COVER SHEET

Nature of Application

S.E.C. Registration Number

1 4 7 8 2

Company Name

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

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

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

A V E N U E L E G A S P I V I L L A G E

M A K A T I C I T Y

Company's Telephone Number/s

8898677

Contact Person

MICHAEL JOHN A. TANTOCO Jr.

Contact Person's Telephone Number

8898677

Contact Person's Address

8th Floor DPC Place 2322 Chino Roces Avenue, Makati City

To be accomplished by CRMD Personnel

	Date	Signature
Assigned Processor: ____	____	____
____	____	____
____	____	____

Document I.D.

Received by **Corporate Filing and Records Division (CFRD)**

Forwarded to:

- ☐ Corporate and Partnership Registration Division ____ ____
- ☐ Green Lane Unit ____ ____
- ☐ Financial Analysis and Audit Division ____ ____
- ☐ Licensing ____ ____
- ☐ Compliance Monitoring Division ____ ____

Liberty

SECURITIES AND EXCHANGE COMMISSION
Markets & Securities Regulation Department
PICC Complex Roxas Boulevard, Metro Manila

ATTN: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director

PHILIPPINE STOCK EXCHANGE
9th Floor, Philippine Stock Exchange Tower,
28th Street corner 5th Avenue, BGC Taguig City

ATTN: **MR. JOSE VALERIANO B. ZUÑO III**
Head - Disclosure Department

RE: **Preliminary Information Statement of Liberty Flour Mills, Inc.**

Gentlemen:

Please see the attached Preliminary Information Statement, SEC Form 20-IS, for the Annual Stockholder's Meeting of Liberty Flour Mills, Inc. filed today with your good office.

Very truly yours,

WILLIAM CARLOS UY
President

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

Liberty
Liberty Flour Mills, Inc.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of **LIBERTY FLOUR MILLS, INC.** will be conducted virtually through remote communication on **July 29, 2020 at 4 o'clock in the afternoon**. However, if circumstances allow, the meeting may be held at the Liberty Building, 835 A. Arnaiz Avenue, Makati City. Stockholders will be notified though a disclosure on the PSE Edge or publication through Business Mirror or Manila Times if physical attendance will be allowed.

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 2019 Annual Stockholders' Meeting held on 29 May 2019.
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. Other Matters
9. Adjournment

Only stockholders as of July 1, 2020 shall be entitled to notice and to vote at the meeting.

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.

Given the current circumstances, the annual stockholders' meeting will be held through remote communication. Stockholders who intend to participate by remote communication should notify the Company by email on or before July 20, 2020. Such requests may be sent to **lfmcorporatesecretary@gmail.com.**

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

The procedures for participation in the Annual Meeting through remote communication and for casting votes are provided for in the Information Statement.

Copies of the Information Statement, Annual Report, and other pertinent documents shall be uploaded to the Company's website as well as the PSE EDGE.

Very truly yours,

VICENTE S. VARGAS
Corporate Secretary

Liberty

Liberty Flour Mills, Inc.

RATIONALE AND EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDER APPROVAL

I. Approval of the Minutes of the Annual Stockholders' Meeting held on May 29, 2019

At the meeting, Stockholder approval for the minutes of the May 29, 2019 annual Stockholders' Meeting shall be made.

Copies of the draft minutes will be made available upon request of the Stockholders, and copies of such minutes shall also be made available at the registration area on the date of the 2020 Stockholders' Meeting.

II. Annual Report of the President and Chairman of the Board

The Chairman of the Board will present to the shareholders a summary of audited financial statements, and the current commercial standing of the company. This Audited Financial Statement is attached to the Definitive IS and shall be made available in LFM's website fifteen (15) days before the 2020 Stockholders' Meeting. The Chairman will also present to the Stockholders highlights and significant events that transpired during the previous year.

Upon the conclusion of the report by the Chairman, there will be an open forum where Stockholders shall be given the opportunity to give their comments and ask questions concerning the report given by the Chairman.

Upon the conclusion of such open forum, the Stockholders will note for the adoption of a resolution closing the Stockholders' open forum and approving the Annual Report and Audited Financial Statements of the Company for the year ended on December 31, 2019.

III. Ratification of all Acts and Proceedings of the Board of Directors

Stockholder ratification shall be sought for all the acts and resolution of the Board of Directors and corporate officers passed and made since the last Annual Stockholder's Meeting. This will cover acts done within the period of May 29, 2018 to July 29, 2019.

These acts, include among others, the declaration of dividends; appointment of officers, independent directors, members to the various board committees, key officers other than those provided for in the by-laws (if any); approval of the Material Related Party Transaction Policy, I-ACGR, Revised and Amended Code of Corporate Governance, approval of the audit plans of both the external and internal auditor, and approval of the fees paid to such auditors.

The Stockholders will then, though a vote, pass a resolution approving, confirming, ratifying, and adopting, all acts, resolutions, proceedings of the Board of Directors and Corporate Officers for the period including and between the 2019 Annual Stockholders' Meeting until the 2020 Stockholders' Meeting.

IV. Election of Directors

In accordance with the By-Laws, Manual on Corporate Governance, and SEC Rules on the matter – any Stockholder, including minority stockholders, may submit nominations to the Board.

