwise appears to be materially misstated.



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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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

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

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

- Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up



to the date of our auditor's report. However, future events or conditions may cause the 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 audit. We remain solely responsible for our audit opinion.

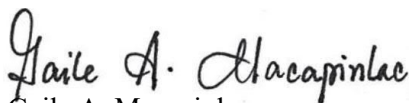
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine 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 auditor's 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 auditor's report is Gaile A. Macapinlac.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

SEC Accreditation No. 1621-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 205-947-572

BIR Accreditation No. 08-001998-126-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱179,719,444	₱168,192,892
Receivables (Note 5)	841,239,779	724,897,821
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	94,377,416	39,142,457
Inventories (Note 7)	356,615,886	172,845,814
Accrued rent - current portion (Note 26)	4,646,857	2,313,384
Prepaid expenses and other current assets (Note 8)	51,347,075	77,232,609
Total Current Assets	1,527,946,457	1,184,624,977
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	1,044,038,905	1,177,783,424
Investment properties (Notes 10, 13 and 26)	1,223,957,338	1,167,873,287
Property, plant and equipment (Note 11)	104,058,478	60,267,584
Deferred tax assets - net (Note 23)	18,103,777	27,742,144
Accrued rent - net of current portion (Note 26)	54,399,114	27,112,503
Net retirement plan asset (Note 21)	5,256,513	-
Other noncurrent assets (Note 12)	150,601,151	56,979,918
Total Noncurrent Assets	2,600,415,276	2,517,758,860
TOTAL ASSETS	₱4,128,361,733	₱3,702,383,837
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 10 and 13)	₱580,000,000	₱632,900,000
Accounts payable and other current liabilities (Note 14)	499,671,046	215,519,536
Current portion of:		
Deposits on long-term leases (Note 26)	10,377,345	7,427,205
Unearned rental income (Note 26)	4,817,905	2,422,935
Income tax payable	1,212,931	-
Total Current Liabilities	1,096,079,227	858,269,676
Noncurrent Liabilities		
Net retirement plan liability (Note 21)	59,372,880	99,893,314
Deposits on long-term leases - net of current portion (Note 26)	19,974,491	22,250,613
Unearned rental income - net of current portion (Note 26)	9,777,271	13,292,628
Payable to a related party (Note 10)	89,730,000	-
Deferred tax liabilities - net (Note 23)	18,377,308	6,391,058
Total Noncurrent Liabilities	197,231,950	141,827,613
Total Liabilities	1,293,311,177	1,000,097,289

(Forward)



	December 31	
	2020	2019
Equity		
Capital stock (Note 15)	₱1,500,000,000	₱1,500,000,000
Other components of equity:		
Fair value changes on financial assets at FVOCI (Note 9)	(55,344,426)	(75,196,969)
Accumulated remeasurement losses on retirement benefits (Note 21)	(9,328,350)	(4,814,710)
Retained earnings (Note 15)	1,399,723,332	1,282,298,227
Total Equity	2,835,050,556	2,702,286,548
TOTAL LIABILITIES AND EQUITY	₱4,128,361,733	₱3,702,383,837

See accompanying Notes to Consolidated Financial Statements.



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Sales (Notes 16 and 25)	₱1,088,619,014	₱742,466,225	₱722,879,715
Rental income (Notes 10 and 25)	262,842,161	206,586,489	120,296,030
	1,351,461,175	949,052,714	843,175,745
COST OF SALES AND SERVICES			
Cost of sales (Note 17)	891,750,107	619,356,588	632,478,355
Cost of services (Note 10)	131,819,933	80,621,237	40,792,965
	1,023,570,040	699,977,825	673,271,320
GROSS PROFIT	327,891,135	249,074,889	169,904,425
OPERATING EXPENSES (Note 18)			
Administrative expenses	(134,867,827)	(140,544,865)	(143,573,842)
Selling expenses	(37,830,583)	(37,578,309)	(37,728,323)
OTHER INCOME (CHARGES)			
Dividend income (Notes 6 and 9)	28,117,038	37,598,668	42,081,311
Interest income (Notes 4, 5 and 9)	22,925,763	25,369,253	26,340,270
Interest expense (Notes 7, 13 and 26)	(38,575,445)	(53,203,734)	(13,465,488)
Other income - net (Notes 6, 9 and 20)	74,578,706	18,292,903	71,436,276
INCOME BEFORE INCOME TAX	242,238,787	99,008,805	114,994,629
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	26,254,648	5,356,214	15,743,508
Deferred	23,559,034	8,491,735	(2,764,533)
	49,813,682	13,847,949	12,978,975
NET INCOME	192,425,105	85,160,856	102,015,654
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Fair value gain (loss) on debt instruments at FVOCI (Note 9)	6,620,711	53,556,255	(54,485,881)
Fair value gain on financial assets at FVOCI realized through sale (Note 9)	(52,938)	(19,640)	-
	6,567,773	53,536,615	(54,485,881)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Fair value gain (loss) on equity investments at FVOCI (Note 9)	13,284,770	(6,259,282)	(44,059,443)
Remeasurement gain (loss) on retirement benefits (Note 21)	(6,448,057)	(11,049,311)	8,719,013
Income tax effect	1,934,417	3,314,793	(2,615,704)
	8,771,130	(13,993,800)	(37,956,134)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	15,338,903	39,542,815	(92,442,015)
TOTAL COMPREHENSIVE INCOME	₱207,764,008	₱124,703,671	₱9,573,639
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	₱1.28	₱0.57	₱0.68

See accompanying Notes to Consolidated Financial Statements.



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

	Other Components of Equity				Total
	Capital Stock (Note 15)	Fair Value Changes on Financial Assets at FVOCI (Note 9)	Accumulated Remeasurement Gains (Losses) on Retirement Benefits (Note 21)	Retained Earnings (Note 15)	
BALANCES AT JANUARY 1, 2020	₱1,500,000,000	(₱75,196,969)	(₱4,814,710)	₱1,282,298,227	₱2,702,286,548
Net income	–	–	–	192,425,105	192,425,105
Other comprehensive income (loss)	–	19,852,543	(4,513,640)	–	15,338,903
Total comprehensive income (loss)	–	19,852,543	(4,513,640)	192,425,105	207,764,008
Cash dividends declared (Note 15)	–	–	–	(75,000,000)	(75,000,000)
BALANCES AT DECEMBER 31, 2020	₱1,500,000,000	(₱55,344,426)	(₱9,328,350)	₱1,399,723,332	₱2,835,050,556
BALANCES AT JANUARY 1, 2019	₱1,500,000,000	(₱122,474,302)	₱2,919,808	₱1,242,137,371	₱2,622,582,877
Net income	–	–	–	85,160,856	85,160,856
Other comprehensive income (loss)	–	47,277,333	(7,734,518)	–	39,542,815
Total comprehensive income (loss)	–	47,277,333	(7,734,518)	85,160,856	124,703,671
Cash dividends declared (Note 15)	–	–	–	(45,000,000)	(45,000,000)
BALANCES AT DECEMBER 31, 2019	₱1,500,000,000	(₱75,196,969)	(₱4,814,710)	₱1,282,298,227	₱2,702,286,548
BALANCES AT JANUARY 1, 2018	₱1,500,000,000	(₱23,928,978)	(₱3,183,501)	₱1,290,121,717	₱2,763,009,238
Net income	–	–	–	102,015,654	102,015,654
Other comprehensive income (loss)	–	(98,545,324)	6,103,309	–	(92,442,015)
Total comprehensive income (loss)	–	(98,545,324)	6,103,309	102,015,654	9,573,639
Cash dividends declared (Note 15)	–	–	–	(150,000,000)	(150,000,000)
BALANCES AT DECEMBER 31, 2018	₱1,500,000,000	(₱122,474,302)	₱2,919,808	₱1,242,137,371	₱2,622,582,877

See accompanying Notes to Consolidated Financial Statements.



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱242,238,787	₱99,008,805	₱114,994,629
Adjustments to reconcile profit before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11, 12, 17 and 18)	57,392,470	52,845,710	28,555,317
Fair value loss (gain) on financial assets at FVTPL (Notes 6 and 20)	(56,462,370)	(13,660,256)	13,263,851
Change in net retirement liability (Note 21)	(53,224,471)	4,154,989	(6,360,855)
Interest expense (Notes 7, 13, 18 and 26)	38,575,445	53,203,734	13,465,488
Dividend income (Notes 6 and 9)	(28,117,038)	(37,598,668)	(42,081,311)
Interest income (Notes 4, 5 and 9)	(22,925,763)	(25,369,253)	(26,340,270)
Unrealized foreign currency exchange loss (gain)	3,941,890	(472,781)	–
Change in net retirement asset (Note 21)	999,467	–	–
Loss (gain) on sale of financial assets at FVTPL (Notes 6 and 20)	(100,685)	4,910,880	198,510
Gain on sale of debt securities at FVOCI (Note 9)	(52,938)	(19,640)	–
Gain on disposal of investment property (Note 10)	–	–	(76,154,837)
Working capital changes:			
Decrease (increase) in:			
Receivables	(116,341,958)	1,658,071	36,950,186
Inventories	(183,770,072)	69,177,682	(36,762,680)
Accrued rent	(29,620,084)	(22,802,474)	(1,905,575)
Prepaid expenses and other current assets	25,885,534	(1,344,335)	(10,753,392)
Increase (decrease) in:			
Accounts payable and other current liabilities	284,600,512	9,051,473	46,325,413
Deposits on long-term leases	(826,942)	1,676,739	10,658,943
Unearned rental income	(1,120,387)	(8,294,844)	19,763,950
Cash generated from operations	161,071,397	186,125,832	83,817,367
Interest received	22,925,763	25,359,066	26,340,270
Income taxes paid	(25,041,717)	(11,768,348)	(10,371,022)
Net cash provided by operating activities	158,955,443	199,716,550	99,786,615
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property, plant and equipment (Note 11)	(56,384,458)	(8,648,440)	(8,424,087)
Investment properties (Note 10 and 29)	(10,901,430)	(14,927,394)	(213,437,833)
Financial assets at FVTPL (Note 6)	(6,947,589)	(5,165,984)	(8,115,454)
Financial assets at FVOCI (Note 9)	–	(56,780,000)	–
Proceeds from:			
Redemption of financial assets at FVOCI (Note 9)	153,650,000	95,150,000	1,139,250
Sale of financial assets at FVTPL (Note 6)	8,275,685	132,226,056	4,559,433
Disposal of investment property (Note 10)	–	–	76,529,000
Dividends received	28,117,038	37,598,668	42,081,311
Decrease (increase) in other noncurrent assets	(93,872,760)	(50,664,978)	5,878,297
Net cash provided by (used in) investing activities	21,936,486	128,787,928	(99,790,083)

(Forward)



	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments (Note 13)	(₱52,900,000)	(₱165,500,000)	(₱74,559,530)
Interest paid	(38,042,687)	(51,703,944)	(11,833,985)
Dividends paid (Note 15)	(74,480,800)	(50,203,060)	(141,466,189)
Proceeds from availment of bank loans (Note 13)	-	28,000,000	174,500,000
Net cash used in financing activities	(165,423,487)	(239,407,004)	(53,359,704)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(3,941,890)	472,781	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,526,552	89,570,255	(53,363,172)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	168,192,892	78,622,637	131,985,809
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱179,719,444	₱168,192,892	₱78,622,637

See accompanying Notes to Consolidated Financial Statements.



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Liberty Flour Mills, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008, the Parent Company extended its corporate life for another 50 years. The Parent Company is engaged primarily in the manufacture of flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded in the Philippine Stock Exchange (PSE) since then. Following are the Parent Company's subsidiaries and the respective ownership as at December 31, 2020 and 2019:

	Country of Incorporation	Principal Activities	Percentage of Ownership
LFM Properties Corporation (LPC) ^(a)	Philippines	Leasing out office spaces and condominium units	100.00
Liberty Engineering Corporation (LEC) ^(b)	Philippines	Sale, lease and purchase of equipment and machinery	100.00

(a) Registered with the SEC on December 18, 1995.

(b) Registered with the SEC on December 10, 1965. Extended its corporate life for another 50 years from December 31, 2015.

The Parent Company and its subsidiaries are collectively referred to in the consolidated financial statements as "the Group". The registered office of the Group is 7F Liberty Building, 835 A. Arnaiz Avenue, Makati City.

On November 25, 2020, the Parent Company's Board of Directors (BOD) approved the declaration of property dividends consisting of up to 10.35 billion shares of LPC. As at March 24, 2021, the Parent Company is in the process of completing the requirements for the application for SEC's approval of the property dividend distribution.

The accompanying consolidated financial statements were authorized for issue by the BOD on March 24, 2021.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

The consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) which have been 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 have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular 3 Series of 2019 for the deferral of the application of Accounting for Common Usage Service Area (CUSA) discussed in PIC Q&A No. 2018-12-H for a period of 3 years starting from January 1, 2018 to December 31, 2020.

Upon adoption of PIC Q&A No. 2018-12-H, the amount of income from utilities charges to tenants, which is currently presented at gross as part of “Other income” account in the consolidated statements of comprehensive income, will be netted against “Communication, light and water” account under cost of services in the consolidated statements of comprehensive income. There will be no impact on opening retained earnings and the related accounts in the consolidated statement of financial position.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the following criteria are met:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated company financial statements.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.



- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020. The amendments did not have an impact to the Group's consolidated financial statements as the Group was not granted rent concessions as a lessee. The amendments do not have an impact for leases where the Group is the lessor.

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 consolidated company financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- 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*

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments, such as financial assets at FVTPL and financial assets at FVOCI at fair value at the end of reporting date.

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:

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

The Group compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a "Day 1" difference) in the consolidated statement of comprehensive income. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Instruments

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

a. Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss,



transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

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

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

The Group's cash and cash equivalents, receivables and refundable deposits recorded under "Other noncurrent assets" are included in this category as at December 31, 2020 and 2019.

- *Financial assets at FVOCI (debt instruments).* The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
 - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at FVOCI includes government and corporate bonds as at December 31, 2020 and 2019.



- *Financial assets designated at FVOCI (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial asset designated at FVOCI includes quoted and unquoted equity investments as at December 31, 2020 and 2019.

- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

The Group has no derivative asset as at December 31, 2020 and 2019.



Impairment of financial assets. The Group recognizes an expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages, as follows: For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. 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.

The Group considers a financial asset in default when contractual payments are 90-180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial Liabilities

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

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

The Group's financial liabilities consist only of loans and borrowings. As at December 31, 2020 and 2019, the Group's loans and borrowings consist of notes payable, accounts payable and other current liabilities and deposits on long-term leases. The Group has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding or embedded derivatives as at December 31, 2020 and 2019.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium or acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in profit or loss.



Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Financial 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 contractual right to receive cash flows from the financial asset has expired; or
- the Group retains the right to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial 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 risk and rewards 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.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when discharged or 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 profit or loss.

Offsetting of Financial Instruments

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



Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Inventories

Inventories are valued at the lower of cost (computed using the first-in, first-out method for raw materials and using moving-average for finished goods) and net realizable value (NRV). Cost of finished goods such as flour and mill feeds represents the costs of direct materials, direct labor and a proportion of production overhead. Cost of raw materials such as wheat grains represents the cost of purchase and other costs directly attributable to its acquisition. NRV is the selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets

Value-added Tax. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable included as part of “Accounts payable and other current liabilities” in the consolidated statement of financial position.

When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset included as part of “Prepaid expenses and other current assets” in the consolidated statement of financial position to the extent of the recoverable amount.

Store supplies. Store supplies under “Prepaid expenses and other current assets” are incidental items necessary for maintenance activities that are expected to be consumed within the 12 months or within the normal operating cycle.

Prepayments. Prepayments are expenses paid in advance are recorded as asset before they are utilized. This account comprises insurance premiums, and other prepaid items. The insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized within 12 months from the balance sheet date are classified as current assets, otherwise these are classified as other noncurrent assets.

Advances to suppliers. Advances to suppliers represents deposits on order placement to suppliers.

Investment Properties

Investment properties consist of properties (land or a building or part of a building or a combination) held to earn rentals or for capital appreciation or both, rather than for:

- a. use in the production or supply of goods or services or for administrative purposes; or
- b. sale in the ordinary course of business.



Investment properties include development rights carried at cost which is considered as an integral part of the land.

These assets, except for land and development rights, are measured at cost, including transaction costs less accumulated depreciation and accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost (initial purchase price and other cost directly attributable to such property) less any impairment in value.

Depreciation is computed on a straight-line basis over the estimated lives of the properties:

	<u>Number of Years</u>
Condominium units	10–25
Building and building improvements	10

Investment properties are derecognized either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Construction in progress is stated at cost. Such cost includes cost of constructive and other direct costs, cost of replacing part of the investment property and borrowing costs for long-term construction projects if the recognition criteria are met. Construction in progress is not depreciated until such time when the relevant assets are substantially completed and available for its intended use.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged in profit or loss in the period 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 an additional costs of the property, plant and equipment.



Depreciation commences once the assets are available for use. Depreciation is computed using the straight-line method over the estimated useful lives of the assets:

	Number of Years
Land improvements	20
Mill machinery and equipment	10
Building and building equipment	10–20
Transportation equipment	3–5
Other equipment	2–5
Leasehold improvements	Straight-line method based on the estimated useful life of the leased asset or the term of the lease, whichever is shorter

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (investment properties, property, plant and equipment and other nonfinancial assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The estimated recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value-in-use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction less costs of disposal 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As of December 31, 2020 and 2019, no other impairment indicators were identified for the Company's investment properties.

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company purchases its own capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income (loss) includes gains and losses on changes in fair value of financial assets at FVOCI in 2020 and 2019, and remeasurement gains or losses on retirement benefits.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.



Dividend Distribution

Dividends on common shares are deducted from unappropriated retained earnings when approved by the shareholders of the Parent Company, except for stock dividends, which also require the approval for issuance of shares by the SEC. Cash and property dividends are recognized as a liability while stock dividends are recognized as additional issued shares. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Stock Issuance Costs

Stock issuance costs are incremental external costs directly attributable to an equity transaction. The transaction costs of an equity transaction are accounted for as a deduction from additional paid-in capital, or from retained earnings when there is no available additional paid-in capital, net of any related income tax benefit.

Basic/Diluted Earnings per Share

Basic earnings per share are computed by dividing net income for the year by the weighted average number of common shares, excluding treasury stock, outstanding during the year.

Diluted earnings per share is calculated by dividing the income for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The Parent Company has no dilutive shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. Revenue is recognized when the Company satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and concluded that it is acting as a principal in all arrangements.

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

Sales

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).



Bill-and-hold arrangement

The following criteria must be met for a customer to have obtained control of a product:

- the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer; and
- the entity cannot have the ability to use the product or to direct it to another customer.

Rental Income

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred specifically to earn revenue from an operating lease are recognized as an expense in profit or loss in the period in which they are incurred.

Interest Income

Interest income is recognized as the interest on cash in banks, loans receivable and investment in debt securities accrues.

Dividend Income

Dividend income is recognized from investments in equity securities when the Group's right to receive the payment is established.

Other Income

Other income includes income from projects from which revenue is recognized when the performance of contractually agreed tasks has been rendered.

Costs and Expenses

Costs and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability, other than equity transactions with equity holders, has arisen that can be measured reliably.

Costs of Sales. Cost of sales is recognized as expense when the related goods are sold.

Costs of Services. Cost of services includes expenses incurred for the generation of revenue from rental income. Cost of services is expensed as incurred.

Administrative and Selling Expenses. Administrative expenses constitute costs of administering the business. Selling expenses are costs incurred to sell or distribute the merchandise. Administrative and selling expenses are expensed as incurred.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

Company as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.



Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges, foreign exchange differentials that qualify for capitalization and other costs incurred in connection with the borrowing of funds. All other borrowing costs are expensed as incurred.

Retirement Benefit Costs

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The retirement benefits cost comprise of service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the defined benefit liability and the return on plan assets (excluding amounts included in the net interest on the defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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 related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under “Administrative expenses” in the consolidated statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Income Taxes

Current Income Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation 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.

Current income tax for the current and prior periods shall, to the extent unpaid, be recognized as a liability under “Income tax payable” account in the consolidated statement of financial position.



If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Prepaid expenses and other current assets" account in the consolidated statement of financial position.

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

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and unused NOLCO 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 assets 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 reporting date.

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) 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.

If the effect of the time value of money is material, provisions are determined by discounting the 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 interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is recognized in profit or loss, net of reimbursement.

Contingencies

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

Segment Reporting

The Group's operating business is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segment is



presented in Note 31 to the consolidated financial statements. The Group revenue producing segments are located in the Philippines (i.e. geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are 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 Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and amounts reported in the consolidated financial statements.

In the opinion of management, the consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly when the effects become determinable.

Judgments

Classification of Financial Instruments. The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Classification of Leases- Group as Lessor. The Group has entered into the property leases where it has determined that the risk and rewards related to those properties are retained by the Group. As such, these lease agreements are accounted for as operating leases.

Estimates

Definition of Default and Credit-Impaired Financial Assets (Starting January 1, 2018). Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is more than 90-180 days past due on its contractual payments, which is consistent with the Company's definition of default, except for trade receivables from related parties which is 180 days past due on its contractual payments.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - a. The borrower is experiencing financial difficulty or is insolvent;
 - b. The borrower is in breach of financial covenant(s);
 - c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
 - d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.



The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes, unless otherwise stated. The default definition has been applied consistently to model the probability of default, loss given default and expected actual default throughout the Group's ECL calculation.

Simplified Approach for Trade Receivables. The Group uses a provision matrix to calculate ECLs for trade receivables from related parties. The provision rates are based on days past due. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Grouping of Instruments for Losses Measured on Collective Basis. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. Since the Group has only three customers, the Group does not model their expected credit loss provisions on a collective basis.

Macro-economic Forecasts and Forward-looking Information. Macro-economic forecasts is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 4 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The allowance for expected credit losses amounted to ₱1.59 million as at December 31, 2020 and 2019, respectively. The carrying value of receivables amounted to ₱841.61 million and ₱724.90 million as at December 31, 2020 and 2019, respectively (see Note 5).

Evaluation of Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete or unusable are written off and charged as expense in the parent statement of comprehensive income.

In 2020, the Group recognized provision for inventory obsolescence amounting to ₱15.56 million. The carrying value of inventories amounted to ₱356.62 million and ₱172.85 million as at December 31, 2020 and 2019, respectively (see Note 7).

Impairment of financial assets at FVOCI (debt instruments). The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Management assessed that debt instruments classified as financial assets at FVOCI are not impaired. The carrying value of investment in debt instruments classified as financial assets at FVOCI amounted to ₱453.40 million and ₱510.43 million as at December 31, 2020 and 2019, respectively (see Note 9).

Estimation of Fair Value of Investments in Unquoted Equity Securities. The fair values of the unquoted equity securities 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. Subject to the measurement method that the investee used to measure its assets and liabilities, the assets subject to adjustments are property, plant and equipment, financial assets at FVOCI and intangible assets.

As at December 31, 2020 and 2019, the carrying value of unquoted financial instruments amounting to ₱12.11 million and ₱10.61 million, respectively approximate their fair values (see Notes 9 and 27).

Estimation of Retirement Benefits Liability and Costs. The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include among others, discount rates and salary increase rates. All assumptions are reviewed at each reporting date.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Group considers the interest rates in government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit obligation. Further details about defined benefit obligation are presented in Note 21.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligation.

The carrying value of the Group's net retirement plan asset and net retirement plan liability amounted to ₱5.26 million and ₱59.37 million as at December 31, 2020, respectively; and the Group's net retirement plan liability amounted to ₱99.89 million as at December 31, 2019 (see Note 21).

Recognition of Deferred Tax Assets. The Group reviews the carrying amounts of deferred income tax assets at each reporting date and adjusts the balance to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.



As at December 31, 2020 and 2019, the Group recognized deferred tax assets on deductible temporary differences amounting to ₱19.77 million and ₱30.68 million, respectively (see Note 23).

As at December 31, 2020 and 2019, the Group did not recognize deferred tax assets on deductible temporary differences, unused NOLCO and MCIT amounting to ₱27.80 million and ₱24.81 million, respectively, as management assessed that there will be no sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized (see Note 23). The Group did not also recognize deferred tax asset amounting to ₱6.09 million on fair value loss on financial assets at FVTPL as management believes that that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset (see Note 23).

Provisions and Contingencies. The Group is involved in legal proceedings and tax assessments. The determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment and estimate by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the laws and regulations. The Group currently does not believe these tax assessments and claims could materially reduce its profitability. It is possible, however, that future financial performance could be materially affected by the changes in judgment and estimate or in the effectiveness of strategies relating to these tax assessments and claims (see Note 22).

4. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	₱144,168,181	₱102,478,881
Cash equivalents	35,551,263	65,714,011
	₱179,719,444	₱168,192,892

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term cash investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

Interest income earned on cash in banks and cash equivalents amounted to ₱1.88 million in 2020, ₱0.87 million in 2019 and ₱0.84 million in 2018.

5. Receivables

	2020	2019
Trade receivables from related parties (see Notes 16 and 25)	₱798,602,374	₱695,584,919
Rent receivables from:		
Third parties	14,576,710	8,735,650
Related parties (see Note 25)	387,565	278,793
Receivable from a broker	13,506,451	8,384,356
Advances to officers and employees (see Note 25)	4,461,167	2,878,317
Others (see Note 25)	11,298,138	10,628,412
	842,832,405	726,490,447
Less allowance for expected credit losses	1,592,626	1,592,626
	₱841,239,779	₱724,897,821



Trade receivables arise from sale of flour and mill feeds. These are noninterest-bearing with average credit terms of 120 days.

Rent receivables arise from leasing the Group's investment properties. These include interest-bearing receivables with average credit terms of 30 days. Interest income earned amounted to ₱0.04 million in 2020, ₱0.16 million in 2019 and ₱0.32 million in 2018.

Receivable from a broker represents the Group's deposit to its agent of marketable securities, including unremitted proceeds from disposal of investments, which are liquidated through acquisition of additional investments in financial instruments for the Group. Interest income earned amounted to ₱0.18 million in 2020 (nil in 2019 and 2018).

Advances to officers and employees are noninterest-bearing and are normally settled through salary deductions within one month from availment date.

Others include the Parent Company's receivable from its retirement plan (see Note 25).

