COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

L I B E R T Y B L D G. 8 3 5 A. A R N A I Z A V E.

M A K A T I C I T Y

(Business Address: No. Street City/Town/Province)

MA. ELISA G. LEDESMA

Contact Person

8898677

Company telephone Number

1 2 / 3 1

Month Day

Fiscal Year

Amended

Definitive Information Statement

0 5 / 2 8

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes.

Liberty

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO	:	All the stockholders of LIBERTY FLOUR MILLS, INC.
FROM	:	The Secretary
SUBJECT	:	The Annual Stockholders Meeting - May 28, 2014

Please be informed that the annual stockholders' meeting of Liberty Flour Mills, Inc. shall be held on May 28, 2014 at 9:00 AM at Manila Polo Club, Makati City.

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2013 Annual Stockholders' Meeting held on June 05, 2013.
4. Annual Report of the President and the Chairman of the Board
5. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers
6. Election of Directors
7. Appointment of External Auditor
8. Approval of the issuance of 20% stock dividend
9. Other Matters
10. Adjournment

The Minutes of the last Annual Stockholders' Meeting and resolutions of the Board of Directors will be available for inspection during office hours at the Office of the Corporate Secretary. In addition, copies of the minutes will also be made available at the meeting.

Under the resolution of the Board of Directors dated March 26, 2014, only stockholders as of April 25, 2014 shall be entitled to notice and to vote at the said meeting.

Should you be unable to attend the meeting, please accomplish the proxy form attached hereto and return the same to us.

Very truly yours,

VICENTE S. VARGAS
Corporate Secretary

LIBERTY FLOUR MILLS, INC.
MCPO 1571 Makati City E-mail: info@ libertygroup.com.ph
MANAGEMENT OFFICE:
Liberty Building 835 A. Arnaiz Avenue
Legaspi Village, Makati City 1229 Philippines
Tel +63 2 8925011 to 20 Fax +63 2 8932644

PLANT:
528 F.Blumentritt Extension
Mandaluyong City 1550 Philippines
Tel + 63 2 5322001 to 04 Fax + 63 2 5317985

PROXY

I, ________________________________, a stockholder of record of LIBERTY FLOUR MILLS, INC. hereby name, constitute and appoint, the Chairman, Mr. WILLIAM CARLOS UY, to be my true and lawful attorney and for me and in my name, place and stead, to vote at the Annual Stockholders' Meeting on May 28, 2014 at Manila Polo Club, Makati City, and at any adjournment thereof.

The following matters will be considered and I hereby authorize the above-named proxy to vote all my shares as follows:

Matter	Approve	Disapprove	Abstain
Approval of the Minutes of the 2013 Annual Stockholders' Meeting			
Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers			
Appointment of External Auditor			
Other Matters			

In addition, I authorize the above-named proxy to vote all my shares equally for election of the following persons who have been nominated as directors:

Nominees	
JESUS JALANDONI JR.	WILLIAM ANG
WILLIAM CARLOS UY	DAVID NG*
DANIEL R. MARAMBA	JOSE MA. S. LOPEZ
SANDRA JUDY UY	BENJAMIN JALANDONI
JOHN CARLOS UY	JOSE A. FERIA JR.*
VICENTE S. VARGAS	

**Independent Director*

(Note: The Stockholder may withhold authority to vote for any of the nominees by lining through or striking out the name/s of the nominee/s. In which case, the total votes of the Stockholder shall be divided equally among the remaining nominees)

In the event that this Proxy is returned without a choice having been made in any or all of the above items, I hereby authorize the above-named proxy to vote all my shares at the above-named proxy's discretion. In which case, the above-named proxy intends to vote for the approval of all the above matters and for the election of all the nominees above-mentioned.

In addition, I hereby grant discretionary powers to the above-named proxy as to other matters incidental to the conduct of the meeting.

IN WITNESS WHEREOF, I have set my hand this ___ day of ______________, 2014 at ________________________.

____
Signature

____
Name in Print

____
No. of Shares

THIS PROXY IS BEING SOLICITED ON BEHALF OF LIBERTY FLOUR MILLS, INC.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM AMENDED 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter: **LIBERTY FLOUR MILLS, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**

4. SEC Identification Number: **14782**

5. BIR Tax Identification Code: **000-128-846-000-V**

6. Address of principal office and Postal Code: **Liberty Building, 835 A. Arnaiz Avenue, Makati City 1200**

7. Registrant's telephone number, including area code: **(632) 892-5011**

8. Date, time and place of the meeting of security holders:

   May 28 2014
   9:00 A.M.
   Manila Polo Club
   Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

   07 May 2014

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: **Liberty Flour Mills, Inc.**
    Address and Telephone No.: **Liberty Building, 835 A. Arnaiz Avenue, Makati City; (632) 892-5011**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**50,000,000**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ☐ No ______

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    The Philippine Stock Exchange, Inc.; Common shares

INFORMATION STATEMENT

For the 2014 Annual Stockholders' Meeting

Manila Polo Club
28 May 2014
9:00 o'clock AM

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

Date, time and place of meeting of security holders and mailing address

a.	date, time and place of the meeting	:	28 May 2014 9:00 o'clock AM Manila Polo Club Makati City
b.	complete mailing address of principal office	:	Liberty Flour Mills, Inc. Liberty Building 835 A. Arnaiz Avenue, Makati City

The Company intends to send the notice of annual stockholders' meeting, copies of the definitive information statement, the proxy form and the 2013 Annual Report sometime on May 07, 2014.

Dissenters' Right of Appraisal

Any stockholder of Liberty Flour Mills, Inc. (hereinafter the "Company") may exercise his appraisal right against any proposed corporate action which qualifies as an instance under Section 81 of the Corporation Code and which gives rise to the exercise of such appraisal right pursuant to and in the manner provided in Section 82 of the Corporation Code. The Company does not reasonably foresee the happening of any instance, which may warrant the exercise of the appraisal right by any stockholder during the annual stockholders' meeting.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the members of the board of directors or senior management have any substantial interest in the matters to be acted upon by the stockholders in the annual stockholders meeting.

As of March 31, 2014, the board of directors and senior management, as a group, own 4,774,119 common shares which is approximately 9.54% of the outstanding common stock.

None of the Company's directors have manifested any intention of opposing any action intended to be taken by the Company during the scheduled annual stockholders meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of March 31, 2014, 50,000,000 common shares of the Company have been issued and 50,000,000 are outstanding. All stockholders of record at the close of business on 15 May 2014 ("Record Date") shall be entitled to notice and to vote at the said meeting, provided that those who shall be attending by proxy, must have had their respective proxies validated by the Company at least 7 days before the meeting.

For the purpose of electing directors during the scheduled annual stockholders meeting, each shareholder shall have the option of cumulating his votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal as of Record Date, or he may distribute them on the same principle among as many candidates as he shall see fit, in accordance with Section 24 of the Corporation Code; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company as of Record Date multiplied by the whole number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company for the election of directors is computed as follows: number of shares held on record as of Record Date x 11 directors.

For all other matters requiring a vote in the annual stockholders' meeting, each share shall be entitled to one vote.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than five percent (5%) of the Company's voting securities, as of March 31, 2014, were as follows:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Parity Values, Inc. Ground Floor, Liberty Building 835 A. Arnaiz Avenue, Makati City	Beneficial Owner Stockholder	Filipino	20,241,285/"r"	40.48%
Common	William Carlos Uy	Beneficial Owner Chairman and President No indirect beneficial ownership	Filipino	4,187,185/"b"	8.37%

As of April 30, 2014, the number of shares owned by foreigners are 1,296,168 common shares.

Security Ownership of Management (as of March 31, 2014)

Directors/Nominees

Title of class	Name of Beneficial Owners/ directors	Amount and nature of beneficial ownership		Citizenship	Percent of ownership
Common	William Carlos Uy	4,187,185	Sole Voting	Filipino	8.37%
Common	Daniel R. Maramba	144,532	Sole Voting	Filipino	0.28%
Common	Jose Ma. S. Lopez	245,216	Sole Voting	Filipino	0.49%
Common	Benjamin S. Jalandoni	1	Sole Voting	Filipino	Negligible
Common	Vicente S. Vargas	157,451	Sole Voting	Filipino	0.31%
Common	William Ang	125	Sole Voting	Filipino	Negligible
Common	John Carlos Uy	125	Sole Voting	Filipino	Negligible
Common	Jose A. Feria, Jr.*	12	Sole Voting	Filipino	Negligible
Common	Jesus Jalandoni, Jr.	39,345	Sole Voting	Filipino	0.78%
Common	David Ng*	126	Sole Voting	Filipino	Negligible
Common	Sandra Uy	1	Sole Voting	Filipino	Negligible
Common	Ma. Elisa G. Ledesma	None	None	Filipino	

**Independent Director*

Senior Management

Title of class	Name of Beneficial Owners	Amount and nature of beneficial ownership		Citizenship	Percent of ownership
Common	JOSE MA. S. LOPEZ	245,216	Sole Voting	Filipino	0.49%
Common	WILLIAM CARLOS UY	4,187,185	Sole Voting	Filipino	8.37%
Common	VICENTE S. VARGAS	157,451	Sole Voting	Filipino	0.31%
Common	Ma. Elisa G. Ledesma	none	none	Filipino	none

All directors and officers as a group

Title of class	Name of Beneficial Owners	Amount and nature of beneficial ownership		Percent of class
Common	All directors and officers as a group	4,774,119	Sole Voting	9.55%

Subsidiaries

The Company has only one (1) wholly owned subsidiary, LFM Properties Corporation, which is engaged in the business of leasing out real estate properties (lots only).