The Stockholders will cast their votes during the meeting for the Election of the Board of Directors for the ensuing year. Upon the conclusion of such voting, the eleven (11) nominees with the greatest number of votes shall be deemed as elected as members of the Board of Directors beginning July 29, 2020 until their successors are elected and qualified.

V. Appointment of the External Auditor

The Audit Committee will recommend to the Stockholders the reappointment of SGV & Co. as the external auditors of the Company for the ensuing fiscal year.

The Stockholders shall vote on a resolution on whether SGV and Co. shall serve as the external auditors of the Company for the 2020 fiscal year.

VI. Other Matters

The Chairman will open the floor to for the Stockholders to present any matter, business, or concern, for consideration of the Board and the Stockholders present at the meeting.

Finally, upon the conclusion of the above, the Chairman shall entertain any motion to adjourn the meeting.

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 29 July 2020, 4:00PM at Liberty Building, 835 A. Arnaiz Avenue, 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 2019 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	JOSE MA. S. LOPEZ
DANIEL R. MARAMBA	JOSE JALANDONI
SANDRA JUDY UY	JOSE A. FERIA JR.*
JOHN CARLOS UY	DAVID NG*
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 ________________, 2020 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 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [X] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of the 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: 128-846-000

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:

   29 July 2020
   4:00 P.M.
   Liberty Building, 835 A. Arnaiz Avenue, Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: 08 July 2020

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	150,000,000

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

YES [X] NO [ ]

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

Name of the Exchange	Shares listed on the Exchange
The Philippine Stock Exchange, Inc.	Common Shares

Liberty Flour Mills, Inc.

INFORMATION STATEMENT

For the 2020 Annual Stockholders' Meeting

Liberty Building, 835 A. Arnaiz Avenue, Makati City
29 July 2020
4:00 o'clock PM

INFORMATION REQUIRED IN INFORMATION STATEMENT

I. GENERAL INFORMATION

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

Date of Meeting	July 29, 2020
Time of Meeting	4:00 o'clock in the Afternoon
Place of Meeting	Liberty Building, 835 A. Arnaiz Avenue, Makati City
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 2019 Annual Report sometime on 08 July 2020.

II. 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 80 of the Revised Corporation Code and which gives rise to the exercise of such appraisal right pursuant to and in the manner provided in Section 81 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.

III. 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 31 May 2020, the board of directors and senior management, as a group, own One Million Six Hundred Forty-Nine Thousand, Six Hundred Thirteen (1,649,613) common shares which is approximately 1.1% 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.

IV. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of 30 June 2020, One Hundred Fifty Million (150,000,000) common shares of the Company have been issued and One hundred Fifty Million (150,000,000) are outstanding.

All stockholders of record at the close of business on 01 July 2020 ("*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 seven (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 23 of the Revised 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.

V. 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, 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.	William Carlos Uy is the Chairman and President and CEO of Parity Values Inc. John Carlos Uy is a Director and General Manager of Parity Values, Inc. William Ang is a Director and 1st Vice President and Treasurer of Parity Values, Inc.	Filipino	61,090,972	40.72%
Common	William Carlos Uy President/CEO	Beneficial Owner	Filipino	12,561,556	8.37%

VI. SECURITY OWNERSHIP OF MANAGEMENT

Directors/Nominees

Title of class	Name of Beneficial Owners	Amount and nature of beneficial ownership	Citizenship	Percent of ownership

Common	William Carlos Uy	12,561,556	Sole Voting	Filipino	8.37%
Common	Daniel R. Maramba	433,596	Sole Voting	Filipino	0.28%
Common	Jose Ma. S. Lopez	624,465	Sole Voting	Filipino	0.41%
Common	Jose S. Jalandoni	1	Sole Voting	Filipino	Negligible
Common	Vicente S. Vargas	472,353	Sole Voting	Filipino	0.31%
Common	William Ang	374	Sole Voting	Filipino	Negligible
Common	John Carlos Uy	374	Sole Voting	Filipino	Negligible
Common	Jose A. Feria, Jr.*	36	Sole Voting	Filipino	Negligible
Common	Jesus Jalandoni, Jr.	118,034	Sole Voting	Filipino	0.07%
Common	David Ng*	377	Sole Voting	Filipino	Negligible
Common	Sandra Judy Uy	2	Sole Voting	Filipino	Negligible

*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	624,465	Sole Voting	Filipino	0.41%
Common	WILLIAM CARLOS UY	12,561,556	Sole Voting	Filipino	8.37%
Common	VICENTE S. VARGAS	472,353	Sole Voting	Filipino	0.31%

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	14,211,168	Sole Voting	9.47%

VII. 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	Age	Citizenship	Position
William Carlos Uy	78	Filipino	Chairman of the Board
Sandra Judy Uy	43	Filipino	Director
John Carlos Uy	69	Filipino	Director
Vicente Vargas	64	Filipino	Director
William Ang*	69	Filipino	Director
David Ng	58	Filipino	Director
Jose Ma. S. Lopez	76	Filipino	Director
Jesus Jalandoni Jr.	63	Filipino	Director
Jose S. Jalandoni	65	Filipino	Director
Daniel Maramba	47	Filipino	Director

Jose A. Feria Jr.*	72	Filipino	Director

* Independent Director

The Senior Management of the Company is as follows:

Name	Age	Citizenship	Position
William Carlos Uy	78	Filipino	President
Sandra Judy Uy	43	Filipino	Senior Vice President – Manufacturing
Vicente Vargas	64	Filipino	Corporate Secretary
Jose Ma. Lopez	76	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 serves as the President and Chairman 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 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.