Provision for expected credit losses amounted ₱0.49 million in 2019. No provision was recognized in 2020 and 2018 (see Note 18).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL represents the Group's investment in quoted equity securities held for trading purposes as follows:

	2020	2019
Balance at beginning of year	₱39,142,457	₱157,453,153
Acquisitions	6,947,589	5,165,984
Disposal	(8,175,000)	(137,136,936)
Changes in fair value of financial assets at FVTPL (see Note 20)	56,462,370	13,660,256
	₱94,377,416	₱39,142,457

Realized gain on sale of financial assets at FVTPL amounted to ₱0.10 million in 2020 while realized loss on sale of financial assets at FVTPL amounted to ₱4.91 million in 2019 and ₱0.20 million in 2018.

Dividend income earned on financial assets at FVTPL amounted to ₱1.14 million in 2020, ₱8.53 million in 2019 and ₱12.73 million in 2018.

7. Inventories

	2020	2019
At NRV -		
Mill feeds	₱13,804,331	₱-
At cost:		
Wheat grains	315,452,028	147,433,172
Flour	15,556,355	12,675,709
Supplies	11,803,172	8,673,751
Mill feeds	-	4,063,182
	₱356,615,886	₱172,845,814



Costs of inventories recognized as expenses, presented under “Cost of sales” in the consolidated statements of comprehensive income, amounted to ₱891.75 million in 2020, ₱619.36 million in 2019 and ₱632.48 million in 2018 (see Note 17).

Under the terms of agreements covering trust receipts, certain inventories have been released to the Group during the year in trust for the banks. The outstanding liabilities under such trust receipts amounted to ₱245.03 million and ₱70.42 million as at December 31, 2020 and 2019, respectively (see Note 14). Interest expense recognized on liabilities under trust receipts amounted to ₱3.83 million in 2020 (based on annual interest of 2.63% to 5.00%), ₱2.72 million in 2019 (based on annual interest of 3.58% to 6.50%) and ₱1.46 million in 2018 (based on annual interest of 3.00% to 6.50%).

Wheat grains inventories in-transit amounted to ₱112.3 million and ₱57.50 million as at December 31, 2020 and 2019, respectively (see Note 14).

In 2020, the Group recognized provision for inventory obsolescence on mill feeds amounting to ₱15.56 million. Allowance for inventory obsolescence amounted to ₱15.56 million as at December 31, 2020 (see Note 17).

8. Prepaid Expenses and Other Current Assets

	2020	2019
Store supplies	₱24,623,117	₱26,033,197
Creditable withholding taxes	12,866,794	12,489,227
Advances to suppliers	5,347,454	4,190,246
Prepaid taxes	3,227,251	6,500,088
Prepaid insurance	1,919,006	1,844,745
Advance VAT on importation	870,735	6,710,979
Input VAT	142,076	17,580,867
Others	2,350,642	1,883,260
	₱51,347,075	₱77,232,609

9. Financial Assets at Fair Value through Other Comprehensive Income

	2020	2019
Debt securities	₱453,400,154	₱510,429,443
Equity securities:		
Quoted	578,526,420	656,743,276
Unquoted	12,112,331	10,610,705
	₱1,044,038,905	₱1,177,783,424

In 2020, the Group has no purchased debt and equity securities. In 2019, the Group purchased debt and equity securities amounting to ₱10.00 million and ₱46.78 million, respectively.

The Group sold debt securities with a carrying value amounting to ₱63.60 million and ₱69.98 million in 2020 and 2019, respectively. The Group also sold quoted equity securities with a carrying amount of ₱90.00 million and ₱25.15 million in 2020 and 2019, respectively. In 2018, the Group sold equity securities with a fair value amounting to ₱1.14 million.



Fair value changes on financial assets at FVOCI in 2020 and 2019 follow:

	2020	2019
Balance at beginning of year	(₱75,196,969)	(₱122,474,302)
Fair value gain recognized in other comprehensive income	19,905,481	47,296,973
Fair value gain realized through sale (see Note 20)	(52,938)	(19,640)
Balance at end of year	(₱55,344,426)	(₱75,196,969)

No impairment loss was recognized on the Group's investment in debt securities in 2020, 2019 and 2018. In 2018, fair value loss recognized in other comprehensive income amounted to ₱8.72 million. No fair value gain or loss realized through sale was recognized in 2018.

Interest income earned on debt securities amounted to ₱20.83 million in 2020, ₱24.34 million in 2019 and ₱25.18 million in 2018. Dividend income earned on equity securities amounted to ₱26.98 million in 2020, ₱29.07 million in 2019 and ₱29.35 million in 2018.

10. Investment Properties

	2020				
	Land (see Note 13)	Building and Building Improvements (see Note 13)	Condominium Unit	Construction in Progress	Total
Cost					
Balance at beginning of year	₱492,277,625	₱1,003,924,808	₱11,216,084	₱-	₱1,507,418,517
Additions	99,700,000	727,858	203,572	-	100,631,430
Balance at end of year	591,977,625	1,004,652,666	11,419,656	-	1,608,049,947
Accumulated Depreciation					
Balance at beginning of year	-	329,068,336	10,476,894	-	339,545,230
Depreciation	-	44,470,325	77,054	-	44,547,379
Balance at end of year	-	373,538,661	10,553,948	-	384,092,609
Net book values	₱591,977,625	₱631,114,005	₱865,708	₱-	₱1,223,957,338
	2019				
	Land (see Note 13)	Building and Building Improvements (see Note 13)	Condominium Unit	Construction in Progress	Total
Cost					
Balance at beginning of year	₱492,277,625	₱420,499,330	₱10,919,656	₱575,835,155	₱1,499,531,766
Additions	-	6,626,947	296,428	963,376	7,886,751
Reclassification	-	576,798,531	-	(576,798,531)	-
Balance at end of year	492,277,625	1,003,924,808	11,216,084	-	1,507,418,517
Accumulated Depreciation					
Balance at beginning of year	-	286,989,272	10,416,832	-	297,406,104
Depreciation	-	42,079,064	60,062	-	42,139,126
Balance at end of year	-	329,068,336	10,476,894	-	339,545,230
Net book values	₱492,277,625	₱674,856,472	₱739,190	₱-	₱1,167,873,287

In 2018, the Group sold a parcel of land with a carrying value of ₱0.37 million for a consideration of ₱76.53 million to an affiliate (see Notes 20 and 25).



Construction in progress in 2019 pertains to the construction of Liberty Plaza. No capitalized general borrowing costs in 2019.

The Group leases out spaces in its building and condominium units under various operating leases (see Note 26).

Rental income and the related expenses recognized on the office spaces of the Group's building and condominium units that are under operating leases are as follows:

	2020	2019	2018
Rental income	₱262,842,161	₱206,586,489	₱120,296,030
Direct operating expenses:			
Outside services	57,059,158	11,035,160	9,254,481
Depreciation and amortization	44,547,379	42,139,126	15,347,186
Real estate tax	16,632,731	6,924,466	6,924,466
Communication, light and water	9,285,609	15,037,899	5,817,088
Repairs and maintenance	2,233,895	3,017,135	1,580,584
Insurance and others	2,061,161	2,467,451	1,869,160
	131,819,933	80,621,237	40,792,965
	₱131,022,228	₱125,965,252	₱79,503,065

Direct operating expenses incurred for non-income generating properties amounted to ₱3.42 million in 2020, ₱2.63 million in 2019 and ₱1.59 million in 2018.

The Group has refundable deposits for utilities installation on its investment properties amounting to ₱5.32 million and ₱5.34 million as at December 31, 2020 and 2019, respectively, presented as part of "Other noncurrent assets" in the consolidated statements of financial position (see Note 12).

The aggregate fair value of investment properties amounted to ₱5.09 billion and ₱4.68 billion as at December 31, 2020 and 2019. These have been determined based on valuation performed by a qualified and independent appraiser in 2020 and 2019, respectively. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

The following describes the valuation techniques used and key inputs to valuation of investment properties:

		2020	
Current use		Valuation technique	Significant unobservable input
Land	Capital appreciation	Sales Comparison Approach	Adjusted sales price of comparable properties
	Commercial; Parking space	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business and opportunity cost of capital
Building and building improvements	Commercial	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business and opportunity cost of capital
Condominium units	Residential		



	2019		
	Current use	Valuation technique	Significant unobservable input
Land	Capital appreciation; Commercial; Parking space	Sales Comparison Approach	Adjusted sales price of comparable properties
Building and building improvements	Commercial	Cost Approach	Current market prices of similar materials, labor, contractors' overhead and manufactured equipment
Condominium units	Residential	Sales Comparison Approach	Adjusted sales price of comparable properties

Significant increases (decreases) in estimated inputs above would result in a significantly higher (lower) fair value of the properties.

LPC's investment properties are held for residential, commercial and parking space. The appraisers determined that the highest and best use of condominium unit is for residential use which is its current use. The highest and best use of land used as parking space at measurement date would be for multi-storey residential/office condominium development, while the highest and best use of buildings, including the improvements and equipment, used as commercial space at measurement date, would be to convert the properties for residential use. For strategic reasons, the properties are not being used in this manner.

The highest and best use of the Parent Company's land and building is as commercial utility, which is their current use. The highest and best use of land held for capital appreciation at measurement date would be for residential utility or development. For strategic reasons, the land is not being used in this manner.

Land and building and building improvements owned by the Group with an aggregate carrying value of ₱71.57 million and ₱90.10 million as at December 31, 2020 and 2019 served as collateral to secure the loans obtain from a bank (see Note 13).

Development Rights

LPC entered into an agreement with Parity Values, Inc. (PVI), a related party, for the transfer of development rights (air rights) of PVI to LPC for valuable consideration which is to be determined and fixed by the parties through the execution of a supplemental agreement.

In December 2020, the parties executed an agreement for the determination of the consideration amounting to ₱99.70 million. The initial payment amounting to ₱9.97 million was paid on the date of execution of the agreement while the remaining balance in the amount of ₱89.73 million, subject to 5.25% interest, shall be paid through a single payment or partial payments, as LPC may deem necessary, within a period of 5 years, from the execution of the agreement and no later than December 14, 2025. Accordingly, LPC recognized an asset as part of land amounting to ₱99,700,000 under "Investment properties" account and a liability presented as "Payable to a related party" amounting to ₱89.73 million in the 2020 consolidated statement of financial position (see Note 25).



11. Property, Plant and Equipment

2020								
	Land and Land Improvements	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment	Construction In Progress	Total
Cost								
Beginning balances	₱25,335,572	₱223,976,426	₱115,310,950	₱45,576,253	₱839,842	₱39,300,206	₱-	₱450,339,249
Additions	-	8,746,228	570,539	3,309,398	-	1,729,736	42,028,557	56,384,458
Ending balances	25,335,572	232,722,654	115,881,489	48,885,651	839,842	41,029,942	42,028,557	506,723,707
Accumulated Depreciation								
Beginning balances	15,468,154	209,095,420	91,686,766	42,950,550	839,842	30,030,933	-	390,071,665
Depreciation and amortization (see Notes 17 and 18)	978,534	5,959,913	2,805,950	789,553	-	2,059,614	-	12,593,564
Ending balances	16,446,688	215,055,333	94,492,716	43,740,103	839,842	32,090,547	-	402,665,229
Net Book Values	₱8,888,884	₱17,667,321	₱21,388,773	₱5,145,548	₱-	₱8,939,395	₱42,028,557	₱104,058,478

2019								
	Land and Land Improvements	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment		Total
Cost								
Beginning balances		₱25,335,572	₱219,844,160	₱114,267,930	₱47,576,253	₱839,842	₱35,827,052	₱443,690,809
Additions		-	4,132,266	1,043,020	-	-	3,473,154	8,648,440
Write-off		-	-	-	(2,000,000)	-	-	(2,000,000)
Ending balances		25,335,572	223,976,426	115,310,950	45,576,253	839,842	39,300,206	450,339,249
Accumulated Depreciation								
Beginning balances		14,487,805	204,625,989	88,886,045	44,313,339	839,842	28,517,574	381,670,594
Depreciation and amortization (see Notes 17 and 18)		980,349	4,469,431	2,800,721	637,211	-	1,513,359	10,401,071
Write-off		-	-	-	(2,000,000)	-	-	(2,000,000)
Ending balances		15,468,154	209,095,420	91,686,766	42,950,550	839,842	30,030,933	390,071,665
Net Book Values		₱9,867,418	₱14,881,006	₱23,624,184	₱2,625,703	₱-	₱9,269,273	₱60,267,584

As at December 31, 2020, construction in progress pertains to costs incurred for the renovation of the Group's manufacturing facility. The renovation is 29% complete and is expected to be completed in 2021.

12. Other Noncurrent Assets

	2020	2019
Advances to suppliers	₱144,163,764	₱50,262,409
Refundable deposits (see Note 10)	5,316,288	5,344,883
Computer software	99,099	350,626
Others	1,022,000	1,022,000
	₱150,601,151	₱56,979,918

Advances to suppliers primarily pertain to advance payments to supplier for the purchase of machineries which are expected to be delivered once the renovation of the manufacturing facility has been completed in 2021.

Amortization of computer software amounted to ₱0.25 million in 2020, ₱0.31 million in 2019 and ₱0.22 million in 2018 (see Note 18).