Directors and Executive Officers

The Articles of Incorporation of the Company provide that the Directors of the Company shall hold office for one (1) year and until their successors are elected and qualified.

The Directors of the Company are as follows:

Name of Directors	Citizenship	Age	Position
William Carlos Uy	Filipino	72	Chairman of the Board
Jesus Jalandoni Jr	Filipino	56	Director
Sandra Uy	Filipino	37	Director
John Carlos Uy	Filipino	63	Director
Vincent Vargas	Filipino	57	Director
William Ang	Filipino	63	Director
David Ng*	Filipino	52	Director
Jose Ma. S. Lopez	Filipino	70	Director
Jose A. Feria, Jr.*	Filipino	65	Director
Benjamin Jalandoni	Filipino	67	Director

**Independent Director*

The Senior Management of the Company are as follows:

Name	Citizenship	Age	Position
William Carlos Uy	Filipino	72	President
Jose Ma. Lopez	Filipino	70	Treasurer
Vicente Vargas	Filipino	57	Corporate Secretary

Following is a brief description of the respective backgrounds of the Company's directors and senior management, who have all been nominated for another term, their respective ages and involvement in other businesses for the past five (5) years:

William Carlos Uy. 72 years old. He serves as the President and directors of the Company. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a director of CCC Insurance Corporation.

John Carlos Uy. 63 years old. He is a director of the Company. He also serves as a director and the general manager of Parity Values, Inc., one of the stockholders of the Company.

Vincent Vargas. 57 years old. He is a director and Corporate Secretary of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., JM Cold Storage, Inc., JM Kool Corporation. He also serves as the Executive Vice President and Chief Operating Officer of JM & Company, Inc. and Treasurer of McJola, Inc. and L&J Agricultural, Inc..

William L. Ang. 63 years old. He is a director of the Company. Mr. Ang holds the position of First Vice President and Treasurer of Parity Values, Inc. He is also a stockholder and Treasurer of Trade Demands Corporation.

Jose Ma. S. Lopez. 70 years old. He is a director and Senior Vice President for Corporate Planning of the Company. Likwise, He is a director in other corporations including: Agchem Manufacturing Corporation, Liberty Commodities Corporation and CCC Insurance Corporation. He is also presently the Senior Vice President for Lopez Sugar Corporation.

Benjamin S. Jalandoni. 67 years old. He is a director of the Company. He also serves as director in other corporation such as: Agchem Manufacturing Corp. and JM & Company, Inc. He is also the President of Personal Computer Specialists, Inc., Kanlaon Development Corp, Jayjay Realty Corp. and Kanlaon Farms, Inc.

David Ng, 52 years old. He is a director of the Company. He is presently holding the President of Merlin Mining Corporation, Sandalfold Estate Development Corporation and Lucky Jade Corporation. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc. and Partner of CNP Architects.

Jesus S. Jalandoni, Jr. 56 years old. He is the Managing Director of Alegria Development Corporation; President of LFM Properties Corp.; Managing Director of Premium Wine Exchange; President of Valueline Realty & Development Corp. Executive Vice President and Treasurer of Enterprise Leasing Corporation; Vice President of Kanlaon Development Corp.; Vice President of Kanlaon Farms, Inc.; Vice President of Jayjay Realty Corporation; Director of JM Processing and Freezing Corp.; and Director of Personal Computer Specialist, Inc.

Sandra Uy, 37 years old. She serves as a director and Vice President of the Company.

Jose A. Feria, Jr., 65 years old. He is the Senior Partner of Feria Tantoco Robeniol Law Offices. Atty. Feria is the Chairman of Cyan Management Corporation, Directories Philippines Corporation, MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Padre Burgos Realty, Inc. Spencer Food Corporation, Vinnel Belvoir Corporation. He also serves as director of EYP.PH Corporation, Assessment Analytics, Inc. Macawiwili Gold Mining & Development Corporation and Corporate Secretary of Aero Asia, Inc. and Air Asia, Inc., Gawad Kalinga Foundation, Inc. and PinoyMe Foundation, Inc.

Independent Directors

The Nominations Committee of the Company, which was constituted in accordance with the Company's Manual on Corporate Governance, pre-screens and shortlists all candidates in accordance with the said Manual on Corporate Governance. In a meeting of the Nominations Committee of the Company on March 31, 2014, Mr. William Carlos Uy nominated Mr. David Ng and Atty. Jose A. Feria, Jr. to be the Company's independent directors for the ensuing corporate year.

Other than as stated above, no new persons were named and nominated to be the Company's independent directors for the ensuing corporate year.

The members of the Company's Nomination Committee are: Mr. Jose A. Feria Jr., Mr. Vicente Vargas and Mr. John Carlos Uy, with Mr. Jose A. Feria Jr. as Chairman.

On the other hand, the members of the Company's Audit Committee are: David Ng as Chairman and Benjamin Jalandoni and Jose A. Feria, Jr. as members.

Significant Employees

Other than the persons named above, the Company does not expect any other person to make a significant contribution to the business of the Company.

Family Relationships

William Carlos Uy and John Carlos Uy are brothers. Likewise, Benjamin Jalandoni and Jesus Jalandoni Jr are brothers. Benjamin Jalandoni, Jesus Jalandoni Jr, Jose Ma. S. Lopez and Vincent Vargas are first cousins. Sandra Uy is the daughter and niece of William Carlos Uy and John Carlos Uy, respectively.

Other than the above, the Company is not aware of any family relationships among the directors, senior management or persons nominated or chosen by the Company to become directors or senior managers.

Certain Relationships and Related Transactions

Some of the directors of the Company are also directors and stockholders of the different distributors of the different brands of flour of the Company. All transactions, however, between the Company and the distributors are at arms length and above board.

These directors are as follows:

Directors	Related Distribution Companies
William Carlos Uy	Parity Values, Inc. Trade Demands, Inc. Liberty Commodities Corporation
Jose Ma. S. Lopez	Liberty Commodities Corporation
John Carlos Uy	Parity Values, Inc. Trade Demands, Inc. Liberty Commodities Corporation
William Ang	Parity Values, Inc. Trade Demands, Inc.

The business purpose between the Company and the related parties mentioned above is sole distributorship of the Company's flour and feed products. Transaction prices were determined by the Company and the above-mentioned related parties by actual costing of products plus a certain mark-up; likewise, price levels are dictated by market competition.

The transactions with related parties are always evaluated with fairness and are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Involvement in Certain Legal Proceedings

All the directors and officers of the Company possess a high degree of integrity and character and are fully capable and able to perform their duties as directors and officers respectively. None of the directors or officers has been declared bankrupt nor has there been any petition filed by or against any of the directors, nor to any businesses of which they were a part of. Nor have any of them been convicted of any crime, domestic or foreign and there are no criminal proceedings or are there any material litigation presently pending against any of them or any of their properties or between any of them and the Company which are material to an evaluation of the ability or integrity of any director or officer of the Company as described in

Part II, Paragraph (c) of the Securities Regulation Code ("SRC") Rule 12. None of them been temporarily or permanently barred, suspended or otherwise limiting any of their involvement in any type of business.

The Company is presently not involved in any material legal proceeding affecting any of its properties.

Compensation of Directors and Executive Officers

The aggregate compensation paid to the Company's Directors and Executive Officers for the years 2013 and 2012 are P 63.42M and 47.07M respectively. The Company expects to pay the aggregate amount of P60.00M to its Directors and Executive Officers as compensation for the year 2014.