Vicente Vargas 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 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 is a director and Senior Vice President and treasurer of the Company. His directorship in other corporations include the following: Agchem Manufacturing Corporation, Liberty Commodities Corporation and CCC Insurance Corporation. He is also presently the Senior Vice-President for Lopez Sugar Corporation.

David Ng is an independent 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 a Partner in CNP Architects.

Jesus S. Jalandoni 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.

Jose S. Jalandoni is a director of the Company and Compliance Officer. He also serves as Chairman of the Board of Kanlaon Farms, Inc., Unicomm Ingredients, La Funeraria Paz, Inc. and Nissan Car Lease Phils. Inc. He is Corporate Secretary of Kanlaon Development Corporation, Jayjay Realty Corporation and JM & Company, Inc. He is also the Chief Executive Officer of Personal Computer Specialists, Inc., Assistant Treasurer of JM Profreeze, MIS Manager of LFM Properties Corp, Treasurer of Macawiwili Gold Mining & Dev't. Corp. and Board of Director/Consultant of Agchem Manufacturing Corporation.

Sandra Judy Uy serves as a director and Senior Vice-President of the Company. She is also a director of Uniguarantee Insurance Brokerage,Inc.

Jose A. Feria, Jr an independent director of the company. He is also the Senior Partner of Feria Tantoco Daos Law Offices. His affiliations with other companies are as follows: he is the Chairman of Cyan Management Corporation, Directories Philippines Corporation, 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., 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 Manual on Corporate Governance.

In a meeting of the Nominations Committee of the Company on 30 May 2019 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.

Committee Membership

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

The members of the Company's Audit Committee are: David Ng, Jose Jalandoni, and Jose A. Feria, Jr. as members, with David Ng presiding as the Chairman.

The members of the Risk Oversight Committee are: Jose A. Feria Jr., William Ang, and David Ng, with Jose A. Feria Jr. presiding as Chairman.

The members of the Compensation and Remuneration Committee are: David Ng, Jose Ma. S. Lopez, and William Ang, with David Ng presiding as Chairman.

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 siblings.

Jose Jalandoni and Jesus Jalandoni Jr. are siblings.

Jose Jalandoni, Jesus Jalandoni Jr., Jose Ma. S. Lopez and Vicente Vargas are first cousins.

Sandra Judy Uy is the daughter of William Carlos Uy and niece of John Carlos Uy.

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 arm's length and above board.

These directors are as follows:

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

The business purpose between the Company and the related parties mentioned above is that the above-mentioned corporations serve as distributors of the Company's flour and feed products. Transaction prices are 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 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 Executive Officers for the years 2019 and 2018 are PhP 11.31 Million and PhP14.28 Million, respectively.

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 Judy Uy are as follows:

Estimated Compensation for 2020*	Salaries (₱)	Bonus (₱)	Others (₱)	Total (₱)
William Carlos Uy *Chairman and President*	₱2,663,115.00	₱1,269,122.00	₱65,000.00	₱3,997,237.00
Jose Ma. S. Lopez *Senior Vice President & Treasurer*	₱3,152,937.00	₱1,213,234.00	₱65,000.00	₱4,431,171.00
Sandra Judy Uy *Senior Vice President -Manufacturing*	₱2,492,144.00	₱1,237,020.00	₱65,000.00	₱3,794,164.00
TOTAL	₱8,308,196.00	₱3,719,376.00	₱195,000.00	₱12,222,572.00

** The 2020 figures are only estimates of the compensation to be given to the aforementioned Executive Officers. The actual compensation given for 2020 may vary from what is provided above.*

Actual Compensation for 2019	Salaries (₱)	Bonus (₱)	Others (₱)	Total (₱)
William Carlos Uy *Chairman and President*	₱2,585,549.00	₱1,032,998.00	₱65,000.00	₱3,683,547.00
Jose Ma. S. Lopez *Senior Vice President & Treasurer*	₱3,061,104.00	₱1,015,869.00	₱65,000.00	₱4,141,973.00
Sandra Judy Uy *Senior Vice President - Manufacturing*	₱2,419,558.00	₱1,001,831.00	₱65,000.00	₱3,486,389.00
TOTAL	**₱8,066,211.00**	**₱3,050,698.00**	**₱195,000.00**	**₱11,311,909.00**

Actual Compensation for 2018	Salaries (₱)	Bonus (₱)	Others (₱)	Total (₱)
William Carlos Uy *Chairman and President*	₱2,464,884.00	₱2,161,139.00	₱65,000.00	₱4,691,023.00
Jose Ma. S. Lopez *Senior Vice President & Treasurer*	₱3,000,922.00	₱1,932,579.00	₱65,000.00	₱4,998,501.00
Sandra Judy Uy *Senior Vice President - Manufacturing*	₱2,363,545.00	₱2,162,650.00	₱65,000.00	₱4,591,195.00
TOTAL	**₱7,829,351.00**	**₱6,256,368.00**	**₱195,000.00**	**₱14,280,719.00**