13. Notes Payable

On various dates in 2020, the Group rolled over certain short-term notes payable (with interest rate ranging from 4.75 % to 6.125%) and paid notes totaling ₱52.90 million. On various dates in 2019, the Group rolled over certain short-term notes payable and obtained short-term notes totaling ₱28.0 million (with interest rate ranging from 6.125% to 6.50%), of which notes totaling ₱165.5 million were paid in the same year. On various dates in 2018, the Group rolled over certain short-term notes payable and obtained short-term notes totaling ₱174.5 million (with interest rate ranging from 3.50% to 6.50%), of which notes totaling ₱74.56 million were paid in the same year.

All loans amounting to ₱580.0 million and ₱632.90 million as at December 31, 2020 and 2019, respectively, are secured by a real estate mortgage on certain parcels of land and building and building improvements owned by the Group amounting to ₱71.57 million and ₱90.10 million as at December 31, 2020 and 2019 (see Note 10).

Total interest expense on notes amounted to ₱33.25 million in 2020, ₱48.80 million in 2019 and ₱11.60 million in 2018.

14. Accounts Payable and Other Current Liabilities

	2020	2019
Liabilities under trust receipts (see Note 7)	₱245,025,907	₱70,417,269
Accrued liability for inventories in transit (see Note 7)	112,300,525	57,498,654
Trade payables	61,687,676	18,508,652
Dividends payable	32,570,612	32,051,412
Customers and tenants' deposits	12,442,924	12,002,358
Output VAT - net	4,203,765	3,697,434
Construction bond	3,740,497	3,845,528
Withholding tax, HDMF and SSS payable	1,907,707	2,160,816
Accrued selling, freight and outside services	5,176,117	2,998,978
Accrued other expenses	20,615,316	12,338,435
	₱499,671,046	₱215,519,536

Liabilities under trust receipts are short-term loan with the banks, with terms of 90 days at 2.625% to 5.00% interest per annum for 2020 and 3.50% to 6.50% interest per annum for 2019, for importation of wheat grains.

Trade payables are noninterest-bearing and normally with payment terms of 30 to 60 days.

Dividends payable consist of dividends declared but not yet paid.

Customers and tenants' deposits represent advances and deposits that will be applied against subsequent deliveries and rentals and are generally outstanding within 30 days from receipt of payment. The deposit shall not be applied to the monthly rentals but shall be refunded within 15 days after the tenant vacates the leased premises, less deductions, if any.

Accrued selling and freight expenses represents unbilled freight cost incurred for deliveries made by third party service providers.

Accrued other expenses are unbilled services that will be settled within the next financial year.



15. Equity

Capital Stock

The Parent Company's capital stock as at December 31, 2020 and 2019 follows:

	No. of Shares	Amount
Authorized capital stock - ₱10 par value	200,000,000	₱2.00 billion
Issued and outstanding	150,000,000	₱1.50 billion

Issued and outstanding shares as at December 31, 2020 and 2019 are held by 441 and 444 equity holders, respectively.

The Parent Company's incorporation papers were filed with the SEC on December 18, 1958. The corporation was capitalized at ₱4.00 million divided into 240,000 common shares with par value at ₱10.00 each and 160,000 preferred shares also with a par value of ₱10.00 each.

The BOD has placed in the market the total share of stock provided in the incorporation, and made the following calls:

	Original Stockholders	New Subscription	Amount Due
December 31, 1958	25% common shares		₱600,000
November 30, 1959	4% common shares		100,000
December 31, 1959		17% common shares	400,000
February 29, 1960		25% preferred shares	400,000
April 30, 1960		25% preferred shares	400,000
June 30, 1960		25% preferred shares	400,000
August 31, 1960	4% common shares	25% preferred shares	500,000
October 31, 1960		25% common shares	600,000
December 31, 1960		25% common shares	600,000
			₱4,000,000

In 1962, the Parent Company issued 20% common stock dividend. Consequently, the Parent Company increased the authorized capital stock with the approval of the SEC to ₱4.40 million of common shares and ₱2.00 million of preferred shares.

On September 24, 1965, the stockholders authorized the increase in the common stock of the corporation from ₱4.40 million divided into 440,000 common shares with par value of ₱10.00 per share to ₱7.6 million divided into 760,000 common shares with par value of ₱10.00 each. In the same meeting, the stockholders resolved to declare and issue a 20% stock dividend to common stockholders of record as at September 1, 1965. This stock dividend declaration involved the issuance of 83,951 common shares, with a total par value of ₱839,510, under the following terms:

- that the 19,951 shares with a par value of ₱199,510 are to be issued out of the remaining unissued common stock presently authorized; and
- that 64,000 shares with a par value of ₱640,000 are to be issued out of the increase in the common stock of 320,000 common shares.

In April 1966, the Parent Company paid out 20% stock dividends and in November 1966, the Parent Company paid out again 10% stock dividends.

On March 17, 1966, the SEC approved the increase in the common stock to ₱9.6 million divided in 960,000 common shares from ₱9.6 million divided into 760,000 common shares as authorized by the stockholders last September 24, 1965.



On March 19, 1968, the stockholders approved the increase of authorized capital stock from ₱9.6 million to ₱12.00 million to be divided into 1.20 million shares with a par value of ₱10.00 each to wit:

	No. of shares	Amount
Common stock	1,000,000 shares	₱10,000,000
Preferred stock	200,000 shares	2,000,000

The application for the proposed increase in the Parent Company's capitalization was approved by the SEC in November 1968.

In 1970, the Parent Company declared 17.64% stock dividends on common shares amounting to ₱1,499,620 (149,833 shares and ₱1,290 in cash for fractional shares).

In 1971, the Parent Company redeemed the outstanding preferred shares represented by 160,049 preferred shares.

On May 4, 1972, the stockholders approved to eliminate and retire all the 200,000 preferred shares with a par value of ₱10.00 each, thereby, decreasing its capital stock from ₱12.00 million to ₱10.00 million and to create 1,000,000 more common shares at a par value of ₱10.00 each thereby increasing the capital stock of the corporation from ₱10.00 million to ₱20.00 million to be divided into 2.00 million common shares at a par value of ₱10.00 per share. In relation to such an increase, the stockholders declared stock dividend of 20% on the issued and outstanding shares of ₱10.00 million. On October 6, 1972, the SEC approved the application for the retirement of its preferred shares and the increase of its common shares.

On May 6, 1977, the stockholders approved a resolution to increase the capital stock from ₱20.00 million (2.00 million shares at ₱10.00 par value) to ₱30.00 million (3.00 million shares at ₱10.00 par value) and that subscription to the capital stock increase in the amount of ₱2.00 million shall be paid through stock dividend. In December 1977, the SEC approved the registration of the capital stock increase and stock dividend declaration.

On February 9, 1981, the SEC approved the Parent Company's application for the registration of its increase in authorized capital stock from ₱30.00 million (3.00 million shares at ₱10.00 par value) to ₱50.00 million (5.00 million shares at ₱10.00 par value). Capital base went up from ₱30.00 million to ₱40.25 million due to the ₱10.25 million given as stock dividend.

In 1982, the Parent Company distributed ₱9.75 million stock dividend to complete the outstanding capital stock to the full ₱50.00 million which is also the authorized capitalization.

On November 9, 1983, the stockholders approved the increase in authorized capital stock from ₱50.00 million (5.00 million shares at ₱10.00 par value) to ₱100.00 million (10.00 million shares at ₱10.00 par value) and the declaration of a 25% stock dividend or an equivalent sum of ₱12.50 million on such increase to stockholders of record as at November 9, 1983. The increase in authorized capital stock and stock dividend declaration was approved by the SEC on May 4, 1984.

On June 10, 1985, a 10% stock dividend was declared to stockholders of record as at May 10, 1985. The weighted average shares outstanding and all per share amounts included in the financial statements are based on the increased number of shares giving retroactive effect to these stock dividends.



On February 21, 1985, the Makati Stock Exchange approved the listing of 10.00 million common shares of the Parent Company's capital stock which are duly registered with the SEC.

On May 9, 1986, a stock dividend of 21.212% was declared to stockholders of record as at May 28, 1986. The weighted average shares outstanding and all per share amounts included in the financial statements are based on the increased number of shares giving retroactive effect to these stocks dividend.

On January 12, 1987, the stockholders approved to increase the authorized capital stock from ₱100.00 million to ₱200.00 million; and the declaration of 25% stock dividend to stockholders of record as at February 11, 1987 to cover subscription to the said capital stock increase. On June 30, 1987, the SEC approved the application for such increase.

In February 1988, the SEC, for registration and licensing purposes with the PSE, issued to the Parent Company a Certificate of permit to sell securities which authorizes the sale of the said capital stock increase of 10.00 million common shares worth ₱100.00 million to the public.

On April 12, 1988, a stock dividend of 40% was declared to stockholders of record as at May 26, 1988.

On May 10, 1989, the stockholders declared a stock dividend of 14.2857% to stockholders of record as at May 29, 1989. On the same date, the stockholders subsequently approved to increase the authorized capital stock from ₱200.00 million to ₱500.00 million which was approved by the SEC on September 4, 1989.

On May 10, 1991, a 10% stock dividend was declared to stockholders of record as at July 26, 1991.

On May 14, 1993, a 20% stock dividend was declared to stockholders of record as at June 12, 1993.

On May 9, 1997, the BOD approved the declaration of stock dividends of 3.70 million common shares equivalent to 10.1928% to stockholders of record as at June 6, 1997. Consequently, the number of common shares outstanding was increased from 36.30 million shares to 40.00 million common shares.

On July 27, 2011, the BOD declared a 25% stock dividend equivalent to 10.00 million shares amounting to ₱100.00 million with ₱10.00 par value to stockholders of record as at September 15, 2011. The stock certificates were issued and distributed on February 20, 2012.

On January 13, 2015, the SEC approved the issuance of the stock dividend to stockholders of record as at January 30, 2015. The stock certificates were issued and distributed to the stockholders on February 23, 2015. Accordingly, stock dividends distributable amounting to ₱375.00 million recognized as at December 31, 2014 was derecognized in 2015.

On November 16, 2015, the BOD declared 71.42% stock dividend or 62.50 million shares to be taken from the reversal of ₱1.82 billion appropriated retained earnings as at December 31, 2014. On December 15, 2015, the SEC approved the issuance of the stock dividend. The stock certificates were issued and distributed to the stockholders on December 21, 2015.

On November 25, 2020, the BOD approved the declaration of property dividend of 10 billion common shares of LFM Properties Corporation (LPC), with a par value of P0.01 per share, with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Company, to eligible stockholders of the Company as of record date of December 18, 2020.



Retained Earnings

As at December 31, 2020 and 2019, the consolidated retained earnings include undistributed net accumulated earnings of subsidiaries amounting to ₱173.05 million and ₱74.98 million, respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries.

Cash Dividends

Below is the summary of cash dividends declared for the years ended 2020, 2019 and 2018:

Date of Declaration	Date of Record	Date of payment	Dividend per share	Total amount
March 21, 2018	April 06, 2018	April 30, 2018	₱0.50	75.0 million
October 24, 2018	November 12, 2018	December 7, 2018	₱0.50	75.0 million
April 24, 2019	May 10, 2019	May 17, 2019	₱0.30	45.0 million
June 30, 2020	July 14, 2020	July 28, 2020	₱0.50	75.0 million

Property Dividends

On November 25, 2020, the Parent Company's BOD approved the declaration of property dividends in the form of 10.35 billion common shares of LPC (with a par value of ₱0.01 per share), with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Parent Company, to eligible stockholders of the Parent Company as of record date of December 18, 2020. As at March 24, 2021, the property dividends have not yet been distributed to the Parent Company's shareholders, subject to the application and eventual approval of the SEC.

16. Revenue from Contracts with Customers

Disaggregated Revenue Information

Below is the disaggregation of the Group's revenue from contracts with customers by major sources:

	2020	2019	2018
Sales of bakery flour	₱967,591,233	₱644,023,793	₱654,544,060
Sales of mill feeds	121,027,781	98,442,432	68,335,655
	₱1,088,619,014	₱742,466,225	₱722,879,715

Performance Obligations

Revenues from sale of bakery flour and mill feeds are recognized when the goods are sold at a point in time upon delivery or transfer of control of goods.

Contract Balances

The Group's trade receivables from related parties amounting to ₱798.60 million and ₱695.58 million as at December 31, 2020 and 2019, respectively, arise from sale of flour and mill feeds with its related parties. These are noninterest-bearing with average credit terms of 120 days (see Note 5).

The Group has no contract assets and contract liabilities as at December 31, 2020 and 2019.