Information as to the aggregate compensation paid or accrued by the Company during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company's Chief Executive Officer and Three (3) most highly compensated executive officers, namely, William Carlos Uy, Jose Ma. S. Lopez and Sandra Uy are as follows:

	Salaries	Bonus	Others	Total
2014				
Estimate only	5.2 million	9 million	0.19 million	14.39 million
2013				
William Carlos Uy Chairman and President	1,753,652.05	5,567,285.14	65,000.00	7,385,937.19
Jose Ma. S. Lopez Senior Vice President for Finance and Corporate Planning/ Director	1,728,330.89	4,553,854.99	65,000.00	6,347,185.88
Sandra Judy Uy Vice President/ Director	1,225,804.66	5,567,285.14	65,000.00	6,858,089.80
Total	4,707,787.60	15,688,425.27	195,000.00	20,591,212.87
2012				
William Carlos Uy Chairman and President	1,073,755.00	3,695,305.00	65,000.00	4,834,060.00
Jose Ma. S. Lopez Senior Vice President for Finance and Corporate Planning/ Director	1,675,148.00	3,022,637.00	65,000.00	4,762,785.00
Sandra Judy Uy Vice President/ Director	989,624.00	3,695,305.00	65,000.00	4,749,929.00
Total	3,738,527.00	10,413,247.00	195,000.00	14,346,774.00

The amount of compensation for the above-named executive officers as a group for the last two (2) fiscal years are as follows:

Name and Principal Position	Year	Salary (₱)	Bonus (₱)	Others(₱)	Total (₱)
Total compensation for the above-named Three (3) most highly compensated executive officers	2013	4.5 million (estimated)	8.5 million (estimated)	0.19 million (estimated)	13.19 million (estimated)
	2012	3.74 million	10.41 million	0.19 million	14.35 million
	2011	4.08 million	8.26 million	0.19 million	12.54 million

All other officers and directors as a group	2013 2012	.25 million (estimated)	13.00 million (estimated)	0.45 million (estimated)	13.70 million (estimated)
	2011	.22 million	12.77 million	0.44million	13.43 million

Aside from the above-mentioned executive officers of the Company who receive compensation as such officers and reasonable *per diems*, as directors of the Company, all the other directors of the Company do not receive any compensation except reasonable *per diems* for attendance during meetings.

For every board meeting attended, a director receives a per diem of Five Thousand Pesos. Other than per diem, no other renumeration is guaranteed and must be subject to board/stockholders approval.

There are no special compensatory arrangements between the Company and any of its directors or officers.

Independent Public Accountants

Sycip Gorres Velayo & Co ("SGV") is presently the Company's independent auditor. The audit services provided by Sycip Gorres Velayo & Co. for the fiscal year ended December 31, 2013 included the examination of the financial statements of the Company, preparation of the final income tax returns and other services related to filing of reports with the Securities and Exchange Commission. Other than the preparation and filing of income tax return, the Company has not engaged SGV on any tax services.

There have been no changes in nor disagreements with accountants on accounting and financial disclosure. In compliance with the Code of Corporate Governance and SEC Memorandum Circular No. 8, Series of 2003, the Corporation replaced its former external auditor KPMG Manabat Sanagustin (formerly, Laya Mananghaya & Co) to Sycip Gorres Velayo & Co as the new external auditor effective October 2007.

The audit committee at the start of the calendar year discuss, evaluate and reviews the nature and scope of the audit including the appointment of external auditor, the audit fees and any question of resignation or dismissal. Further, the audit committee reviews the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on any change in the accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumption, compliance with accounting standards and compliance with tax, legal and stock exchange requirements.

Representatives of the Company's external auditor are expected to be present in the 2014 Annual Stockholders' Meeting. They are expected to have an opportunity to make statements if they so desire, and to be available to respond to appropriate questions.

OTHER MATTERS

Action with Respect to Reports

During the scheduled annual stockholders meeting, the following reports shall be submitted to the stockholders for their approval:

1. The Minutes of the Annual Stockholders Meeting held on June 05, 2013; and
2. The Financial Statements for the fiscal year ended December 31, 2013.

The Minutes of the last Annual Stockholders' Meeting and resolutions of the Board of Directors will be made available to stockholders upon request.

During the last Annual Stockholder's Meeting held on June 05, 2013, out of 50,000,000 shares issued and outstanding, 49,999,492 shares were represented either in person or by proxy representing 84.48% of the Company's total issued and outstanding shares of stock. At the said meeting, the Minutes of the Annual Stockholders' Meeting of the Company held on May 30, 2012 were approve, the President's Report on the Company's operations for 2012 and the Company's Audited Financial Statements for the year ending 2012 were all discussed and noted.

Likewise, at the said meeting, the current directors of the Company were elected to act as directors of the Company for the ensuing corporate year and to serve as such until the election and qualification of their successors.

The shareholders approved and elected Sycip Gorres Velayo & Co. as external auditors of the Company at the same meeting.

Matters Not Required to be Submitted

The acts and proceedings of the board of directors covering the period June 6, 2013 to April 30, 2014 shall also be discussed and submitted to the stockholders for their ratification in order to obtain a confirmation of support from the stockholders for all the acts and decisions taken by the board of directors and management during the above-mentioned period. In the event that the action of the stockholders is a negative vote, the board of directors and management shall have the option to disregard the action completely or study the matter further.

Copies of the resolutions of the board of directors and the Minutes of their meetings will be available upon request.

Other Proposed Action

During the Board Meeting held on April 30, 2014, the Board of Directors declared a stock dividend of twenty percent (20%), which will be presented for approval of the stockholders in the coming annual stockholders meeting on May 28, 2014.

Voting Procedures

Vote required for approval

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, provided that a quorum is present.

For election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit.

Method by which votes will be counted

Except in cases where voting by ballot is requested, voting and counting shall be *viva voce*. If by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. The counting thereof shall be supervised by the external auditors and the transfer agent.

INFORMATION REQUIRED IN A PROXY FORM

IDENTIFICATION

The solicitation is being made by the Company for the purpose of obtaining the necessary quorum for the annual stockholders meeting and having the matters subject of said meeting approved and/or ratified by the stockholders, namely: (1) the minutes of the previous stockholders' meeting; (2) acts and proceedings of the Board of Directors and Corporate Officers; (3) the Financial Statements of the Company; (3) the appointment of external auditors; and (4) election of the board of directors; and (5) other matters that may be taken up during said meeting.

The Chairman of the Company, Mr. William Carlos Uy will be constituted as the true and lawful attorney-in-fact of a stockholder of record of the Company to vote in the name, place and stead of the said stockholder at the annual Stockholders' Meeting on May 28, 2014.

INSTRUCTION

The Proxy Form shall be accomplished in accordance with the instructions set out in the Proxy Form, by means of marking the appropriate box for an action in an item. In the case of election of directors of the Company, a stockholder may withhold authority to vote for any of the nominees by lining through or striking out the name/s of the nominee/s. In which case, the total votes of the stockholder shall be divided equally among the remaining nominees.

In the event that this Proxy is returned without a choice having been made in any or all of the above items, the proxy is authorized to vote all the stockholder's shares at the proxy's discretion. In which case, the proxy shall vote for the approval of all the matters and for the election of all the nominees mentioned in the Proxy Form.

In addition, the proxy is granted discretionary powers as to other matters incidental to the conduct of the meeting.

The Proxy Form shall be validated by means of cross-checking the signature of the stockholders against the signature cards with the Company's stock transfer agent. In the event the Proxy Form needs further validation, verification shall be made with the stockholder concerned itself.

The validation must have been confirmed by the Company at least 7 days prior to the date of the meeting.

The matters to be taken up in the meeting are as follows:

1. Approval of the Minutes of the 2013 Annual Stockholders' Meeting held on June 05, 2013;
2. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers;
3. Appointment of External Auditor; and
4. Election of the following nominated persons as members of the Board of Directors of the Company:

    a. JESUS JALANDONI JR
    b. WILLIAM CARLOS UY
    c. DANIEL R. MARAMBA, JR.
    d. SANDRA JUDY UY
    e. JOHN CARLOS UY
    f. VICENTE VARGAS
    g. WILLIAM ANG
    h. DAVID NG (independent director)
    i. JOSE MA. S. LOPEZ
    j. BENJAMIN JALANDONI
    k. JOSE A. FERIA, JR. (independent director)

A stockholder may withhold authority to vote for any of the nominees by lining through or striking out the name/s of the nominee/s. In which case, the total votes of the stockholder shall be divided equally among the remaining nominees.

REVOCABILITY OF PROXY

The person giving the proxy has the right to revoke the proxy by personal appearance or execution of a proxy at a later date, subject to the pertinent requirements of the law and SEC Circular Number 5, Series of 1996.

PERSONS MAKING THE SOLICITATION

The solicitation is being made by the Company for the purpose of obtaining the necessary quorum for the annual stockholders meeting and having the matters subject of said meeting approved and/or ratified by the stockholders, namely: (1) the minutes of the previous stockholders' meeting; (2) acts and proceedings of the Board of Directors and Corporate Officers; (3) the Financial Statements of the Company; (3) the appointment of external auditors; and (4) election of the board of directors; and (5) other matters that may be taken up during said meeting.

None of the Company's directors have manifested any intention of opposing any action intended to be taken by the Company during the scheduled annual stockholders meeting.

All costs of solicitation for proxies including the costs of engaging messengerial and courier services shall be borne by the Company. Except for the costs incidental to the preparation and sending out of notices and proxies, the Company has not paid nor engaged any other employee or solicitor to undertake the solicitation of proxies. The cost of solicitation which is approximately ₱28,000.00 will be borne by the Company.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the members of the board of directors or senior management have any substantial interest in the matters to be acted upon by the stockholders in the annual stockholders meeting.

As of March 31, 2014, the board of directors and senior management, as a group, own 4,774,119 common shares which is approximately 9.55 % of the outstanding common stock.