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	Salaries (₱)	Bonus (₱)	Others (₱)	Total (₱)
Total compensation for the above-named three (3) most highly compensated executive officers	2020*	₱8,308,197.00	₱3,719,375.00	₱195,000.00	₱12,222,572.00
	2019	₱8,066,211.00	₱3,050,698.00	₱195,000.00	₱11,311,909.00
	2018	₱7,829,351.00	₱6,256,368.00	₱195,000.00	₱14,280,719.00
All other officers and directors as a group	2020*	₱1,863,179.00	₱2,949,383.00	₱520,000.00	₱5,332,562.00
	2019	₱1,808,912.00	₱2,087,097.00	₱520,000.00	₱4,416,009.00
	2018	₱1,275,529.00	₱6,043,457.00	₱686,440.00	₱8,005,426.00

* *The 2020 figures are only estimates of the compensation to be given to the Executive Officers and members of the Board. The actual compensation given for 2019 may vary from what is provided above.*

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.

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

VIII. 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 31 December 2019 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 discusses, evaluates 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 2019 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.

IX. 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 29 May 2019; and
2. The Financial Statements for the fiscal year ended 31 December 2019.

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 29 May 2019, out of One Hundred Fifty Million (150,000,000) shares issued and outstanding, One Hundred Thirty Six Million Eight Hundred Eighty Seven Thousand Eight Hundred Twenty-Four (136,887,824 shares were represented either in person or by proxy representing 91.26% 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 30 May 2018 were approved.

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 30 May 2019 to 29 July 2020 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. If 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

Other than the matters discussed above and those provided in the Agenda, the Company does not propose to take up any other matter for consideration of the stockholders.

X. VOTING PROCEDURES

Vote required for approval

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the affirmative vote of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting. The representation of the stockholders during the meeting shall either be in person or through proxy.

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.

Participation of the Shareholders via Remote Communication and Voting *In Absentia*

Given the restrictions on mobility brought about by spread of COVID-19 and the declaration of a Public Health Emergency by the Philippine Government, to ensure the safety and wellbeing of our stockholders, the 2020 Annual Meeting will be held via remote communication, and no physical attendance for the meeting shall be allowed.

Shareholders who intend to participate in the meeting should send notice as well as send the registration requirements detailed below to lfmcorporatesecretary@gmail.com. Upon receipt of their email, the corporate secretary shall verify the identity of the stockholders following the requirements below. If the registration and verification is successful, the corporate secretary shall send a link which will provide access to the meeting, as well as the voting portal. For the meeting, it will be broadcast via Zoom, and the voting shall be done though the use of Microsoft Forms. In the interest of information security, the link for the meeting shall not be made public and shall be sent privately to shareholders who have successfully registered.

Procedure for Participation via Remote Communication and Voting *In Absentia*

The following procedure shall be observed for the participation and voting for the 2020 Annual Stockholder's Meeting of the Company:

1. Stockholders as of July 1, 2020 are entitled to participate and vote at the 2020 Annual Stockholder's Meeting. If the stockholder intends to participate through such means, he/she **must register and submit the requirements for registration** via electronic mail on or before July 19, 2020 to the following email address: lfmcorporatesecretary@gmail.com.

2. The requirements for registration for individual stockholder are as follows:
   a. A recent photo of the stockholder, with the face fully visible;
   b. A scanned copy of the front and back portions of the Stockholder's valid government issued ID;
   c. Valid and active email address; and
   d. Valid and active contact number.

3. The requirements for registration for stockholders with joint accounts is as follows:
   a. The requirements contained in number 2 above; and

   b. A scanned copy of an authorization letter signed by all the stockholders, identifying who among them is authorized to participate and cast a vote for their account.

4. The requirements for registration for stockholders under broker accounts is as follows:
   a. The requirements contained in number 2 above; and
   b. A broker's certification on the Stockholder's number of shareholdings.

5. The requirements for the registration of Corporate Stockholders is as follows:
   a. Secretary's certificate which shall provide the following: (a) name of the representative; and (b) that the representative is authorized to participate in the 2020 Annual Stockholders' Meeting and vote for an on behalf of the corporation;
   b. A recent photo of the authorized representative, with the face fully visible;
   c. A scanned copy of the front and back portions of the authorized representative's valid government issued ID;
   d. Valid and active e-mail address of the authorized representative; and
   e. Valid and active contact details of the Stockholder's authorized representative.

6. Once a shareholder has successfully registered and verified, the Corporate Secretary shall send an email containing the details for the meeting. This shall include the link which will be used to broadcast the meeting, as well as the link where votes will be cast. The meeting will be broadcast via Zoom, and the voting shall be conducted though the use of Microsoft Forms.

7. The *In Absentia* voting shall be open beginning July 22, 2020 at 9:00 a.m. and shall close on July 29, 2020 at 5:00 p.m.

8. Stockholders who have notified the company of their intention to participate in the annual meeting via remote communication shall be counted for purposes of determining a quorum.

9. To ensure the quality of the presentation of the Annual Report of the President and Chairman, all participants of the meeting should be on mute, or may be placed on mute by the meeting administrator. Once the open floor begins, the participants may unmute their devices to ask their questions. Alternatively, questions may be asked through the chat box of the video conferencing platform.