17. Cost of Sales

	2020	2019	2018
Materials used	₱776,556,835	₱526,683,003	₱540,654,610
Direct labor (see Note 19)	53,076,543	51,280,079	50,184,861
Overhead:			
Utilities	30,942,881	25,112,072	25,253,104
Depreciation (see Note 11)	7,470,835	6,236,584	7,080,196
Repairs and maintenance	2,067,025	4,314,916	3,440,569
Other factory overhead	6,079,105	5,729,934	5,865,015
Provision for inventory write-down (see Note 7)	15,556,883	-	-
	₱891,750,107	₱619,356,588	₱632,478,355

18. Expenses

Administrative Expenses

	2020	2019	2018
Employee benefits and bonuses (see Notes 19, 21 and 25)	₱32,509,901	₱37,280,764	₱38,528,602
Outside services	36,102,521	20,120,373	24,025,924
Salaries and wages (see Notes 19 and 25)	32,327,091	34,110,718	31,093,623
Taxes and licenses	10,379,901	16,846,093	22,495,259
Membership and subscription	8,675,891	9,890,218	5,793,431
Depreciation and amortization (see Notes 11 and 12)	3,961,533	2,921,716	4,524,352
Insurance	2,236,390	2,318,692	1,633,809
Communication, light and water	1,311,521	1,689,967	1,710,601
Per diem	715,000	760,000	770,000
Donations and contribution	604,631	749,783	1,717,425
Representation	491,910	1,288,669	1,430,512
Repairs and maintenance	475,337	975,926	641,386
Office supplies	421,552	446,950	569,753
Commission	114,000	4,740,575	321,200
Provision for expected credit losses (see Note 5)	-	493,705	-
Rent	-	-	1,767,255
Others	4,540,648	5,910,716	6,550,710
	₱134,867,827	₱140,544,865	₱143,573,842

Selling Expenses

	2020	2019	2018
Promotional and marketing expenses (see Note 25)	₱35,087,784	₱35,046,505	₱35,056,192
Depreciation and amortization (see Note 11)	1,412,722	1,548,284	1,603,583
Freight and handling fees	1,330,077	983,520	1,068,548
	₱37,830,583	₱37,578,309	₱37,728,323



Interest Expense

	2020	2019	2018
Notes payable (see Note 13)	₱33,247,765	₱48,801,460	₱11,601,877
Liabilities under trust receipts (see Note 7)	3,826,720	2,716,779	1,461,988
Deposits on long-term leases (see Note 26)	1,500,960	1,685,495	401,623
	₱38,575,445	₱53,203,734	₱13,465,488

19. Personnel Costs

	2020	2019	2018
Direct labor (see Note 17)	₱53,076,543	₱51,280,079	₱50,184,861
Salaries and wages (see Notes 18 and 25)	32,327,091	34,110,718	31,093,623
Bonus and allowances (see Note 18)	15,962,272	20,547,689	23,606,192
Retirement benefits costs (see Notes 18, 21 and 25)	9,244,201	10,570,847	9,376,921
Other employee benefits (see Notes 18 and 25)	7,303,428	6,162,228	5,545,489
	₱117,913,535	₱122,671,561	₱119,807,086

20. Other Income - Net

	2020	2019	2018
Fair value gain (loss) on financial assets at FVTPL (see Note 6)	₱56,462,370	₱13,660,256	(₱13,263,851)
Utilities charges	15,684,365	11,210,646	791,990
Loss on sale of financial assets at FVTPL (see Note 6)	100,685	(4,910,880)	(198,510)
Gain on sale of debt securities at FVOCI (see Note 9)	52,938	19,640	-
Gain on sale of investment property (see Note 10)	-	-	76,154,837
Other income (charges) - net	2,278,348	(1,686,759)	7,951,810
	₱74,578,706	₱18,292,903	₱71,436,276

Utilities charges include water and electricity consumption charged to tenants.

Others mainly include provision for losses and realized foreign exchange gains.



21. Retirement Benefits Costs

The Group has a non-contributory defined benefit retirement plan covering its regular employees.

Under the terms of Liberty Flour Mills, Inc. Retirement Plan, the Parent Company is required to pay its regular employees retirement benefits equivalent to 30 days for every year of credited service upon reaching the compulsory retirement age of 65. Optional retirement is allowed for an employee who reaches the age of 50 and who has completed 20 years of credited service to the Parent Company.

The Retirement Plan is administered by a Trustee appointed by the Parent Company and is responsible for the general administration of the Retirement Plan and the management of the retirement fund. The Trustee may seek the advice of legal or investment counsel and may appoint an investment manager or managers to manage the Fund, an independent accountant to audit the fund and an Actuarial Advisor to value the fund.

The Parent Company's appointed Retirement Committee will coordinate closely with the Trustee in the implementation of the Retirement Plan.

LPC also has a non-contributory defined benefit retirement plan established in 2011 covering its regular employees.

LPC is required to pay its regular employees retirement benefits equivalent to 22.5 days for every year of credited service upon reaching the compulsory retirement age of 65. Optional retirement is allowed for an employee who reaches the age of 50 and who has completed 15 years of credited service to LPC.

Changes in net retirement liability as at December 31, 2020 and 2019 follow:

	Net Retirement Cost in Profit or Loss in the Consolidated Statements of Comprehensive Income				Benefits Directly Paid by the Group	Benefits Paid from Plan Assets	Contributions to the Plan Asset	Remeasurements in Other Comprehensive Income					Balance at End of Year
	Balance at Beginning of Year	Current Service Cost	Net Interest	Subtotal				Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Experience	Effect of Asset Ceiling	Subtotal	
December 31, 2020													
Present value of defined benefit obligation	₱10,886,825	₱706,759	₱553,051	₱1,259,810	₱-	₱-	₱-	₱-	₱742,389	(₱56,209)	₱-	₱686,180	₱12,832,815
Fair value of plan assets	(5,124,872)	-	(260,343)	(260,343)	-	-	-	(13,548,874)	-	-	844,761	(12,704,113)	(18,089,328)
Net defined benefit asset	₱5,761,953	₱706,759	₱292,708	₱999,467	₱-	₱-	₱-	(₱13,548,874)	₱742,389	(₱56,209)	₱844,761	(₱12,017,933)	(₱5,256,513)
Present value of defined benefit obligation	₱116,716,904	₱4,436,195	₱6,209,339	₱10,645,534	(₱7,145,929)	(₱9,238,726)	₱-	₱-	₱15,478,265	₱1,193,542	₱-	₱16,671,807	₱127,649,590
Fair value of plan assets	(22,585,543)	-	(2,400,800)	(2,400,800)	-	9,238,726	(54,323,276)	1,794,183	-	-	-	1,794,183	(68,276,710)
Net defined benefit liability	₱94,131,361	₱4,436,195	₱3,808,539	₱8,244,734	(₱7,145,929)	₱-	(₱54,323,276)	₱1,794,183	₱15,478,265	₱1,193,542	₱-	₱18,465,990	₱59,372,880
December 31, 2019													
Present value of defined benefit obligation	₱107,897,871	₱4,167,383	₱8,153,177	₱12,320,560	(₱6,415,858)	₱-	₱-	₱-	₱19,069,566	(₱5,268,410)	₱-	₱13,801,156	₱127,603,729
Fair value of plan assets	(23,208,857)	-	(1,749,713)	(1,749,713)	-	-	-	(2,751,845)	-	-	-	(2,751,845)	(27,710,415)
Net defined benefit liability	₱84,689,014	₱4,167,383	₱6,403,464	₱10,570,847	(₱6,415,858)	₱-	₱-	(₱2,751,845)	₱19,069,566	(₱5,268,410)	₱-	₱11,049,311	₱99,893,314



The Parent Company is expected to contribute ₱50.00 million to its defined benefit pension plan in 2021 while LPC has no expected contribution in the next financial period.

The overall expected rate of return used to determine present value of defined benefit obligation and fair value of plan assets is based on the prevailing rate of return on government securities applicable to the period over which the obligation is to be settled.

The composition of the plan assets follows:

	2020	2019
Cash in banks	₱14,322,316	₱7,645,837
Receivables	779,261	776,217
Money market placements	67,011	-
Investments in equity securities:		
Industrial	28,304,298	22,361,105
Mining and oil	2,836,500	1,718,066
Services	1,917,026	1,590,000
Others	722,464	846,280
BPI Philippine Equity Index Fund	3,165,198	-
Investment in bonds	45,336,838	-
Liabilities (see Note 25)	(10,240,113)	(7,227,090)
Effect of asset ceiling	(844,761)	-
	₱86,366,038	₱27,710,415

Investments in equity securities can be transacted through the PSE. The plan assets include shares of stock of the Parent Company with fair value of ₱9.18 million and ₱9.90 million as at December 31, 2020 and 2019, respectively. Fair value loss recognized by the retirement plan assets for the changes in market values of the shares of stock of the Parent Company amounted to ₱0.72 million in 2020 and ₱0.11 million in 2019. With respect to the plan's investment in the Parent Company's shares of stock:

- a. There are no restrictions or limitations on the shares provided in the plan,
- b. The Board of Trustees of the plan exercises voting rights over the shares, and
- c. There was no material gain or loss over the shares in 2020, 2019 and 2018.

BPI Philippine Equity Index Fund is an index tracker Unit Investment Trust Fund that mimics the performance of the PSE index (PSEi). It buys all the stocks that comprise the PSEi in the same weight as the index.

The carrying amount of the Group's plan assets represents their fair values as at December 31, 2020 and 2019.

The latest actuarial valuation of the Group's plan is as at December 31, 2020. The principal actuarial assumptions used to determine retirement benefits costs as at January 1 are as follows:

	2020	2019
Discount rate	3.79%–3.81%	5.08%–5.32%
Future salary increases	5.00%	5.00%

The Retirement Plan Committee has no specific matching strategy between the plan assets and the plan liabilities.



Movements in the principal actuarial assumptions may result in an increase or decrease in the year-end defined benefit obligation (DBO). As such, the following sensitivity analysis shows the effects of 100 basis points (bps) movement in the discount and salary increase rates as at December 31:

		2020		2019	
		Increase (decrease) in rate	Increase (decrease) in DBO	Increase (decrease) in rate	Increase (decrease) in DBO
Discount rate	+100 bps	9.80%	(₱12,471,903)	8.6%	(₱10,055,730)
	- 100 bps	(8.30%)	10,642,962	(7.5%)	8,702,281
Salary increase rate	+100 bps	9.60%	12,193,031	8.6%	9,986,327
	-100 bps	(8.30%)	(10,624,970)	(7.5%)	(8,805,068)

In 2020, the average duration of the defined benefit obligation at the end of the period is 9.1 years for the Parent Company and 5.1 years for LPC. In 2019, the average duration of the defined benefit obligation at the end of the period is 8.0 years for the Parent Company and 4.6 years for LPC.

The table below shows the payments that are to be made in the future years out of the defined benefit obligation as at December 31:

	2020	2019
Year 1	₱29,125,311	₱28,474,894
Year 2	3,058,455	2,844,087
Year 3	5,304,300	7,090,929
Year 4	5,986,808	7,417,623
Year 5	11,982,510	9,993,851
Year 6- 10	63,404,067	58,688,526

Other Comprehensive Income

Movements in remeasurement gains (losses) on retirement benefits recognized in “other components of equity” under the equity section of the consolidated statements of financial position follows:

	2020	2019
Beginning balance	(₱4,814,710)	₱2,919,808
Remeasurement gains (losses) on retirement benefits in other comprehensive income:		
Actuarial loss on defined benefit obligation	(17,357,987)	(13,801,156)
Remeasurement gain on plan assets	10,909,930	2,751,845
Total	(6,448,057)	(11,049,311)
Income tax effect	1,934,417	3,314,793
	(4,513,640)	(7,734,518)
Ending balance	(₱9,328,350)	(₱4,814,710)

In 2018, remeasurement gains (losses) on retirement benefits in other comprehensive income amounted to ₱8.72 million.



22. Provisions and Contingencies

a. Application for Exemption of Properties from Republic Act (R.A.) 6657

In 2015, the Group submitted with the Department of Agrarian Reform (DAR) its Application for Exemption from Comprehensive Agrarian Reform Program (CARP), also known as R.A. 6657, for its land property. The Application for Exemption was partially granted in 2016. In August 2016, the Group filed a Motion for Partial Reconsideration on the remaining hectares of the said land property with a carrying value of ₱1.03 million.

On June 29, 2020, The Land Use Cases Committee (LUCC) rendered an Order favorably finding that the Teresa Landholdings are within the Lungsod Silangan Townsite. On November 20, 2020, the LUCC affirmed its Order and denied Kapisan ng Magsasaka ng Teresa, Angono, Inc. (KMTAI) Motion for Reconsideration. Barring a possible appeal, the Order will attain finality, exempting the Teresa Landholdings from CARP Coverage.

As of March 24, 2021, KMTAI has since appealed the denial of its Motion for Reconsideration to the Office of the President, in which the Parent Company has been ordered to comment on the same. Consequently, the Parent Company filed a corresponding comment/opposition to the KMTAI appeal. The case is still pending in the Office of the President.

b. Tax Assessments

As discussed in Note 3, the Group is currently involved in certain tax assessments and claims occurring in the ordinary course of business.

In consultation with the Group's external legal counsels, management believes that the ultimate disposition of the above matters will not have any material adverse liquidity effect on the Group's operations or its financial condition.

No further details were provided as allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, because these may prejudice the Group's position in relation to these ongoing claims and assessments.

23. Income Taxes

In 2020, 2019 and 2018, the Group's provision for current income tax represents RCIT, except for the Parent Company's provision which represents MCIT in 2019 and 2018.