COMPLIANCE WITH LEADING PRACTICES IN CORPORATE GOVERNANCE

The Company continues to abide by the duly adopted Manual on Corporate Governance of the Company (the "Manual") and the Code of Corporate Governance promulgated by the Securities and Exchange Commission. Pursuant thereto, the Company appointed Mr. Jesus Jalandoni as the Compliance Officer of the Company to ensure the Company's adherence to corporate principles and best practices and monitor compliance with the provisions and requirements of the Manual.

In addition to the Audit Committee composed of David Ng as Chairman and Benjamin Jalandoni and Jose A. Feria, Jr. as members, the Company also constituted its Nomination Committee and appointed Jose A. Feria, Jr. as its Chairman with Vincent Vargas and John Carlos Uy as members. The Company also created its Compensation and Remuneration Committee composed of David Ng as Chairman and Jose Ma. Lopez and William Ang as members.

On January 28, 2004, the Board of Directors of the Company approved the adoption of the Securities and Exchange Commission's Corporate Governance-Self Rating Form (CG-SRF) as the Company's evaluation system to determine and measure compliance with the Manual.

There have been no deviations for the past year from the Company's Manual of Corporate Governance.

The Company continuously reviews and evaluates its Manual in order to ensure that the Company's practices are compliant with leading practices on good corporate governance.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MARCH 31, 2014

As of the three-month period ended March 31, 2014, the Company had a gross profit of P130 million which is 2% lower from the previous year's same period operation which made gross profit amounted to P132 million. The decrease is due to significant decrease in the volume of flour bags sold.

Other operating income represents rental, interest and dividend income which had an aggregate amount of P23.4 million for the first three-month period of 2014. Other income was 1% higher than of last year's same period amounting to P23.3 million.

Operating expenses for the three-month period of 2014 amounted to P 58.9 million which is 1% higher than the previous year's same period operating expense of P 58.2 million.

For the three-month period of 2014, the Company had an operating income of ₱ 94.8 million which decreased by 3% from previous year's same period which resulted in an operating income of P97.9 million. The decrease is likewise due to the above stated reasons.

Other income and charges, net, for the three-month period of 2014 amounted to P4.9 million is 35% lower than last year's same period amounting to P7.5 million. The account consists of net miscellaneous income from scrap sales and interest expense. During the period, the Company incurred a higher interest expense due to its higher trust receipt loan balance. The Company utilizes it credit terms from the bank resulting to higher payable balance.

The Company had a net income of P72.9 million for the three-month period ended March 31, 2014 which is 8% lower than last year's same period of operation amounting to P79.1 million. This is due to factors already discussed above. (Please refer to the financial statement data as found in Annex "A" hereof).

Total assets of the Company as of March 31, 2014 amounted to ₱3.8 billion, which is 7% higher than the total assets as of December 31, 2013, which amounted to ₱3.6 billion. The increase will be explained and discussed separately under each account in the succeeding discussion in this section, which increased or decreased by 5.0%.

Total liabilities of ₱838 million as of March 31, 2014 had increased by 21% over the total liabilities as of December 31, 2013 of ₱692 million. The increase is mainly due to the increase in current liabilities, which shall be explained and discussed separately under each account, which had either increased or decreased by 5.0%.

Since the Company is dependent on imported materials such as wheat grains, it is very much affected by global prices of these products and the fluctuation in the exchange rate of the U.S. Dollar (US$) against the Philippine peso. The appreciation or depreciation of the Philippine peso against the U.S. Dollar (US$) will have a material impact in the company's future or long-term liquidity.

There are no known trends, events or uncertainties in the past that have a material or impact on the future operations of the company, whether it is favorable or unfavorable.

There are no seasonal aspects that have had a material effect on the financial condition or results of operations of the Company.

Further discussion of material changes of accounts, which had increased or decreased by 5.0% or more:

- *Cash and cash equivalent*

The balance of cash and cash equivalents as of March 31, 2014 of ₱400 million had increased by 34% over the balance as of December 31, 2013 of ₱297 million. Please refer to the cash flow statement attached to this report for further analysis of the causes of increase in cash.

- *Inventories*

The balance of inventory as of March 31, 2014 of ₱338 million had increased by 35% over the balance as of December 31, 2012 of ₱251 million due to increase in the importation of wheat grains, the main raw materials of the company's products during the three-month period of 2014.

- *Prepaid expenses and other current assets*

The increase of the balance is due to the increase the prepaid import charges parallel to the increase in the inventory.

- *Investments*

The increase in the balance of investments is due to the additional purchases made during the period.

- *Accounts Payable*

The balance of accounts payable as of March 31, 2013 of ₱360 million had increased by 24% from December 31, 2013 because of the purchases made on the Company's trade payables. Moreover, the increase is due to the unpaid balance of trust receipts payable from the importation of wheat. The Company now utilizes its credit terms from its banks resulting to a longer payable balance.

- *Income Tax Payable*

The increase of almost 100% of the balance of income tax payable is mainly because of the income realized during the quarter which will be paid in the subsequent month.

- *Other non-current liabilities*

This account consists of deposit on unearned rental and deferred income tax liability. The decrease in the balance is due to the realized rental income.

- *Retained earnings*

The balance of this account had increased by 69% which resulted from the net income realized during the first three months of the year.

As shown in the attached balance sheet of the Company, the following accounts are indications of positive liquidity condition of the Company:

1. Cash balance is ₱399,540,366.

2. Accounts Receivable is ₱944,972,828., which is expected to be collected within stated terms.

3. Inventory balance is ₱338,460,403 and the Company expects a turnover within 45 to 90 days.

4. Current ratio is 3.4:1

The Company does not anticipate any cash flow or liquidity problems within the next twelve (12) months. The Company expects to pay all indebtedness in accordance with the agreed stated terms. No material deficiency will be identified.

Sources of liquidity will come from internally generated sources as follows:

1 Substantial cash balance of ₱399,540,366;

2. Collection of receivables of ₱944,972,828;

3 Turnover of inventories of ₱338,460,403 and all subsequent inventories to arrive and to be produced ;

4 Rental income to be generated from real estate properties from:

a. Liberty Building along A. Arnaiz Avenue in Makati City;
b. Liberty Building along Boni Ave., Mandaluyong City;
c. Liberty Center along Alfaro St., Makati City; and
d. Liberty Plaza along Valero St., Makati City

Performance Indicators

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

1. Selling Price, Volume and Revenue Growth

The improvement in the selling price, revenue and volume indicate external performance of the Company in relation to the movements of consumer demand and the competitors' action to the market behavior. These factors also express market acceptability and room for development and innovation. The improvement in the price, volume and revenue are being monitored and compared as a basis for further study and development.

During the three-month period ended March 31, 2014, there was significant decrease in revenue by 20% as compared to last year's same period performance. This was due to the decreasing sales volume. Moreover, there where no changes in selling price of Company's products.

2. Cost Contribution

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

During the three-month period ended March 31, 201, the percentage of cost of sales is 70%. During the same period last year, the percentage of cost of sales against the sales was 73%. In comparison, there is a cost decrease of 3% during the first three quarter of operation. This is attributed to the cost cutting measures implemented by the Company.

3. Gross Profit Contribution

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

Due to reasons as discussed above in no. 1 and no. 2, gross profit of 30% was realized in the first three months of 2014 as compared to last year's same period gross profit of 27%.

4. Operating Margin

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

There is an increase in operating expenses by 1% during the first three months of 2014 due to increase in salaries and taxes paid. The operating income is lower by 5% as compared to previous year's same period operating margin of ₱105 million.

5. Plant Capacity Utilization

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

During the three (3) months period ended March 31, 2014, the plant capacity remained constant, it has neither increased nor decreased as compared to previous year's same period of operation. However improvement of capacity utilization is continuously being taken into consideration.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are also no material off-balance sheet transactions, arrangements, obligations (including contingent obligation) and other relationship of the company with unconsolidated entities or other persons created during the reported period.

MARKETPRICE

The market price of the Company's common shares closed at P76.50 on 31 March 2014. There were no cash dividends declared for the first quarter of 2014. For the Company's high and low prices for the first quarter of 2014, please see table below:

Stock	Quarter	High	Low
LFM	1	76.50	51.05

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 21, 2014.