10. The meeting shall be recorded.

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; (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 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 29 July 2020.

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.

If 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 seven (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 2019Annual Stockholders' Meeting held on 29 May 2019;
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. WILLIAM ANG
    b. JOSE A. FERIA, JR. (Independent Director)
    c. JESUS JALANDONI JR.
    d. JOSE S. JALANDONI
    e. JOSE MA. S. LOPEZ
    f. DANIEL R. MARAMBA, JR.
    g. DAVID NG (Independent Director)
    h. JOHN CARLOS UY
    i. SANDRA JUDY UY
    j. WILLIAM CARLOS UY
    k. VINCENTE S. VARGAS

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 PhP30,000.00 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 31 May 2020, the board of directors and senior management, as a group, own One Million Six Hundred Forty-Nine Thousand, Six Hundred Thirteen (1,649,613) common shares which is approximately 1.1% of the outstanding common stock.

Liberty Flour Mills, Inc.

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 June 2020.

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

MANAGEMENT REPORT

OF

LIBERTY FLOUR MILLS, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended 31 December 2019 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.

The external auditor estimated fee for 2020 is in the aggregate amount of ₱928,000.00 net of VAT and OPE which includes the preparation of the fee for the consolidated audited financial report of the parent company and its subsidiaries.

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 2019:

Income Statement Data

	For the Year December 31 *(in Thousands of Pesos)*		
	2019	**2018**	**2017**
Income	1,035,224	996,496	912,021
Expense	(936,215)	(881,501)	(787,984)
Income Before Tax	99,009	114,995	124,037
Provision for Tax	(13,848)	(12,979)	(21,349)
Net Income	**85,161**	**102,016**	**102,688**

Balance Sheet Data

	As of December 31 (in Thousands of Pesos)		
	2019	**2018**	**2017**
Assets:			
Cash and cash equivalents	168,193	78,623	131,986
Receivables	724,898	726,546	763,095
Financial assets at FVPL	39,142	157,453	167,359
Inventories	172,846	242,024	205,261
Accrued rent – current	2,313	-	-
Prepaid expenses and other current assets	77,233	75,888	65,459
Financial assets at fair value through OCI	1,177,783	1,168,856	1,270,220
Investment properties	1,167,873	1,202,126	997,369
Property, plant and equipment	60,268	62,020	66,587
Accrued rent – noncurrent	27,113	6,623	4,718
Deferred income tax assets	27,742	26,528	28,973

Other noncurrent assets	56,980	6,620	12,716
Total Assets	**3,702,384**	**3,753,307**	**3,713,743**
Liabilities:			
Notes payable	632,900	770,400	670,459
Accounts payable and accrued expenses	215,519	218,897	155,690
Income tax payable	-	6,412	1,040
Deposits on long-term leases – current	7,427	11,294	9,790
Unearned rental income – current	2,423	11,317	3,647
Deposits on long-term leases – noncurrent	22,251	15,021	5,465
Unearned rental income – noncurrent	13,293	12,694	600
Net retirement plan liability	99,893	84,689	99,769
Deferred income tax liability	6,391	-	2,594
Total Liabilities	**1,000,097**	**1,130,724**	**949,054**
Stockholders' Equity			
Capital stock – P10 par value			
Issued – 50 million shares	1,500,000	1,500,000	1,500,000
Fair value changes on financial assets at FVOCI -with recycling	36,231	(122,474)	-
Fair value changes on financial assets At FVOCI – without recycling			
Fair value changes on AFS investments			18,350
Accumulated remeasurement loss on retirement	(4,815)	2,920	(3,183)
Retained earnings – appropriated	-	-	-
Retained earnings – unappropriated	1,282,299	1,242,137	1,249,522
Treasury stock			-
Total Stockholders' Equity	**2,702,287**	**2,622,583**	**2,764,689**
Total Liabilities and Stockholders' Equity	**3,702,384**	**3,753,307**	**3,713,743**

Results of Operations

2019

The operations for the year ending December 31, 2019 posted a modest improvement versus last year for the sales volume of Bakery Flour & Mill Feeds increased slightly resulting in an increase in Net Sales by 3%. In terms of Sales Value, its P742.47 million vs. P722.88 million in 2018. Then, there was a decrease of 2.1% in the related cost of sales due to improvement in cost of wheat, the major raw materials of flour in the second half of the year. Some cost cutting measures being implemented by Management also contributed in lower cost of the products. The lease rental from one of the subsidiaries made a huge increase by 72% from prior year as its new building is fully operational by Q1 of 2019. Lease Rental in 2019 is P206.59 million vs. P120.30 million in 2018. Dividend income was lower versus previous year due to callable redemptions in some investment instruments and interest income was slightly lower also. However, there was also a huge increase in interest expense of 295% incurred by one of the subsidiaries due to higher loan payments compared to 2018. The amount of P53.2 million interest expense pulled down the Net Income to P85.16 million as compared to P102.01million in 2018.

As of the year ended December 31, 2019, the total gross income amounted to P312.04 million as compared to December 31, 2018 which was only P238.33 million for an increase of 30%. Gross Income was accounted as coming from the income from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P178.12million and P53.20million, 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 P3.70 billion in 2019 compared to P3.75 billion in 2018 which is slightly lower by 1%. The total combined liabilities amounted to P1 billion in 2019 which is lower by 12%, at P1.13 billion in 2018.