The reconciliation of the provision for income tax computed at the statutory income tax rate with the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2020	2019	2018
Income tax at statutory income tax rate	₱72,671,637	₱29,702,641	₱34,498,389
Additions to (reductions in) income tax resulting from:			
Dividend income exempt from tax	(8,435,111)	(11,279,601)	(12,624,393)
<i>(Forward)</i>			



	2020	2019	2018
Interest income subjected to final tax	(₱2,142,583)	(₱7,564,083)	(₱7,806,052)
Movement in unrecognized deferred tax assets	2,983,613	2,653,899	14,413,707
Loss (gain) on sale and fair value changes on financial assets at FVTPL	(16,968,917)	(2,624,812)	4,038,708
Nondeductible expenses	2,033,776	2,152,705	2,846,394
Expired NOLCO	246,509	807,200	458,673
Rental income from deposits on long-term leases	(575,242)	–	–
Sale of investment property subjected to capital gains tax	–	–	(22,846,451)
	₱49,813,682	₱13,847,949	₱12,978,975

The Group's net deferred tax assets (liabilities) as at December 31 follow:

	2020	2019
Deferred tax assets:		
Net retirement plan liability	₱17,811,864	₱28,239,408
Unrealized foreign exchange gain	1,040,733	–
Deferred tax liabilities:		
Accrued rent	(748,820)	(355,430)
Unrealized foreign exchange gain	–	(141,834)
Net deferred tax assets	₱18,103,777	₱27,742,144
Deferred tax liability:		
Accrued rent	(₱17,713,791)	(₱8,827,766)
Net retirement plan liability	(1,576,954)	–
Deferred tax assets:		
Advance rental	913,437	708,122
Net retirement plan liability	–	1,728,586
Net deferred tax liabilities	(₱18,377,308)	(₱6,391,058)

Deferred tax assets for the following deductible temporary differences, unused NOLCO and MCIT have not been recognized as management assessed that no sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized:

	2020	2019
Unamortized past service cost	₱52,214,714	₱9,110,663
NOLCO	13,808,775	45,864,255
Provision for:		
Inventory write-down	15,556,883	–
Probable losses	9,480,110	8,728,390
Expected credit losses	1,592,626	1,592,626
MCIT	–	5,223,539
	₱92,653,108	₱70,519,473



As at December 31, 2020 and 2019, the Group did not recognize deferred tax asset on fair value loss on financial assets at FVOCI amounting to ₱40.60 million as management believes that there is no capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset.

Revenue Regulations No. 25-2020

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, the Group’s NOLCO and MCIT that can be claimed as deduction against taxable income and regular income tax due, respectively, are as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
2017	2020	₱821,698	₱—
2018	2021	42,751,564	2,320,966
2019	2022	2,290,993	2,902,573
2020	2025	438,547	—
		46,302,802	5,223,539
Less: Applied in 2020		31,672,329	5,223,539
Expired in 2020		821,698	—
		₱13,808,775	₱—

24. Basic/Diluted Earnings Per Share

The computation of basic/diluted earnings per share is as follows:

	2020	2019	2018
Consolidated net income	₱192,425,105	₱85,160,856	₱102,015,654
Divided by weighted average number of shares (see Note 15)	150,000,000	150,000,000	150,000,000
Basic/diluted earnings per share	₱1.28	₱0.57	₱0.68

The Group does not have potentially dilutive common shares as at December 31, 2020, 2019 and 2018. Therefore, the basic and diluted earnings per share are the same.

25. Related Party Transactions

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

Related party receivables are generally settled in cash.



The transactions with its related parties for each of the years and their account balances as at December 31 follow:

	Amount/Volume Income (Expense)			Outstanding Receivable Balance		Terms	Conditions
	2020	2019	2018	2020	2019		
Stockholder							
Parity Values, Inc.							
Sales	₱700,284,741	₱408,876,372	₱445,864,781	₱558,989,320	₱414,444,934	120 days	Unsecured, not impaired
Development Rights	(99,700,000)	–	–	(89,730,000)	–	Within 5 years; 5.25% interest per annum	Unsecured, not impaired
Rent income	2,346,499	2,116,940	2,015,497	11,960	–	30 days	Unsecured, not impaired
Promotional and marketing expenses	(29,750,000)	(29,750,000)	(29,750,000)	–	–	On demand	–
Rent expense	–	–	1,009,290	–	–	30 days	Unsecured, not impaired
Others	(99,700)	6,696	–	(93,004)	6,696	30 days	Unsecured, not impaired
Under Common Control							
Liberty Commodities Corporation							
Sales	237,017,234	171,250,718	149,817,998	95,525,183	137,658,892	120 days	Unsecured, not impaired
Rent income	3,060,458	2,752,984	2,499,124	375,605	278,793	30 days	Unsecured, not impaired
Promotional and marketing expenses	(5,250,000)	(5,250,000)	(5,250,000)	–	–	On demand	–
Sale of land	–	–	76,529,000	–	–	On demand	–
Trade Demands Corporation							
Sales	151,317,039	162,339,135	127,196,936	144,087,871	143,481,093	120 days	Unsecured; with impairment of ₱1,592,626 as at December 31, 2020 and 2019
Other related parties							
Officers and employees							
Advances	–	1,047,238	846,346	–	904,099	On demand	Unsecured; not impaired
Retirement Plan							
Others	–	–	–	7,227,090	7,227,090	On demand	Unsecured; not impaired
Trade receivables from related parties (see Note 5)				₱798,602,374	₱695,584,919		
Rent receivables from related parties (see Note 5)				₱387,565	₱278,793		
Advances to officers and employees (see Note 5)				₱–	₱904,099		
Payable to a related party (see Note 10)				(₱89,730,000)	₱–		
Others (see Note 5)				₱7,134,086	₱7,233,786		

- a. Promotional and marketing expenses are amounts paid outright in cash to related party distributors for the Group's support in their advertising and promotional activities.

Outstanding balances of the intercompany receivables at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees received for any related party receivables. There is no impairment on receivables relating to amounts owed by related parties for both years.



- b. The Parent Company also has a receivable from its retirement plan amounting to ₱7.23 million as at December 31, 2020 and 2019 which is recorded under “Receivables - others” account in the consolidated statements of financial position. The members of the Retirement Plan Committee are directors or officers of the Parent Company.
- c. The key management personnel compensation is as follows:

	2020	2019	2018
Short-term employee benefits	₱18,112,090	₱17,316,738	₱19,239,645
Post-employment benefits and others	8,797,885	10,244,242	9,096,813
	₱26,909,975	₱27,560,980	₱28,336,458

Short-term employee benefits include management bonus given to the Group’s directors and officers (see Notes 18 and 19).

26. Leases

The Group leases out office spaces on its investment properties under various operating leases. The leases are for a term of one to ten years and may be renewed upon mutual agreement of the parties.

Under the lease contracts, the lessees are required to pay security deposits and advance rental. These are shown under “Deposits on long-term leases” account in the consolidated statements of financial position and are recorded at their accreted values which amounted to ₱30.35 million and ₱29.68 million as at December 31, 2020 and 2019, respectively. Accretion of interest, included in interest expense in profit or loss, amounted to ₱1.50 million in 2020, ₱1.69 million in 2019 and ₱0.40 million in 2018.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and will be amortized on a straight-line basis over the lease term, amounted to ₱14.60 million and ₱15.72 million as at December 31, 2020 and 2019, respectively.

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱59.05 million and ₱29.43 million as at December 31, 2020 and 2019, respectively.

As a result of the COVID-19 pandemic, the Group provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2020. Certain lease agreements were also pre-terminated. The Group accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱4.96 million; while the lease termination resulted to a decrease in accrued rent and rental income amounting to ₱0.29 million and ₱0.97 million, respectively, as of and for the year ended December 31, 2020.



The future minimum lease receivables under non-cancellable leases on its investment properties are as follows:

	2020	2019
Year 1	₱188,843,979	₱200,574,625
Year 2	140,104,480	186,008,613
Year 3	139,496,199	136,498,160
Year 4	137,121,029	129,263,444
Year 5	134,725,259	136,464,834
More than 5 years	521,443,148	621,055,426
	₱1,261,734,094	₱1,409,865,102

27. Financial Instruments and Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, trade receivables, financial assets at FVTPL, financial assets at FVOCI, and notes payable. The main purpose of these financial instruments is to fund the Group's operations. The other financial assets and financial liabilities arising directly from its operations are refundable deposits recorded under "Other noncurrent assets" account, liabilities under trust receipts, accounts payable and accrued expenses.

The main risks arising from the Group's financial instruments are credit risk, equity price 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 Group's exposure to interest rate risk is minimal as the interest of notes payable are stated at fixed rate. The BOD reviews and approves policies for managing each of these risks.

Credit Risk

Credit risk represents the loss that the Group would incur if the 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 is also potentially subject to concentrations of credit risk in its accounts receivable. Approximately all of the Group's entire trade receivables and revenues are concentrated with its three distributors as at December 31, 2020 and 2019. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. While there is delay in collection of some trade receivables (those classified under "Past due but not impaired") the Group is in close coordination with the distributor to bring their accounts to current. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, 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 enhancements held over these assets.



Credit Risk Exposures. The table below shows the gross maximum exposure to on- and off-balance sheet credit risk exposures of the Group, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at December 31:

	2020	2019
Financial assets at amortized cost		
Cash and cash equivalents*	₱178,998,109	₱168,154,952
Trade and other receivables**	842,832,405	726,490,447
Other noncurrent assets***	6,338,288	6,366,883
Debt securities at FVOCI	453,400,154	510,429,443
	₱1,481,568,956	₱1,411,441,725

*excluding cash on hand, amounting to ₱721,335 and ₱37,940 as at December 31, 2020 and 2019, respectively.

** before considering provision for expected credit losses ₱1,592,626 and ₱1,592,626 for past due and impaired accounts as at December 31, 2020 and 2019, respectively.

***excluding advances to suppliers amounting to ₱144,163,764 and ₱50,262,409 and computer software amounting to ₱99,099 and ₱350,626 as at December 31, 2020 and 2019, respectively.

The following table summarizes the credit quality of the Group's financial assets per category as at December 31:

	2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱668,002,307	₱669,478,778	₱-	₱1,337,481,085
Moderate	-	144,087,871	-	144,087,871
High	-	-	-	-
Gross carrying amount	668,002,307	813,566,649	-	1,481,568,956
ECL	-	1,592,626	-	1,592,626
Carrying amount	₱668,002,307	₱811,974,023	₱-	₱1,479,976,330

	2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱706,847,768	₱561,112,864	₱-	₱1,267,960,632
Moderate	-	143,481,093	-	143,481,093
High	-	-	-	-
Gross carrying amount	706,847,768	704,593,957	-	₱1,411,441,725
ECL	-	1,592,626	-	1,592,626
Carrying amount	₱706,847,768	₱703,001,331	₱-	₱1,409,849,099

The credit quality of the financial assets was determined as follows:

Low Risk - This includes cash and cash equivalents and financial assets at FVOCI with recycling with counterparties with good credit or bank standing, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies. For receivables, this consists of accounts with counterparties with no history of default on the agreed contract terms.

Moderate Risk - This includes receivables with counterparties with little history of default on the agreed contract terms.

High Risk - This includes receivables that consist of accounts with counterparties with history of default on the agreed contract terms.

As at December 31, 2020, the COVID-19 outbreak has no significant impact to the Group's credit risk.



Set out below is the information about the credit risk exposure on the Group's trade receivables and rent receivables using a provision matrix:

		2020								
		Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	Total
Trade receivables -										
TDC										
Expected credit loss rate		0.39%	1.57%	1.57%	1.57%	1.57%	1.57%	1.62%	2.27%	
Estimated total gross carrying amount at default		₱57,983,426	₱14,318,019	₱16,829,552	₱15,726,740	₱12,258,476	₱9,911,068	₱15,858,339	₱1,202,251	₱144,087,871
Expected credit loss		224,487	224,717	264,135	246,826	192,394	155,552	257,265	27,250	1,592,626
		2019								
		Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	Total
Trade receivables -										
TDC										
Expected credit loss rate		0.38%	1.51%	1.51%	1.51%	1.51%	1.51%	1.56%	2.14%	
Estimated total gross carrying amount at default		₱59,021,982	₱13,838,039	₱12,603,691	₱11,542,799	₱11,136,757	₱10,506,405	₱10,554,534	₱14,276,886	₱143,481,093
Expected credit loss		222,216	208,862	190,231	174,219	168,091	158,576	165,131	305,300	1,592,626

As at December 31, 2020 and 2019, allowance for expected credit losses are recognized for trade receivables other than receivable from Trade Demands Corporation, and rent receivables subjected to impairment.

As at December 31, 2020, the COVID-19 outbreak has no significant impact to the Company's credit risk.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of investments in quoted equity securities, which are classified in the consolidated statements of financial position as financial assets at FVTPL and at FVOCI investments.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position. The change in market prices used in the sensitivity analysis is determined based on the highest and lowest stock prices of a financial instrument during the period. The Group has determined that for financial assets at FVOCI, a decrease or increase on the stock prices would only impact equity and would not have an effect on profit or loss. The Group has determined that for financial assets at FVTPL, a decrease and increase on the stock prices could have an impact on the profit or loss.



As at December 31, 2020 and 2019, the effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities classified as financial assets at FVTPL and in fair value of financial assets classified at FVOCI follows:

	2020	
	Increase (decrease) in rate	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	34% (34%)	4,301,921 (4,301,921)
Financial assets at FVOCI	(4%) 4%	(14,717,420) 14,717,420
	2019	
	Increase (decrease) in rate	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	19% (19%)	₱2,460,694 (2,460,694)
Financial assets at FVOCI	6% (6%)	27,197,794 (27,197,794)

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 liquidity 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.