VICENTE S. VARGAS
CORPORATE SECRETARY

A copy of SEC Form 17-A may be provided free of charge to any stockholder upon written request to the Company

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
BALANCE SHEET
AS OF MARCH 31, 2014
(With comparative figures for year ended Dec. 31, 2013 and three months ended March 31, 2013)

Assets		March 31, 2014		Dec. 31, 2013 Audited		March 31, 2013	
Current Assets							
Cash and cash equivalent		P 399,540,366		P 296,703,517		P 545,028,464	
Accounts Receivable		944,972,828		1,000,920,074		939,922,556	
Financial assets at fair value through profit or loss		63,507,430		63,507,430		48,780,019	
Inventories:							
Finished goods	P 58,704,222		P 33,486,274		P 29,378,147		
Raw materials	279,756,181		217,644,462		235,912,553		
Total Inventories		338,460,403		251,130,736		265,290,699	
Prepaid expenses & other current assets		46,812,289		27,910,413		19,712,021	
Total current assets		P 1,793,293,316		P 1,640,172,170		P 1,818,733,760	
Investments and Marketable Securities		1,223,044,616		1,119,355,471		704,063,482	
Plant, Property & Equipment, net		307,448,098		320,702,175		324,648,951	
Other Assets		478,020,088		476,869,980		7,388,957	
Total Assets		P 3,801,806,118		P 3,557,099,796		P 2,854,835,150	
Liabilities & Stockholders' Equity							
Current Liabilities							
Accounts Payable		P 360,319,292		P 25,027,697		P 19,395,887	
Income Tax Payable		51,031,581		290,806,110		44,702,388	
Other Liabilities		115,176,300		3,706,809		75,725,368	
Total Current Liabilities		P 526,527,173		P 319,540,616		P 139,823,643	
Bank Loans		189,444,444		235,555,556		191,388,889	
Deposit on long-term lease		13,841,544		14,413,277		13,605,262	
Liability for Retirement Fund		106,809,752		122,375,984		103,873,875	
Other Non-current Liabilities		1,449,568		158,512		1,531,932	
Total Liabilities		P 838,072,481		P 692,043,945		P 450,223,601	
Stockholders' Equity							
Capital Stock, authorized - 50,000,000 shares at P10 par value per share P500,000,000.							
Issued and outstanding, 50,000,000 / 40,000,000 shares		P 500,000,000		P 500,000,000		P 500,000,000	
Stock dividends distributable							
Fair value on available for sale assets		344,383,925		335,418,316		39,257,783	
Remeasurement loss on retirement benefits				(18,066,229)			
Retained earnings							
Appropriated	P 1,900,000,000		P 1,900,000,000		1,350,000,000		
Unappropriated	219,352,392		147,706,444		515,356,446		71,645,948.00
Total Retained Earnings		2,119,352,392		2,047,706,444		1,865,356,446	
Treasury Stock, at cost		(2,680)		(2,680)		(2,680)	
Total Stockholders' Equity		P 2,963,733,637		P 2,865,055,851		P 2,404,611,549	
Total Liabilities & Stockholders' Equity		P 3,801,806,118		P 3,557,099,796		P 2,854,835,150	
		0		-		(0)	

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF INCOME AND EXPENSES
For quarter ended March 31, 2014
(With comparative figures for the quarter ended March 31, 2013)

		March 31, 2014		March 31, 2013
Net Sales	P	393,738,797.00	P	495,209,978
Cost of Sales		(263,360,042.00)		(362,406,364)
Gross Profit	P	130,378,755.00	P	132,803,614
Other operating income		23,402,656.00		23,278,393
Operating Expenses		(58,964,272.00)		(58,181,638)
Income from operations	P	94,817,139.00	P	97,900,368
Other Income/Charges, net		4,903,208.00		7,512,513
Income before Income Tax	P	99,720,347.00	P	105,412,881
Provision for Income Tax, current		(26,853,940.00)		(26,313,319)
Net Income for the period	P	**72,866,407.00**	P	**79,099,563**
Earnings per share	P	**1.46**	P	**1.58**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For the quarter ended March 31, 2014
(With comparative figures for the quarter ended March 31, 2013)

		March 31, 2014		March 31, 2013
CASHFLOWS FROM OPERATING ACTIVITIES:				
Income before tax	P	99,720,347.00	P	105,412,881.48
Adjustment for:				
Depreciation		4,813,182.00		5,418,730.66
Decrease (Increase) in:				
Receivables		55,947,246.00		(30,839,156.56)
Inventories		(87,329,667.00)		184,006,527.48
Prepayments and other assets		(18,901,876.00)		27,565,271.45
Increase (Decrease) in:				
Trade Payables		66,143,406.00		(2,216,217.60)
Accrued Payables and other liabilities		112,760,547.00		(99,602,103.73)
Deposit on long term lease		(571,733.00)		(89,628.90)
Liabilities for Retirement Fund		(15,566,232.00)		2,422,912.62
Cash generated from operations		217,015,220.00		192,079,216.90
Income tax paid, including withholding tax		-		(45,208,797.84)
Net cash provided by (used in) operating activities		217,015,220.00		146,870,419.06
CASHFLOWS FROM INVESTING ACTIVITIES:				
Acquisition of plant, property and equipment		(18,067,259.00)		(7,730,735.77)
Acquisition of investments in AFS		(50,000,000.00)		-
Net cash provided by (used in) investing activities		(68,067,259.00)		(7,730,735.77)
CASHFLOW FROM FINANCING ACTIVITIES				
Loan Payments		(46,111,112.00)		(8,611,111.11)
Net cash provided by (used in) financing activities		(46,111,112.00)		(8,611,111.11)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**102,836,849.00**		**130,528,572.18**
Add: Cash and cash equivalents, January 1		296,703,517.00		414,499,892.00
CASH AND CASH EQUIVALENTS, END	P	**399,540,366.00**	P	**545,028,464.18**

LIBERTY FLOUR MILLS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For three months ended March 31, 2014 and 2013

		2014		2013
CAPITAL STOCK				
Authorized - 50 million shares				
at P10 par value per share P500 million				
Issued and outstanding - 40 million shares	P	500,000,000	P	500,000,000
TREASURY STOCK, at cost - 268 shares		(2,680)		(2,680)
Fair value on available for sale assets		344,383,925		39,257,783
RETAINED EARNINGS				
January 1		2,047,706,444		1,786,256,883
Net income for the period		72,866,407		79,099,563
Cash dividends declared and paid		-		-
		2,120,572,851		1,865,356,446
		2,963,733,637		**2,404,611,549**

BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE

		2014		2013
NUMERATOR:				
Net income for the 1st quarter	P	72,866,407	P	79,099,563
DENOMINATOR:				
Outstanding shares		50,000,000		50,000,000
Treasury Stock		(268)		(268)
TOTAL WEIGHTED AVERAGE SHARES		49,999,732		49,999,732

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2014

1. Basis of Financial Statement Preparation

The consolidated financial statements were prepared on the historical cost basis, except for the financial assets at fair value through profit and loss (FVPL) and the available-for- sale (AFS) financial assets which were measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency.

2. Significant Accounting Policies

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Financial Reporting Standards (PFRS) and Philippine Interpretations which were adopted as of 1 January 2014.

Standards that have been adopted and that are deemed to have an impact on the financial statements of the Group are described below:

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments have no impact on the Group's financial statements since the Group has no investment properties and property and equipment carried at revalued amounts.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Groups's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Effective in 2013

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  A reassessment of control was performed by the Parent Company on its wholly-owned subsidiary in accordance with the provisions of PFRS 10. Following the reassessment, the Parent Company determined that it still controls the subsidiary.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. This standard will have no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result in the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group presents separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Group expects that this amendment will not have any impact on the Group's financial position and performance.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new PFRS 11, *Joint Arrangements,* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Group expects that this amendment will not have any impact on the Group's financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. This new interpretation is not relevant to the Group.

Effective in 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PFRS 9, *Financial Instruments – Classification and Measurement*, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Group has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date
on January 1, 2015 and therefore the financial statements and as of December 31, 2012 and 2011 do not reflect the impact of the said standard. Based on this evaluation, loans and receivables and other financial liabilities, both carried at amortized cost, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at amortized cost, thus, has no impact to the Group's financial position and performance.

The Group shall conduct another impact assessment at the end of the 2013 reporting period using the financial statements as of and for the year ended December 31, 2012. Given the amendments on PFRS 9, the Group at present, does not plan to early adopt in 2013 financial reporting. It plans to reassess its current position once the phases of PFRS 9 on impairment and hedge accounting become effective.

The Group's decision whether to early adopt PFRS 9 for its 2013 financial reporting will be disclosed in the financial statements as of and for the year ending December 31, 2013.

The Group's receivables and trade, liabilities under trust receipts and accounts payable and accrued expenses may be affected by the adoption of this standard.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements.

An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

3. Others

1. The same accounting policies and methods of computation are followed in the interim financial statements as of March 31, 2014 as compared with the audited financial statements as of December 31, 2013.

2. The business operation of the company for the interim period is continuous, there is no cycle and it is not seasonal.

3. There are no unusual items that affected assets, liabilities, equity and cash flows.

4. There are no changes in estimates of amounts reported in prior financial years.

5. There are no issuances, repurchases and repayments of debts and equity securities.

6. Dividend was paid for ordinary and other shares during the interim period ended March 31, 2014.

7. Segment revenue is shown in the Statement of Income and Expenses.

8. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

9. There are no changes in the composition of this issuer during the interim period. There are no business combinations, no acquisition or disposal of subsidiaries and long term investments, no restructuring and no discontinuing operations.

10. There are no contingent liabilities and contingent assets.

11. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

Liberty

MANAGEMENT REPORT

OF

LIBERTY FLOUR MILLS, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended 31 December 2013 is attached as Annex "A" of this Management Report.

CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING DISCLOSURE

There have been neither changes in nor disagreements with accountants on accounting and financial disclosure.