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

For the year 2019 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 2019 as compared to 2018:

Financial Assets at FVTPL – The decrease made in 2019 is because of the sale made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant decrease of 28% in inventory is due to the lower purchases of wheat inventories.

Financial assets at FVOCI – There were no material changes of the account.

Accrued Rent and Other Noncurrent Assets– There were additional rental spaces during the year. The increase is because of the adjustment made on the recognition of rental income using straight line method based on the terms of the lease agreement per PAS 17 on Lease. While the increase for other noncurrent assets pertain to down payment by the Parent to the supplier for the purchase of milling machineries.

Notes payable – The Company's subsidiary-LPC rolled over short-term notes payable and obtained short-term notes totaling P28 million with interest rate ranging from 6.125% to 6.5%, of which P165.50 million were paid during the same year.

Accounts Payable and accrued expenses – The decrease is due to the recognition of current portion of long-term leases and unearned rental income.

Income Tax Payable – Income tax payable decreased due to recognition of tax payable from one of its subsidiaries.

Long-term leases - The increase is because of the adjustment made on the recognition of rental income using straight line method based on the terms of the lease agreement per PAS 17 on Lease.

Accrued Retirement Liability – The increase is primarily due to actuarial changes.

2018

The operations for the year resulted in a net income of P102 million, a decrease by 1% from prior year. The decrease in the total sales volume of flour bags and mill feed sold by 3% coupled by decrease in net sales mix by 2% compared to 2017 resulted to a decrease in revenue by 1% which was offsetted by the increase of rental income by 9%. Despite of the several cost cutting measures being implemented by Management, the increase of 13% in the cost of sales was due to higher cost of raw materials and the depreciation in exchange rate. Higher dividend income of 17% is due to the increase in investments by one of its subsidiaries coupled by the dividend payout of the Company's unquoted investments. While there is slightly reduced in interest income by 6% versus last year. Also, the interest expense had increased by 7% due to the increase of interest rates from 3% to 6.5% compared to 2017.

As of the year ended December 31, 2018, the total gross income amounted to P238.33million, which reflected the income from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P181.3million and P13.47million, 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 P3.75 billion in 2018 while total liabilities amounted to P1.3 billion which is higher by 1% and 19%, respectively, from balances in 2017.

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 2018 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 2018 as compared to 2017:

Financial Assets at FVTPL – The decrease made in 2018 is because of the reclassification and adoption of the new standard coupled with the decline of market value in the stock market.

Inventories – The significant increase of 18% in inventory is due to the higher purchases of wheat inventories at near year end.

Financial assets at FVOCI – The decrease of 8% in AFS is due to the decline of market value in the stock market.

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 method based on the terms of the lease agreement per PAS 17 on Lease.

Notes payable – The Company's subsidiary-LPC obtained short-term notes on various dates in 2018 totaling P174.50million with interest rates ranging from 3.50% to 6.50% of which P74.56 million were paid during the same year.

Accounts Payable and accrued expenses – The increase is attributable primarily to the increase in Trust Receipts balance as at year end amounted to P98.01 million in 2018 compared to P59.18 in 2017.

Income Tax Payable – Income tax payable increased due to recognition of tax payable from one of its subsidiaries.

Unearned rental income- The increase is because of the adjustment made on the recognition of rental income using straight line method based on the terms of the lease agreement per PAS 17 on Lease.

Accrued Retirement Liability – The decrease is primarily due to decline in present value of defined benefit obligation coupled with the decrease in fair value of plan assets.

2017

The operations for the year resulted in a net income of P103million, a decrease by 21% from prior year. The decrease in the total sales volume of flour bags and mill feed sold by 13% coupled by decrease in selling prices by 20% compared to 2016 resulted to a decrease in revenue by 17%. The management continuously implemented several cost cutting measures during the year in which resulted to almost proportionate decrease of 14% in Cost of Sales. Also, increasing investments of the Company in shares of stocks and in debt instruments earned higher dividends by 51% but slightly reduced interest income by 6%as compared in 2016. The interest expense was greatly reduced by 26% as it was able to minimize interest expense on Trust Receipts Payables.

As of the year ended December 31, 2017, the total gross income amounted to P314.2million, 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 P171.3million and P12.59million, 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 P3.71 billion in 2017 while total liabilities amounted to P949.05million which is higher by 8%% and 47%, respectively, from balances in 2016.

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 2017 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 2017 as compared to 2016:

Financial Assets at FVPL - There were significant additions made in 2017 by LFM Properties Corp. a subsidiary of the Parent Company resulting to 227% increase in its acquisition of shares of San Miguel Corporation.

Inventories – The decrease of 19% in inventory is due to nil inventory in transit of wheat at year end coupled with lower production of flour products due to lower sales.

Available for Sale of Financial Assets– There were no significant additions made in 2017.

Accrued Rent and Other Noncurrent Assets– There were no significant transactions made in 2017.

Notes payable – The Company's subsidiary-LPC obtained short-term notes on various dates in 2017 totaling P302.90million with interest rates ranging from 3.00% to 4.13% of which P23.35 million were paid during the same year.

Accounts Payable and accrued expenses – The increase is attributable primarily to the increase in Trust Receipts amounted to P59.18 million in 2017 compared to nil in 2016.