The tables below summarize the maturity profile of financial assets that can be used by the Group to manage its liquidity risks and the maturity profile of the Group's other financial liabilities as at December 31:

	2020			Total
	Less than 3 Months	3 to 12 Months	More than 12 Months	
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:				
Cash on hand and in banks	₱144,168,161	₱-	₱-	₱144,168,161
Cash equivalents	35,551,263	-	-	35,551,263
Trade receivables from related parties, net of allowance	797,009,748	-	-	797,009,748
Rent receivables:				
Third parties	14,576,710	-	-	14,576,710
Related parties	387,565	-	-	387,565
Advances to a broker	13,506,451	-	-	13,506,451
Advances to officers and employees	4,461,167	-	-	4,461,167
Other receivables	11,298,138	-	-	11,298,138
Other noncurrent assets	-	-	6,388,288	6,388,288
Financial assets at FVTPL	94,377,416	-	-	94,377,416
Financial assets at FVOCI:				
Equity securities	-	-	590,638,751	590,638,751
Debt securities	40,013,480	50,205,271	363,181,404	453,400,155
Total financial assets	1,155,350,099	50,205,271	960,208,443	2,165,763,813

(Forward)



	2020			
	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Financial Liabilities				
Notes payable, including interest	₱-	₱606,879,982	₱-	₱606,879,982
Accounts payable and other current liabilities:				
Trade payables	61,687,676	-	-	61,687,676
Liabilities under trust receipts	245,138,627	-	-	245,138,627
Accrued liabilities – inventory in transit	112,300,525	-	-	112,300,525
Dividends payable	32,570,612	-	-	32,570,612
Customers and tenants’ deposits	12,442,924	-	-	12,442,924
Construction bond	3,740,497	-	-	3,740,497
Accrued selling, freight, outside services and other expenses	24,063,790	-	-	24,063,790
Payable to a related party	-	-	89,730,000	89,730,000
Deposits on long-term leases	-	10,517,318	31,654,427	42,171,745
Total financial liabilities	491,944,651	617,397,300	121,384,427	1,230,726,378
Net financial asset (liabilities)	₱663,405,448	(₱567,192,029)	₱838,824,016	₱935,037,435
	2019			
	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:				
Cash in banks	₱102,440,941	₱-	₱-	₱102,440,941
Cash equivalents	65,714,011	-	-	65,714,011
Trade receivables from related parties, net of allowance	693,992,293	-	-	693,992,293
Rent receivables:				
Third parties	8,735,650	-	-	8,735,650
Related parties	278,793	-	-	278,793
Advances to a broker	8,384,356	-	-	8,384,356
Other receivables	10,628,412	-	-	10,628,412
Other noncurrent assets	-	-	6,366,883	6,366,883
Financial assets at FVTPL	39,142,457	-	-	39,142,457
Financial assets at FVOCI:				
Equity securities	-	-	667,353,981	667,353,981
Debt securities	35,021,350	28,662,903	446,745,190	510,429,443
Total financial assets	964,338,263	28,662,903	1,120,466,054	2,113,467,220
Financial Liabilities				
Notes payable, including interest	-	634,753,341	-	634,753,341
Accounts payable and other current liabilities:				
Trade payables	18,508,652	-	-	18,508,652
Liabilities under trust receipts	70,417,269	-	-	70,417,269
Accrued liabilities – inventory in transit	57,498,654	-	-	57,498,654
Dividends payable	32,051,412	-	-	32,051,412
Customers and tenants’ deposits	6,181,604	4,773,195	1,047,559	12,002,358
Construction bond	3,845,528	-	-	3,845,528
Accrued selling, freight, outside services and other expenses	15,337,413	-	-	15,337,413
Deposits on long-term leases	-	2,422,936	13,292,628	15,715,564
Total financial liabilities	203,840,532	641,949,472	14,340,187	860,130,191
Net financial asset (liabilities)	(₱760,497,731)	(₱613,286,569)	₱1,106,125,867	₱1,253,337,029

As at December 31, 2020, the COVID-19 outbreak has no significant impact to the Group’s liquidity risk.

Fair Value

The carrying values of cash and cash equivalents, receivables, notes payable, accounts payable and other current liabilities approximate their fair values due to their short-term nature. The carrying value of unquoted equity securities approximate their fair values based on the adjusted net asset method. The carrying values deposits on long-term leases were not materially different from their calculated fair values estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.



The following are the Group's financial instruments whose carrying amounts are measured at fair value:

	Carrying Value		Fair Value	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Financial Assets				
Financial assets at FVTPL	₱94,377,416	₱39,142,457	₱94,377,416	₱39,142,457
Financial assets at FVOCI	1,044,038,905	1,177,783,424	1,044,038,905	1,177,783,424

Financial assets at FVTPL and financial assets at FVOCI are carried at their fair values based on quoted market prices.

Fair Value Hierarchy

Below table presents the fair value measurement hierarchy of the Group's financial assets carried at fair value and nonfinancial assets whose fair values are disclosed as at December 31:

	2020			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱94,377,416	₱94,377,416	₱-	₱-
Financial assets at FVOCI:				
Quoted debt securities	453,400,154	453,400,154	-	-
Quoted equity securities	578,526,420	578,526,420	-	-
Unquoted equity securities	12,112,331	-	-	12,112,331
Nonfinancial assets for which fair values are disclosed				
Investment properties	5,094,338,669	-	-	5,094,338,669
	2019			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱39,142,457	₱39,142,457	₱-	₱-
Financial assets at FVOCI:				
Quoted debt securities	510,429,443	510,429,443	-	-
Quoted equity securities	656,743,276	656,743,276	-	-
Unquoted equity securities	10,610,705	-	-	10,610,705
Nonfinancial assets for which fair values are disclosed				
Investment properties	4,678,310,190	-	-	4,678,310,190

The disclosures on the fair value of investment properties carried at cost are included in Note 10.

In 2020 and 2019, there were no transfers between the fair value measurement hierarchy levels.



28. Capital Management Policies

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

The Group monitors capital by having a daily monitoring of receipts and collections, regular release of disbursements to suppliers, monthly cash flow report preparation and monthly review of capital expenditure requirements. The Group at this point, with its healthy cash flow, is not looking for any bank loans to finance its operations and renovations. The Group strives to earn a minimum return double the annual inflation rate.

The following table summarizes the total capital considered by the Group as at December 31:

	2020	2019
Capital stock	₱1,500,000,000	₱1,500,000,000
Retained earnings	1,399,723,332	1,282,298,227
	₱2,899,723,332	₱2,782,298,227

The Group is not subject to any externally imposed capital requirements.

29. Note to Consolidated Statements of Cash Flows

- a. The Group has no noncash investing and financing activities except for the following:
- Purchase of development rights in 2020 with unpaid consideration of ₱89.73 million as of December 31, 2020 (see Note 10).
 - Purchase of investment properties on account in 2018 amounting to ₱7.04 million.
- b. Changes in liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities follow:

	2020			December 31
	January 1	Cash flows	Noncash charges*	
Notes payable	₱632,900,000	(₱52,900,000)	₱-	₱580,000,000
Interest payable	1,858,341	(38,042,687)	37,074,485	890,139
Dividends payable (see Note 14)	32,051,412	(74,480,800)	75,000,000	32,570,612
Total liabilities	₱666,809,753	(₱165,423,487)	₱112,074,485	₱613,460,751

	2019			December 31
	January 1	Cash flows	Noncash charges*	
Notes payable	₱770,400,000	(₱137,500,000)	₱-	₱632,900,000
Interest payable	2,044,045	(51,703,944)	51,518,240	1,858,341
Dividends payable (see Note 14)	37,254,472	(50,203,060)	45,000,000	32,051,412
Total liabilities	₱809,698,517	(₱239,407,004)	₱96,518,240	₱666,809,753



	2018			December 31
	January 1	Cash flows	Noncash charges*	
Notes payable	₱670,459,530	₱99,940,470	₱–	₱770,400,000
Interest payable	814,165	(11,833,985)	13,063,865	2,044,045
Dividends payable (see Note 14)	28,720,661	(141,466,189)	150,000,000	37,254,472
Total liabilities	₱699,994,356	(₱53,359,704)	₱163,063,865	₱809,698,517

*Noncash charges pertain to declaration of dividends and accrual of interests on note payable.

30. Other Matters

a. Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

The Bicameral Conference Committee ratified on February 3, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Bill introduces reforms to the corporate income tax and incentives systems. As at March 24, 2021, the CREATE Bill is still for approval by President Rodrigo Duterte.

The following are the key changes to the Philippine tax law pursuant to the CREATE Bill which are relevant and may have impact to the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

b. COVID-19 Pandemic

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Upon lifting of the ECQ on May 16, 2020, the modified ECQ has been implemented until May 31, 2020 and general community quarantine (GCQ) until June 30, 2020. On August 3, 2020, the Office of the President issued a Memorandum declaring MECQ for NCR and selected provinces,



starting August 4, 2020 until August 18, 2020. On August 19, 2020, NCR was placed under general community quarantine until August 31, 2020, which was subsequently extended until March 28, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak on its financial position and performance as of and for the year ended December 31, 2020. Considering the evolving nature of this outbreak, the Group will continue to monitor the situation.

31. Segment Information

The Group's operating business are organized and managed separately according to industry. The industry segments where the Group operates are as follows:

- a. Bakery flour - manufacturing of flour and distribution/sales of its produce.
- b. Mill feed - utilization of its by-products and distribution/sales of its produce; and
- c. Real estate and investment - leasing of office and commercial units and investment in securities.

The Group has only one geographical segment as its operations are solely based in the Philippines.

The Executive Committee, the Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross margin and net income and is measured consistently with gross margin and net income in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on revenue, income before tax and net income for the year.

The following tables on business segments present the revenue and profit information for each of the three years in the period ended December 31, 2020 and the segment assets as at December 31:

	2020			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱967,591,233	₱121,027,781	₱–	₱1,088,619,014
Rental income	–	–	262,842,161	262,842,161
Interest income	–	–	22,925,763	22,925,763
Dividend income	–	–	28,117,038	28,117,038
	967,591,233	121,027,781	313,884,962	1,402,503,976
Cost of sales/services	709,778,070	181,972,037	131,819,933	1,023,570,040
Gross profit on sales/income	257,813,163	(60,944,256)	182,065,029	378,933,936
Selling and administrative expenses	(129,101,659)	(16,095,380)	(27,501,371)	(172,698,410)
Interest expense	–	–	(38,575,445)	(38,575,445)
Other charges – net	(2,398,272)	8,815,943	68,161,035	74,578,706
Provision for income tax	–	–	–	(49,813,682)
Net income	126,313,232	(₱68,223,693)	184,149,248	192,425,105
Property, plant and equipment	₱97,551,248	₱6,056,497	₱450,733	₱104,058,478
Investment properties	₱–	₱–	₱1,223,957,338	₱1,223,957,338
Depreciation and amortization	₱11,812,243	₱543,030	₱45,037,196	₱57,392,469
Additions to property, plant and equipment and investment properties	₱54,383,550	₱1,793,681	₱100,838,657	₱157,015,888



2019				
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	P644,023,793	P98,442,432	P–	P742,466,225
Rental income	–	–	206,586,489	206,586,489
Interest income	–	–	25,369,253	25,369,253
Dividend income	–	–	37,598,668	37,598,668
	644,023,793	98,442,432	269,554,410	1,012,020,635
Cost of sales/services	502,436,489	116,920,099	80,621,237	699,977,825
Gross profit on sales/income	141,587,304	(18,477,667)	188,933,173	312,042,810
Selling and administrative expenses	(154,506,102)	(23,617,072)	–	(178,123,174)
Interest expense	–	–	(53,203,734)	(53,203,734)
Other charges – net	580,976	88,805	17,623,122	18,292,903
Provision for income tax	–	–	–	(13,847,949)
Net income	(P12,337,822)	(P42,005,934)	P153,352,561	P85,160,856
Property, plant and equipment	P56,290,948	P3,494,839	P481,797	P60,267,584
Investment properties	P–	P–	P1,167,873,287	P1,167,873,287
Depreciation and amortization	P9,673,955	P600,611	P42,571,144	P52,845,710
Additions to property, plant and equipment and investment properties	P7,615,521	P472,812	P8,446,858	P16,535,191

2018				
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	P654,544,060	P68,335,655	P–	P722,879,715
Rental income	–	–	120,296,030	120,296,030
Interest income	–	–	26,340,270	26,340,270
Dividend income	–	–	42,081,311	42,081,311
	654,544,060	68,335,655	188,717,611	911,597,326
Cost of sales/services	565,374,524	67,103,831	40,792,965	673,271,320
Gross profit on sales/income	89,169,536	1,231,824	147,924,646	238,326,006
Selling and administrative expenses	(175,643,409)	(5,658,756)	–	(181,302,165)
Interest expense	–	–	(13,465,488)	(13,465,488)
Other charges - net	(12,650,518)	(1,320,737)	85,407,531	71,436,276
Provision for income tax	–	–	–	(12,978,975)
Net income	(P99,124,391)	(P5,747,669)	P219,866,689	P102,015,654
Property, plant and equipment	P56,651,227	P5,320,793	P–	P61,972,020
Investment properties	P–	P–	P1,202,125,662	P1,202,125,662
Depreciation and amortization	P12,192,114	P390,749	P15,972,454	P28,555,317
Additions to property, plant and equipment and investment properties	P7,644,442	P717,981	P220,540,140	P228,902,563