In compliance with the Code of Corporate Governance and SEC memorandum Circular No.8, Series of 2003, the Corporation replaced its former external auditor, KPMG Manabat Sanagustin (formerly, Laya Mananghaya & Co.) with Sycip Gorres Velayo & Co. effective October 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The selected financial information of the Company set forth below are derived from the audited financial statements submitted by Sycip Gorres Velayo & Co. for 2013.

Income Statement Data

	(in Thousands of Pesos) As of December 31		
	2013	2012	2011
Income	2,097,030	2,103,348	2,205,058
Expenses	(1,648,831)	(1,674,285)	(1,896,184)
Income Before Tax	448,199	429,063	308,874
Provision for Tax	(111,968)	(103,277)	(111,833)
Net Income	336,231	325,787	197,041

Balance Sheet Data (in PHP thousands)

Assets	2013	2012	2011
Cash & Cash Equivalents	296,704	414,500	259,058
Accounts Receivable	1,000,920	909,071	1,058,513
Financial Assets	63,507	48,780	39,252
Inventories	251,131	480,266	418,689
Prepaid Expenses & Other Assets	27,316	47,156	45,823
Investments Property, net	216,505	229,491	249,825
Plant, Property & Equipment, net	104,197	97,470	103,361
Available for sale financial assets	1,119,355	449,901	245,814
Accrued Rent	4,639	2,846	1,621
Other non-current assets	472,645	3,808	3,138
Deposit for future stock subscription	–	254,175	–
Net Retirement plan assets	–	–	67
Deferred Income Tax, net	181	714	1,305
Total Assets	3,557,100	2,938,178	2,426,466
Liabilities			
Accounts Payable and accrued expenses	107,267	99,190	106,233
Income Tax Payable	25,028	21,612	9,454
Liabilities under Trust Receipts	183,539	172,405	85,145
Bank Loan	235,556	200,000	75,000
Accrued Retirement Liability	122,376	120,727	107,994
Unearned rental income	3,865	3,647	3,916
Deposit on long term lease	14,413	13,695	13,236
Deferred Income Tax Liability	–	807	807
Total Liabilities	692,044	632,083	401,785

Stockholders' Equity

Capital stock-P10 par value			
Authorized-50 million common shares	500,000	500,000	400,000
Issued-40 million common shares			
Stock dividends distributable -10 million shares	-	-	100,000
Retained Earnings			
Appropriated	1,900,000	1,350,000	1,350,000
Unappropriated	147,706	436,475	160,688
Fair value changes on AFS investments	335,419	39,258	30,460
Accumulated remeasurement losses on retirement benefits, net of deferred income tax	(18,066)	(19,635)	(16,464)
Treasury stock-at cost (268 shares)	(3)	(3)	(3)
Total Stockholders' Equity	2,865,056	2,306,095	2,024,681
Total Liabilities & Stockholders' Equity	3,557,100	2,938,178	2,426,466

Results of Operations

2013

The operations for the year resulted in a net income of P336.2 million. There is an increase by 3% from prior year. Though there is a slight decrease in revenue of 0.3% as compared to previous years' performance because of the decrease in the sales volume of the Company's products, during the year ended December 31, 2013, there was a 4% decrease in cost of sales due to the appreciation of peso over dollar which made to decrease the cost of our imported wheat which is our product's main raw materials. Moreover, effective management's cost cutting measures also helped in the reduction of the cost thus increasing the operating income. Furthermore, there was also a slight increase in the Company's rental income and interest income.

As of the year ended December 31, 2013, the total gross income amounted to P628.8 million, which reflected the income from the sale of the company's products, rental and real estate income, interest income, and dividend income from the investment of securities. Operating expenses and finance costs amounted to P177.7 million and P18.1 million, respectively. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P3.557 billion in 2013. This consists of cash and cash equivalents, accounts receivables, financial assets at fair value through profit and loss, inventories, accrued rental, prepaid expenses and other current assets, available for-sale-financial assets, deposit for future stock subscription, investment properties, plant property and equipment, net retirement plan assets and other non-current assets.

Total liabilities amounted to P692.0 million which is higher than the balance of total liabilities in 2012. This consisted of trade payables, income tax payable, liabilities under trust receipts, bank loans, accrued retirement liabilities, deposit on long-term lease, deferred income tax payable and other miscellaneous liabilities.

Stockholder's equity has increased by 24% from P2.306 billion as of December 31, 2012 to P2.865 billion as of December 31, 2013.

The Company has no knowledge of any trends, events or uncertainties which are reasonably expected to have a material impact on the net sales or revenues of the Company.

For the year 2013, there were no seasonal aspects which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in 2013 as compared to 2012:

Cash and Cash Equivalents- There was a decrease in cash by 28% due to various factors which are itemized in the cash flow statement.

Accounts Receivables- The decrease by 10% because the collections exceeds from the sales generated during the year.

Financial Assets at Fair Value Through Profit and Loss- There were no significant additions during the year. The increase is directly attributable to the significant increase in fair value of securities.

Inventories – The decrease by 48% of inventory is due to significant decline in forcasted sales for the upcoming months.

Available for Sale of Financial Assets- The increase by 30% in AFS is due to the significant additional purchases of debt securities during the year.

Investment Properties- The decrease is directly attributable to the amortization of cost of assets over its useful life.

Accrued Rent and Other Noncurrent Assets- There were no additional rental spaces during the year. The increase is because of the adjustment made on the recognition of rental income using straight line computation per PAS 17 on Lease.

Accounts Payable and accrued expenses and liabilities under trust receipts – The increase of 6% from the last year's balance is attributable to the purchases unpaid during the year.

Income Tax Payable- Income tax payable increased as the income in the fourth quarter of the year increased.

Unearned rental income- There change was due to recognition of earned portion of rental income during the year.

Accrued Retirement Liability – The increase is due to additional provision to benefit obligation as of December 31, 2013.

<u>2012</u>

The operations for the year resulted in a net income of P324.5 million. There is an increase by 66% from prior year. Though there is a decrease in revenue of 5% as compared to previous years' performance because of the decrease in the sales volume of the Company's products, during the year ended December 31, 2012, there was a 15% decrease in cost of sales due to the appreciation of peso over dollar which made to decrease the cost of our imported wheat which is our product's main raw materials. Moreover, effective management's cost cutting measures also helped in the reduction of the cost thus increasing the operating income. Furthermore, there was also a slight increase in the Company's rental income and interest income.

As of the year ended December 31, 2012, the total gross income amounted to P599.4 million, which reflected the income from the sale of the company's products, rental and real estate income, interest income, and dividend income from the investment of securities. Operating expenses and finance costs amounted to P178.7 million consisting of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P2.938 billion in 2012. This consists of cash and cash equivalents, accounts receivables, financial assets at fair value through profit and loss, inventories, accrued rental, prepaid expenses and other current assets, available for-sale-financial assets, deposit for future stock subscription, investment properties, plant property and equipment, net retirement plan assets and other non-current assets.

Total liabilities amounted to P612.8 million which is lower than the balance of total liabilities in 2011. This consisted of trade payables, income tax payable, liabilities under trust receipts, bank loans, accrued retirement liabilities, deposit on long-term lease, deferred income tax payable and other miscellaneous liabilities.

Stockholder's equity has increased by 13.8% from P2.042 billion as of December 31, 2011 to P2.326 billion as of December 31, 2012.

The Company has no knowledge of any trends, events or uncertainties which are reasonably expected to have a material impact on the net sales or revenues of the Company.

For the year 2012, there were no seasonal aspects which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in 2012 as compared to 2011:

Gross Income - Gross income in 2012 amounting to P599.4 million had increased by 31.5% over the gross income in 2011 of P455.8 million. The increase is due to the reasons as already discussed in the foregoing paragraphs.

Net Income- The increase in the net income for 2012 amounting to P128.8 million was due to reason already discussed above.

Cash and Cash Equivalents- There was an increase in cash by 60% due to various factors which are itemized in the cash flow statement.

Accounts Receivables- The decrease of P149.4 million in 2012 as compared in 2011 is because the collections exceeds from the sales generated during the year.

Financial Assets at Fair Value Through Profit and Loss- There were no significant addtions during the year. The increase is directly attributable to the significant increase in fair value of securities.

Inventories – The increase by 15% of inventory is due to purchase of raw materials to meet the production requirements in the subsequent months as forecasted.

Available for Sale of Financial Assets- The increase by 83% in AFS is due to the significant additional purchases of debt securities amounting to P134 million in 2012. Also, increase in the fair value of the financial assets contributed in the increase of the balance of AFS investments in 2012 as compared to 2011.

Investment Properties- The decrease is directly attributable to the amortization of cost of assets over its useful life.

Accrued Rent and Other Noncurrent Assets- There were no additional rental spaces during the year. The increase is because of the adjustment made on the recognition of rental income using straight line computation per PAS 17 on Lease.

Accounts Payable and accrued expenses and liabilities under trust receipts – The increase is parallel to the increase in inventory. The purchase of raw materials in the later part of the year caused the increase of the balance of both payable and inventory balance.