Income Tax Payable – Income tax payable decreased as the income for the year decreased substantially.

Unearned rental income- The increase is because of the adjustment made on the recognition of rental income using straight line computation per PAS 17 on Lease.

Accrued Retirement Liability – The decrease is primarily due to higher benefits payments paid directly by Parent Company in 2017 coupled with remeasurement gain vs. loss last year.

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, 2019, there was 12.6% increase in revenue as compared to previous years' same period performance. The increase is attributed to the slight increase in sales volume of flour bags and mill feed with increase in sales value by 3% due to product mix sold coupled by the huge increase of rental income by 71.7% as the 2nd 21- storey building of one of the subsidiaries was fully operational by Q1 of 2019.

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.

For the year ended on December 31, 2019, there was a 2.1% decrease in cost of sales related to bakery flour and mill feed over the previous year which is a result from lower cost of raw materials during the second half of 2019. However, there was a proportionate huge increase in costs related to lease rental which had increased for the year but the total costs increase was contained at 4% for the year.

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.

For the year ended on December 31, 2019, the Company generated gross profit of 17%% for bakery flour and mill feed. There was a decrease compared to 20% in prior year gross profit. The decrease is directly attributable to the higher cost of raw materials during the first half of the year coupled with peso depreciation. Together with the gross profit contribution from lease rental, the Company generated 26% gross profit

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.

For the year ended on December 31, 2019, there was a slight decrease in operating expenses by 1.8%% over the previous year. Operating income realized this year is 622% higher than the previous year that posted a negative operating income.

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 2019 with a current ratio at 1.38:1. The working capital requirement of the Company to carry its business is entirely generated internally.

Summary of 2020 and 2021 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2020 and 2021. The Company forecasts its net income to increase by 2% from its preceding year.

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 expects to spend around P200 million in about two (2) years to refresh and maintain the existing manufacturing plant facilities located in Mandaluyong City.

BUSINESS OF THE COMPANY

Liberty Flour Mills, Inc. (the "Company") is a stock corporation incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008 the Company extended its corporate life for another 50 years. The Company is primarily engaged in the business of manufacturing flour and flour related products.

Liberty Flour Mills, Inc. currently has two (2) subsidiaries, namely: a.) LFM Properties Corporation (LPC) and b.) Liberty Engineering Corporation (LEC). LFM Properties Corporation was incorporated and registered in the Philippines on December 18, 1995 while Liberty Engineering Corporation was incorporated and registered with SEC on December 10, 1965 and extended its corporate life for another 50 years from December 31, 2015. LFM Properties is engage in the business of leasing out office spaces and condominium units. Liberty Engineering Corporation will be on sale, lease and purchase of equipment and machinery.

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	77	Filipino	Chairman of the Board
Sandra Judy Uy	42	Filipino	Director
John Carlos Uy	69	Filipino	Director
Vicente Vargas	63	Filipino	Director
William Ang	68	Filipino	Director
David Ng*	57	Filipino	Director
Jose Ma. S. Lopez	75	Filipino	Director
Jesus Jalandoni	62	Filipino	Director
Jose S. Jalandoni	64	Filipino	Director
Daniel Maramba	46	Filipino	Director
Jose A. Feria Jr.*	71	Filipino	Director

* Independent Director

The Senior Management of the Company is as follows:

Name	Age	Citizenship	Position
William Carlos Uy	77	Filipino	President
Sandra Judy Uy	42	Filipino	Senior Vice President – Operation
Vicente Vargas	63	Filipino	Corporate Secretary
Jose Ma. Lopez	75	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. 77 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. 69 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.

Vicente Vargas. 63 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., Unicomm Ingredients Phils., Inc.

William L. Ang. 68 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. 75 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.

David Ng. 58 years old. He is a Director of the Company. He is presently holding the President of Merlin Mining Corporation, Lucky Jade Corporation and Cotlesloe Trading Corp. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc.

Jesus S. Jalandoni, Jr. 62 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.

Jose S. Jalandoni, 64 years old. He is a Director of the Company and Audit Committee Member and Compliance Officer. He also serves as Chairman of the Board of Kanlaon Farms, Inc., Unicomm Ingredients, La Funeraria Paz, Inc. and Nissan Car Lease Phils. Inc. He is Corporate Secretary of Kanlaon Development Corporation, Jayjay Realty Corporation and JM & Company, Inc. He is also the Chief Executive Officer of Personal Computer Specialists, Inc., Assistant Treasurer of JM Profreeze, MIS Manager of LFM Properties Corp, Treasurer of Macawiwili Gold Mining & Dev't. Corp. and Board of Director/Consultant of Agchem Manufacturing Corporation.

Sandra Judy Uy, 42 years old. She serves as a Director and Senior Vice President of the Company. She is also a Director of Uniguarantee Insurance Brokerage, Inc.

Daniel Maramba, 46 years old. He is a Director of the Company. He is also the President of Agchem Manufacturing Corp.; Treasurer of New Now Next, Inc. and Mac2 Group Manila, Inc. and Director of Uniguarantee Insurance Brokerage.