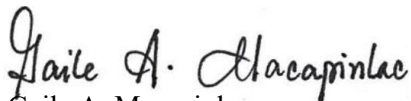


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Liberty Flour Mills, Inc.
7F Liberty Building
835 A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Liberty Flour Mills, Inc. (the Company), as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

SEC Accreditation No. 1621-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 205-947-572

BIR Accreditation No. 08-001998-126-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2020

- Financial Assets (Annex 68-J: Schedule A)
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) (Annex 68-J: Schedule B)*
- Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements (Annex 68-J: Schedule C)
- Long-Term Debt (Annex 68-J: Schedule D)*
- Indebtedness to Related Parties (Annex 68-J: Schedule E)*
- Guarantees of Securities of Other Issuers (Annex 68-J: Schedule F)*
- Capital Stock (Annex 68-J: Schedule G)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- Map of the Relationship of the Companies within the Group
- Schedule of Financial Soundness Indicators (Annex 68-E)

**Not applicable*

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

FINANCIAL ASSETS (Annex 68-J: Schedule A)

DECEMBER 31, 2020

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
<i>Financial Assets at Amortized Cost</i>					
Cash and cash equivalents	N/A	N/A	₱179,719,424	N/A	₱1,885,372
Receivables:					
Trade receivables from related parties, net of allowance	N/A	N/A	797,009,748	N/A	–
Rent receivables:					
Third parties	N/A	N/A	14,576,710	N/A	39,050
Related parties	N/A	N/A	387,565	N/A	–
Receivable from broker	N/A	N/A	13,506,451	N/A	179,698
Advances to officers and employees	N/A	N/A	4,461,167	N/A	–
Other receivables	N/A	N/A	11,298,138	N/A	–
Other noncurrent assets*	N/A	N/A	6,388,288		
			1,027,347,491		2,104,120

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
<i>Financial Assets at FVTPL</i>					
Equity investments	Union Bank of the Philippines	25,807	1,855,523	1,855,523	90,325
Equity investments	Aboitiz Power	212,000	5,628,600	5,628,600	–
Equity investments	GMA Holdings, Inc.	74,000	440,300	440,300	22,200
Equity investments	Philippine National Bank	27,531	808,035	808,035	250,160
Equity investments	Cebu Air, Inc	8,640	436,320	436,320	–
Equity investments	Nickel Asia	584,208	3,271,565	3,271,565	175,262
Equity investments	Lepanto	3,545,455	567,273	567,273	–
Equity investments	Philex Mining	1,000,000	4,950,000	4,950,000	10,000
Equity investments	ACE Enexor, Inc	300,000	3,450,000	3,450,000	–
Equity investments	SFA Semicon Philippines	400,000	612,000	612,000	–
Equity investments	Cebu Landmasters, Inc.	100,000	505,000	505,000	25,000
Equity investments	PLDT	2,000	2,680,000	2,680,000	154,000
Equity investments	Security Bank Corp.	–	–	–	112,500
	Universal Rightfield Property Holdings	600,000	22,800	22,800	–
Equity investments	PXP Energy	150,000	1,650,000	1,650,000	–
Equity investments	AC Energy Philippines, Inc.	7,500,000	67,500,000	67,500,000	300,000
		14,529,641	94,377,416	94,377,416	1,139,447
<i>Financial Assets at FVOCI</i>					
Debt instruments	Deutsche Bank	600,000	81,502,200	81,502,200	4,140,000
Debt instruments	Ayala Land, Inc.	1,040,000	109,933,040	109,933,040	4,770,000
Debt instruments	SM Investments	500,000	49,824,000	49,824,000	2,181,600
Debt instruments	Philippine National Bank	200,000	25,388,000	25,388,000	980,000
Debt instruments	GT Capital Holdings, Inc.	350,000	–	–	338,597
Debt instruments	Energy Development	187,500	–	–	311,873
Debt instruments	Globe Telecom, Inc.	99,000	–	–	290,318
Debt instruments	Rockwell Land	200,000	20,001,320	20,001,320	814,912
Debt instruments	PLDT, Inc.	500,000	49,826,310	49,826,310	2,103,512
Debt instruments	San Miguel Brewery, Inc.	250,000	50,545,396	50,545,396	2,300,000
Debt instruments	SM Prime Holdings, Inc.	250,000	24,910,800	24,910,800	1,148,340
Debt instruments	Ayala Corporation	200,000	20,695,939	20,695,939	771,200
Debt instruments	Government bonds	100,000	10,530,300	10,530,300	370,000
Debt instruments	Metropolitan Bank & Trust Company	100,000	10,242,850	10,242,850	300,000
		4,826,500	453,400,155	453,400,155	20,820,352

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
Equity investments	Arthaland Corporation	426,250	10,332,063	10,332,063	708,495
Equity investments	BDO Unibank, Inc.	4,730	505,164	505,164	5,676
Equity investments	Fil-Estate Land, Inc.	20,000	18,400	18,400	-
Equity investments	Manila Bulletin Publishing, Inc.	5,789,685	2,576,410	2,576,410	-
Equity investments	Asian Terminals, Inc.	392,133	6,109,432	6,109,432	275,669
Equity investments	BDO Leasing & Finance	25,000	-	-	-
Equity investments	PLDT, Inc.	7,000	7,000	7,000	-
Equity investments	Petron Corporation	38,650	39,770,850	39,770,850	265,073
Equity investments	First Gen Corporation	70,000	7,574,000	7,574,000	544,656
Equity investments	San Miguel Corporation	934,100	71,593,010	71,593,010	4,916,999
Equity investments	San Miguel Purefoods Company, Inc.	40,000	-	-	565,960
Equity investments	Leisure & Resorts World	50,000,000	-	-	2,355,000
Equity investments	Ayala Corporation	138,060	71,439,930	71,439,930	3,456,962
Equity investments	First Philippine Holdings	50,000	22,200,000	22,200,000	1,375,000
Equity investments	Globe Telecom, Inc.	100,000	51,700,000	51,700,000	2,600,300
Equity investments	Megawide Construction	250,000	25,125,000	25,125,000	1,756,250
Equity investments	GT Capital Holdings, Inc.	30,000	30,780,000	30,780,000	1,509,870
Equity investments	8990 Holdings, Inc.	200,000	20,400,000	20,400,000	1,205,260
Equity investments	Phoenix Petroleum Philippines	7,750	7,804,250	7,804,250	586,520
Equity investments	Philippine Bank of Communications	8,965,609	190,070,911	190,070,911	-
Equity investments	Double Dragon Properties	200,000	20,520,000	20,520,000	1,295,560
Equity investments	UPCC Securities	35,907	4,605,477	4,605,477	-
Equity investments	UPCC Holdings	40,396	-	-	-
Equity investments	Liberty Commodities	17,733	7,506,854	7,506,854	-
		67,783,003	590,638,751	590,638,751	23,423,250
Total Financial Assets			₱2,165,763,813	₱1,138,416,322	₱47,487,169

*Excluding advances to suppliers amounting to ₱144,163,764 and computer software amounting to ₱99,099 as at December 31, 2020.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS (Annex 68-J: Schedule C)
DECEMBER 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non-Current	Balance at End of Period
			Amounts Collected	Amounts Written off			
LFM Properties Corporation	₱59,365	₱481,802	₱529,003	₱-	₱12,164	₱-	₱12,164
	₱59,365	₱481,802	₱529,003	₱-	₱12,164	₱-	₱12,164

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**CAPITAL STOCK (Annex 68-J: Schedule G)**

DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Outstanding	Number of Shares Reserved	Number of Shares held by Related Parties	Number of Shares held by Directors and Officers	Number of Shares held by Others
Common	200,000,000	150,000,000	–	–	1,649,613	148,350,387
	200,000,000	150,000,000	–	–	1,649,613	148,350,387

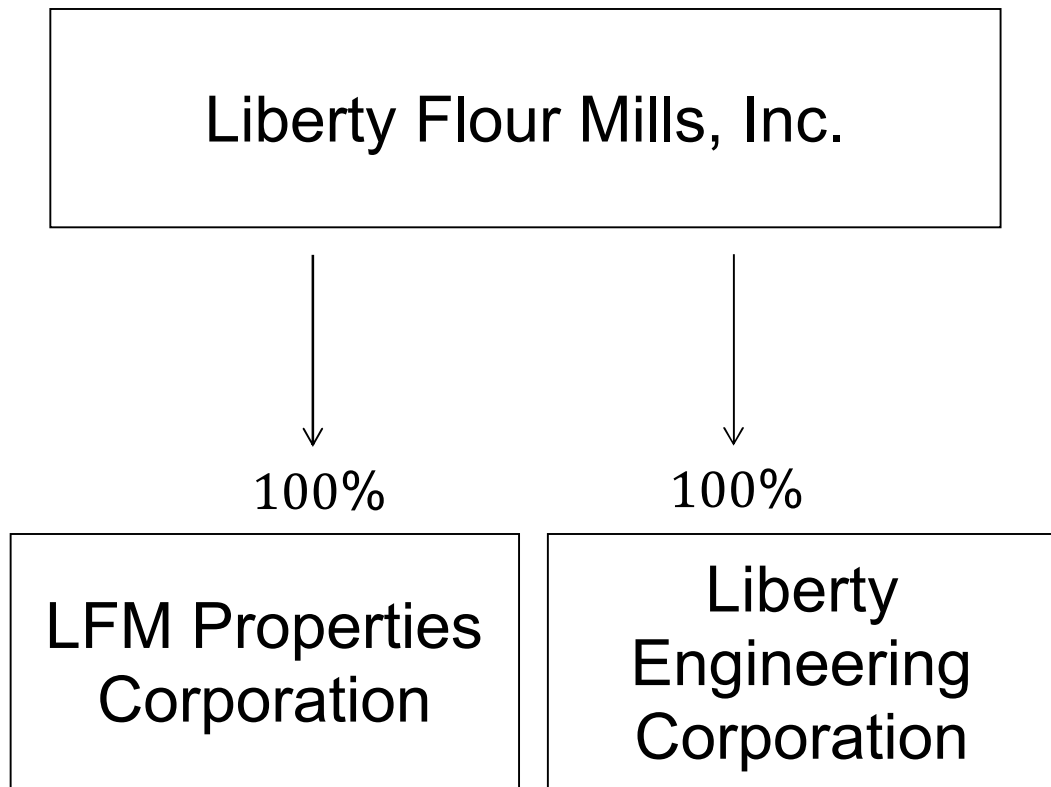
LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION (Annex 68-D)
DECEMBER 31, 2020**

Unappropriated retained earnings, beginning	₱1,129,257,199
Adjustments: (see adjustments in previous years' reconciliation)	(17,771,228)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,111,485,971
<hr/>	
Add: Net income actually earned/realized during the year	
Net income closed to retained earnings	94,350,485
Net income actually earned/realized during the year	94,350,485
<hr/>	
Less: Cash dividend declaration during the year	(75,000,000)
Property dividend declaration during the year	(88,001,880)
Total dividend declaration during the year	(163,001,880)
<hr/>	
Total retained earnings available for dividend declaration, end	₱1,042,834,576

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

**MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN
THE GROUP**

DECEMBER 31, 2020

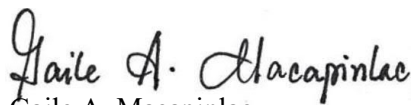


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Liberty Flour Mills, Inc.
7F Liberty Building
835 A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Liberty Flour Mills, Inc. (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

SEC Accreditation No. 1621-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 205-947-572

BIR Accreditation No. 08-001998-126-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)****DECEMBER 31, 2020**

		December 31	
	Formula	2020	2019
Current Ratio	Total current assets/Total current liabilities	1.29	1.38
	(Cash and cash equivalents + Receivable)/		
Acid Test Ratio	Total current liabilities	0.86	1.04
	(Net income + Depreciation)/		
Solvency Ratio	Total liabilities	0.18	0.14
Debt-to-Equity Ratio	Total liabilities/Total equity	0.50	0.37
Asset-to-Equity Ratio	Total assets/Total equity	1.50	1.37
	Earnings before interest and tax/Interest	7.28	2.86
Interest Rate Coverage Ratio	expense		
Return on Equity	Net income/Total equity	0.07	0.03
Return on Assets	Net income/Total assets	0.05	0.02
Net Profit Margin	Net income/Revenue	0.14	0.09



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

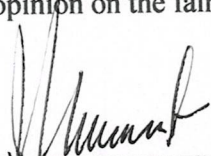
The management of **Liberty Flour Mills, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial 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 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 to do so.

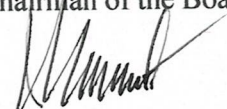
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



WILLIAM CARLOS UY
Chairman of the Board



WILLIAM CARLOS UY
Chief Executive Officer



JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this 24th day of March 2021


REPUBLIC OF THE PHILIPPINES)
CITY OF CITY OF MAKATI) S.S.

APR 15 2021

SUBSCRIBED AND SWORN TO before me this ____ day of _____, in
CITY OF MAKATI affiants exhibiting to me his competent evidence of identity as
follows:

Name	Identification Document Presented	Issue/Expiry Date
WILLIAM CARLOS UY	SC ID No. 1734252	May 2002
JOSE MA. S. LOPEZ	SC ID No. 2253477	May 2004

Doc. No. 18
Page No. 39
Book No. X
Series of 2021.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Extended Until June 30, 2021
Per B.M. No. 3795
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M 183-(2019-2020)
PTR No. 8531011 Jan. 4, 2021
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio del Riter, Makati City