Income Tax Payable- Income tax payable increased as the income in the fourth quarter of the year increased.

Unearned rental income- There change was due to recognition of earned portion of rental income during the year.

Accrued Retirement Liability – The increase is due to additional provision to benefit obligation as of December 31, 2012.

2011

The operations for the year resulted in a net income of P196 million. There is a decrease compared to the 2010 operations which resulted in a net income of P370 million. The decrease in net income was attributed to the substantial increase in cost of wheat for the last quarter and decrease in sales volume of the Corporation.

In 2011, the Corporation availed of the optional standard deduction (OSD) in computing the taxable income and projects that it will still avail of OSD in the future. As such, the Corporation reversed deferred income tax assets amounting to P33.27 million in 2011 since reversal of the temporary differences will no longer impact the Corporation's computation of taxable income. The reversal of the deferred income tax assets in 2011 amounting to P33 million also contributed to the decrease of net income in 2011.

As of the year ended December 31, 2011 the total gross income amounted to P456 million, which reflected the income from the sale of the company's products, rental and real estate income, interest income, and dividend income from the investment of securities. Operating expenses and finance costs amounted to P149 million consisting of administrative salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P2.428 billion in 2011. This consisted of cash and cash equivalents, accounts receivables, financial assets at fair value through profit and loss, inventories, prepaid expenses and other current assets, available for-sale-financial assets, investment properties, plant property and equipment, net retirement plan assets and other non-current assets.

Total liabilities amounted to P386 million which is lower than the balance of total liabilities in 2010. This consisted of trade payables, income tax payable, liabilities under trust receipts, short-term loan accrued retirement liabilities, deposit on long-term lease, deferred income tax payable and other miscellaneous liabilities.

Stockholder's equity has increased by 8.7% from P1.880 billion as of December 31, 2010 to P2.042 billion as of December 31, 2011.

The Company has no knowledge of any trends, events or uncertainties which are reasonably expected to have a material impact on the net sales or revenues of the Company.

For the year 2011, there were no seasonal aspects which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in 2011 as compared to 2010:

Gross Income - Gross income in 2011 amounting to P 431million has decreased by 35.7% over the gross income in 2010 of P 670million due to reasons as already discussed in the foregoing paragraphs.

Income before tax – The decrease of income before tax in 2011 to P307 million from P518million for the year 2010 was due to decrease in gross income as discussed above.

Provision for income tax- The decrease for income tax of 24.8% in 2011 as compared to 2010 was due to decrease in taxable income and the availment of OSD in 2011.

Net Income- The decrease in the net income for 2011 in the amount of P174 million over the year 2010 was due to reason already discussed above.

Cash and Cash Equivalents- There was a decrease in cash in 2011 over 2010 by 10.5% due to various factors which are itemized in the cash flow statement.

Accounts Receivables- There was an increase in 2011 over 2010 by 19% due to increase in unpaid revenue during the last quarter of 2011.

Financial Assets at Fair Value Through Profit and Loss- There was an increase of 23.6% in this account in 2011 over 2010 due to the significant increase in fair value of securities.

Inventories - There was an increase in 2011 by 6% as compared to 2010 balance because of the increase in purchase of raw materials and supplies.

Prepaid Expenses and Other Current Assets- there was a increase of 10% in 2011 over 2010 due increase in payment of advance VAT. Decrease in revenue occurred during the last quarter of 2011.

Available for Sale of Financial Assets- There was an increase of 7% in 2011 over 2010 due to significant increase in value.

Investment Properties- There was a decrease of 8.3% in 2011 over 2011 due to amortization of cost of assets over its useful life.

Accrued Rent and Other Noncurrent Assets- There was a decrease of 16.5% in 2011 over 2010 because of adjustment made on the recognition of rental income using straight line computation.

Deferred Income Tax - There was a decrease of 98.17 % in 2011 over 2010 due to reversal of deferred tax assets on temporary differences since the management projects that the company will avail of Optional Standard Deduction in the future.

Accounts Payable and accrued expenses- There was a decrease of 26% in 2011 over 2010 because the Company's payment of raw materials and supplies in the latter part of the year.

Income Tax Payable- There was a decrease of 67% in 2011 over 2010 due to the substantial decrease in income.

Unearned rental income- There was a decrease of 10% in 2011 over 2010 due to recognition of earned portion of rental income during the year.

Deposit on Long term Leases- There was an increase of 8.54% due to additional rent contract during the year.

Other Current Liabilities - The decrease of 57.17% in 2011 over 2010 was due to payment of import bills and trust receipts payable with banks.

Accrued Retirement Liability – The increase of 9.9% in 2011 over 2010 was due to additional provision to benefit obligation as of December 31, 2011.

Performance Indicators

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

1. Selling Price, Volume and Revenue Growth

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

During the year ended December 31, 2013, there was a 0.3% decrease in revenue as compared to previous years' same period performance. The decrease is attributed to the decrease in the sales volume of the Company's products. There was also a slight increase in the Company's rental income.

2. Cost Contribution

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

During the year ended December 31, 2013, there was a 4% decrease in cost of sales over the previous year parallel to the decrease in the number of sales volume. Effective management's cost cutting measures also helped in the reduction of the cost.

3. Gross Profit Contribution

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

In 2013, the Company generated gross profit of 30%. There was an increase of 3% in gross profit as compared in the prior year. The increase is directly attributable to the substantial decrease in cost as discussed in item no. 2.

4. Operating margin

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

During the year ended December 31, 2013, there was an increase of operating expenses by 7% over the previous year. Operating income realized this year is 3% higher than the previous year.

5. Plant Capacity Utilization

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

There are no events that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation. There were also no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

Liquidity and Capital Resources

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2013 with a current ratio at 3.6:1. The working capital requirement of the Company to carry its business is entirely generated internally.

Summary of 2014 and 2015 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2014 and 2015. The Company forecasts its net income to increase by 5% from its preceding year.

The Company does not have any material commitments for capital expenditures for the year 2014.

As the forecast is based on assumptions about circumstances and events that have not yet occurred and are subject to significant uncertainties beyond the Company's control, there can be no assurance that the forecast will be realized. Actual results may be materially different from those shown in the forecast. Under no circumstances should the inclusion of the forecasted financial statements be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions, or that the Company will achieve or is likely to achieve the particular results.

Management Discussion of Future Plans for Operation

The Company appropriated its retained earnings amounting to ₱1.9 billion to finance the following projects for the next 3 to 5 years as follows:

- Refreshment and modernization of the manufacturing plant facilities located in Mandaluyong amounting to ₱350 million.
- Joint venture development with LPC for the construction of buildings amounting to ₱ 1billion.
- Other project development amounting to ₱ 50 million.

BUSINESS OF THE COMPANY

Liberty Flour Mills, Inc. (the "Company") is a stock corporation incorporated on December 26, 1958 and is engaged in the business of manufacturing flour and flour related products.

Liberty Flour Mills, Inc. previously has three (3) subsidiaries, namely: a.) LFM Properties Corp., b.) Valero land Corp. and c.) LFM Land Corporation. On October 4, 2005, the three companies merged with LFM Properties Corp. as the surviving corporation.

All of these subsidiaries were incorporated in the Philippines on December 18, 1995. LFM Properties Corporation, Valero Land Corporation and LFM Land Corporation were formed to engage in the business of property development and other related activities.

There is currently no bankruptcy, receivership or any other similar proceedings involving the Company or any of its subsidiaries. Neither was there any material reclassification, merger, consolidation or purchase or sale of a significant amount of the assets of the Company or of any of it is subsidiaries.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The Articles of Incorporation of the Company provide that the Directors of the Company shall hold office for one (1) year and until their successors are elected and qualified.

The Directors of the Company are as follows:

Name of Directors	Age	Citizenship	Position
William Carlos Uy	72	Filipino	Chairman of the Board
Sandra Uy	37	Filipino	Director
John Carlos Uy	63	Filipino	Director
Vincent Vargas	57	Filipino	Director
William Ang	63	Filipino	Director
David Ng*	52	Filipino	Director
Jose Ma. S. Lopez	70	Filipino	Director
Benjamin Jalandoni	67	Filipino	Director
Jesus Jalandoni	56	Filipino	Director
Daniel Maramba	40	Filipino	Director
Jose A. Feria Jr.*	65	Filipino	Director

* Independent Director

The Senior Management of the Company is as follows:

Name	Ag e	Citizenship	Position
William Carlos Uy	72	Filipino	President
Sandra Uy	37	Filipino	Senior Vice President – Operation
Vicente Vargas	57	Filipino	Corporate Secretary
Jose Ma. Lopez	70	Filipino	Senior Vice President & Treasurer

Following is a brief description of the respective backgrounds of the Company's directors and senior management, who have all been nominated for another term, their respective ages and involvement in other businesses for the past five (5) years:

William Carlos Uy. 72 years old. He serves as the Chairman of the Board of Directors and President of the Company. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a Corporate Treasurer of Malayan Bank.

John Carlos Uy. 63 years old. He is a director of the Company. He also serves as a director and the general manager of Parity Values, Inc., one of the stockholders of the Company.

Vincent Vargas. 57 years old. He is a director of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., Unicomm Ingredients Phils., Inc. He also serves as the Executive Vice President and Chief Operating Officer of JM & Company, Inc. and Treasurer of L&J Agricultural, Inc.

William L. Ang. 63 years old. He is an independent director of the Company. Mr. Ang holds the position of First Vice President and Treasurer of Parity Values, Inc. He is also a stockholder and Treasurer of Trade Demands Corporation.

Jose Ma. S. Lopez. 70 years old. He is a director and Senior Vice President and Treasurer of the Company. Likewise, he is a director in other corporations including Agchem Manufacturing Corporation and Liberty Commodities Corporation. He is also the Senior Vice President for Lopez Sugar Corporation.

Benjamin S. Jalandoni. 67 years old. He is a director of the Company. He also serves as Chairman of the Board of Agchem Manufacturing Corp. and a Director of JM & Company, Inc. He is also the President of Kanlaon Development Corp, Jayjay Realty Corp. and Kanlaon Farms, Inc.

David Ng, 52 years old. He is a director of the Company. He is presently holding the President of Merlin Mining Corporation and Lucky Jade Corporation. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc. and Partner of CNP Architects.

Jesus S. Jalandoni, Jr. 56 years old. He is the President and Chairman of the Board of Alegria Development Corporation; President of LFM Properties Corp.; Managing Director of Premium Wine Exchange; President of Valueline Realty & Development Corp. Executive Vice President and Treasurer of Enterprise Leasing Corporation; Vice President of Kanlaon Development Corp.;

Vice President of Kanlaon Farms, Inc.; Vice President of Jayjay Realty Corporation; Director of JM Processing and Freezing Corp.; and Director of Personal Computer Specialist, Inc.

Sandra Uy, 37 years old. She serves as a Director and Senior Vice President of the Company.

Daniel Maramba. 40 years old. He is a Director of the Company. He is also the President of Agchem Manufacturing Corp.and the Treasurer of New Now Next, Inc. and Mac2 Group Manila, Inc.

Jose A. Feria Jr. 65 years old. He is the Senior Partner of Feria Tantoco Robeniol Law Offices. Atty. Feria is the Chairman of Cyan Management Corporation, Directories Philippines Corporation, MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Padre Burgos Realty, Inc., Spencer Food Corporation, Vinnel Belvoir Corporation. He also serves as Director of EYP.PH Corporation, Assessment Analytics, Inc., Macawiwili Gold Mining & Development Corporation and Corporate Secretary of UPCC Holdings, Inc., AeroAsia, Inc. and AirAsia Inc., Gawad Kalinga Foundation, Inc. and PinoyMe Foundation, Inc.

All the directors and officers of the Company possess a high degree of integrity and character and are fully capable and able to perform their duties as directors and officers, respectively. None of the directors or officers has been declared bankrupt nor has there been any petition filed by or against any of the directors, nor to any businesses of which they were a part of. Nor have any of them been convicted of any crime, domestic or foreign and there are no criminal proceedings presently pending against any of them. Nor have any of them been temporarily or permanently barred, suspended or otherwise limiting any of their involvement in any type of business.

Family Relationships

William Carlos Uy and John Carlos Uy are brothers. Sandra Judy Uy is the daughter of William Carlos Uy and niece of John Carlos Uy. Likewise, Benjamin Jalandoni and Jesus Jalandoni Jr are siblings. Benjamin Jalandoni, Jesus Jalandoni Jr, Jose Ma. S. Lopez and Vincent Vargas are first cousins.

Other than the above, the Company is not aware of any family relationships among the directors, senior management or persons nominated or chosen by the Company to become directors or senior managers.

Certain Relationships and Related Transactions

Some of the directors of the Company are also directors and stockholders of the different distributors of the different brands of flour of the Company. All transactions, however, between the Company and the distributors are at arms length transactions and above board.

SECURITY HOLDERS

As of December 31, 2013, there are 467 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of December 31, 2013 are as follows:

Name of Stockholder	Number of Shares held	Percentage
Parity Values, Inc.	20,241,285	40.48%
William Carlos Uy	4,187,185	8.37%
PCD Nominee Corp.	3,784,214	7.57%
Bacsay Management Corp.	1,490,598	3.73%
Sebring Management Corp.	1,040,701	2.08%
E.K.I Tourist Dev. Corp.	951,835	1.90%
Ganet Management Corp.	831,936	1.66%
L & J Agricultural Inc.	805,947	1.61%
Jalandoni, Asuncion S.	758,452	1.52%
Jay Jay Realty Corp.	666,802	1.33%
Alegria Development Corp.	540,663	1.08%
Valueline Realty & Dev. Corp.	516,296	1.03%
Jalandoni, Jose S.	506,136	1.01%
Delgado, Nellie	474,767	0.95%
Citi Securities Inc.	466,595	0.93%
Jalandoni, Lourdes	441,748	0.88%
Moreno, Jose Jr.	309,426	0.62%
Lopez Jr., Eduardo	305,156	0.61%
Pulmones, Amelia Kalaw	304,538	0.61%
Davis, Anna J	259,738	0.52%

MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The shares of the Company consist solely of common shares which are presently listed and traded in the Philippine Stock Exchange. The high and low sales prices for the shares of the Company for each quarter within the last two fiscal years are as follows:

2013	**High**	**Low**
First Quarter	53.00	46.00
Second Quarter	52.20	48.00
Third Quarter	55.50	51.00
Fourth Quarter	55.00	48.50
2012	**High**	**Low**
First Quarter	60.95	53.00
Second Quarter	62.00	52.00
Third Quarter	51.50	38.00
Fourth Quarter	48.00	38.50

Dividends

The average dividend per share of the Company was ₱1.50 in 2013 ₱1.00 in 2012, and P3.50 in 2011.

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2012, 2011 and 2010.

	Dividend Type	Record Date	Rate	Amount
For 2013	Cash	June 21, 2013	10%	P49,999,732.00
	Cash	November 14, 2013	5%	P24,999,866.00
For 2012	Cash	December 11, 2012	10%	P49,999,612.00
For 2011	Cash	May 13, 2011	5%	P19,999,866.00
	Cash	Jan. 20, 2012	5%	P24,999,746.00
	Stock	Sept. 15, 2011	25%	P100,000,000.00
For 2010	Cash	Feb. 22, 2010	10%	P39,999,732.00
	Cash	Oct. 20, 2010	5%	P 19,999,866.00
	Cash	Dec. 3, 2010	10%	P39,999,732.00

Below is the schedule of Retained Earnings available for Dividend Declaration:

Unappropriated retained earnings, beginning	₱436,474,883
Less:	
Unrealized gain on financial assets at FVPL in 2012	6,175,928
Unrealized gain on exchange of AFS debt securities in 2012	8,797,615
Treasury shares	2,680
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning	421,498,660
Add net income actually earned/realized during the year:	
Net income during the year closed to retained earnings	336,230,799
Unrealized loss on financial assets at FVPL	8,768,573
	344,999,372
Less:	
Cash dividend declaration during the year	74,999,598
Retained earnings appropriated during the year	550,000,000
	624,999,598
Total retained earnings available for dividend declaration, end	₱141,498,434

Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

The Company has not sold any securities, whether unregistered or exempt or any issuance constituting an exempt transaction under the Revised Securities Act (RSA) or the Securities Regulation Code (SRC), during the past three (3) years.

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Company continues to abide by the duly adopted Manual on Corporate Governance of the Company (the "Manual") and the Code of Corporate Governance promulgated by the Securities and Exchange Commission. Pursuant thereto, the Company appointed Mr. Jose S. Jalandoni as the Compliance Officer of the Company to ensure the Company's adherence to corporate principles and best practices and monitor compliance with the provisions and requirements of the Manual.

In addition to the Audit Committee composed of David Ng as Chairman and Benjamin Jalandoni and Jose A. Feria Jr. as members, the Company also constituted its Nomination Committee and appointed Jose A. Feria Jr. as its Chairman with Vincent Vargas and John Carlos Uy as members. The Company also created its Compensation and Remuneration Committee composed of David Ng as Chairman and Jose Ma. Lopez and William Ang as members.

On January 28, 2004, the Board of Directors of the Company approved the adoption of the Securities and Exchange Commission's Corporate Governance-Self Rating Form (CG-SRF) as the Company's evaluation system to determine and measure compliance with the Manual.

There have been no deviations for the past year from the Company's Manual of Corporate Governance.

The Company continuously reviews and evaluates its Manual in order to ensure that the Company's practices are compliant with leading practices on good corporate governance.

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO ATTY. MARIA KATRINA C. FRANCO, 8TH FLOOR, DPC PLACE, 2322 CHINO ROCES AVENUE, MAKATI CITY.

Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of Liberty Flour Mills, Inc. (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2013. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2013 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) The Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

WILLIAM CARLOS UY
President

JOSE MA. S. LOPEZ
SVP Treasurer

LIEZLE L. LASAN
Chief Accountant

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