Jose A. Feria, Jr., 71 years old. He is the Senior Partner of Feria Tantoco Daos Law Offices. Atty. Feria holds the Chairman position for the following Companies: Assessment Analytichs, Inc., Cyan Management Corporation, Philippine Multi-media Systems, Inc., MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Spencer Food Corp., Vinnel Belvoir Corp. and Padre Burgos Realty, Inc. He also serves as Vice Chairman of Directories Philippines Corp. Moreover, Atty. Feria is a Director of the following Companies: Liberty Flour Mills, Inc., EYP.PH Corporation, AeroAsia, Inc., HL&F Management Corp., Macawiwili Gold Mining & Development Corporation, Metropolitan Insurance Corp., Montecito Properties, Inc, Padre Burgos, Pru-Life Insurance Corp.,-UK, Telephilippines Inc. and lastly, he is the Corporate Secretary of AisAsia Inc., All Asian Counter Tarde, Inc., Felvisol Development Corp. and Sanara 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 Manual on Corporate Governance.

In a meeting of the Nominations Committee of the Company on 30 May 2019 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 Jose 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, Jose Jalandoni and Jesus Jalandoni Jr. are siblings.

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

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 arm's length and above board.

These directors are as follows:

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

The business purpose between the Company and the related parties mentioned above is that the above-mentioned corporations serve as distributors of the Company's flour and feed products. Transaction prices are 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.

SECURITY HOLDERS

As of 31 March 2020, there are 442 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of 31 March 2019 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,878,835	40.59%
2.)	PCD Nominee Corp.	47,854,443	31.90%
3.)	Bacsay Management Corporation	5,589,742	3.73%
4.)	Sebring Management Corporation	3,122,102	2.08%
5.)	E.K.I Tourist Development Corporation	2,855,505	1.90%
6.)	L & J Agricultural, Inc.	2,417,841	1.61%
7.)	Jose Moreno, Jr.	928,277	0.61%
8.)	Eduardo S. Lopez Jr.	915,468	0.61%
9.)	Amelia Kalaw Pulmones	913,613	0.61%
10.)	Carvina Farms, Inc.	769,920	0.51%
11.)	Paula K. Feria	742,488	0.49%
12.)	Erwin M. Fajardo	697,337	0.46%
13.)	Regina Kalaw	628,116	0.41%
14.)	Jose Maria S. Lopez	624,465	0.41%
15.)	Philip Hsu	602,405	0.40%
16.)	Norma Yu Galan	524,745	0.35%
17.)	Eric Fajardo	521,796	0.35%
18.)	Maria Teresa V. Javellana	509,493	0.34%
19.)	Felix R. Maramba III.	487,943	0.33%
20.)	Ma. Cristina V. Quiros	475,344	0.32%

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:

2020	**High**	**Low**
First Quarter	41.00	40.00
2019	**High**	**Low**
First Quarter	54.00	53.00
Second Quarter	50.00	50.00
Third Quarter	26.40	26.40
Fourth Quarter	41.65	41.65
2018	**High**	**Low**
First Quarter	52.55	52.55
Second Quarter	50.30	50.05
Third Quarter	49.95	49.60
Fourth Quarter	45.00	45.00

<u>Dividends</u>

The average dividend per share of the Company was ₱0.45 in 2019, ₱1.50 in 2018, and ₱0.75 in 2017.

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2019, 2018, and 2017.

	Dividend Type	Record Date	Rate	Amount (₱)
For 2019	Cash	May 10, 2019	3%	45,000,000.00
For 2018	Cash	April 6, 2018	5%	75,000,000.00
For 2018	Cash	November 12, 2018	5%	75,000,000.00
For 2017	Cash	April 21, 2017	7.5%	112,500,000.00

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

Unappropriated retained earnings, beginning	₱1,129,780,758
Adjustments: (see adjustments in previous years' reconciliation	(17,040,620)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,112,740,138
Add: Net income actually earned/realized during the year:	
Net income during the year closed to retained earnings	44,476,441
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(56,041)
Benefit from deferred income tax	(674,567)
Net income actually earned/realized during the year	43,745,833
Less: Cash dividend declaration during the year	(45,000,000)
Total retained earnings available for dividend declaration, end	₱1,111,485,971

<u>Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction</u>

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 Jose S. 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 Vicente 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. S. Lopez and William Ang as members.

The Company also has Risk Oversight Committee which is composed of Jose A. Feria Jr. as the Chairman, and David Ng and William Ang as members.

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.

2019 ANNUAL STOCKHOLDER'S MEETING

Quorum for the 2019 Annual Stockholders' Meeting

At the 2019 Annual Stockholders' Meeting of the Corporation, there were the stockholders present through person or proxy represented One Hundred Thirty Six Million Eight Hundred Eighty Seven Thousand Eight Hundred Twenty Four Shares (136,887,824) which corresponds to Ninety One Percent and 26/100 (91.26%) of the issued and outstanding capital stock entitled to vote.

Voting and Vote Tabulation Procedures used in the Meeting

In the 2019 Regular Meeting of the Stockholders of LFM the voting procedure is as follows: The manner and method for voting for matters submitted to a vote shall be though a poll. Upon registration at the annual stockholders' meeting each stock holder shall be given a ballot where such stockholder shall separately indicate the number of shares that he/she has the right to vote by person and by proxy. Such ballot shall also contain fields containing a particular matter on Agenda, and a space where such stockholder can indicate in writing their votes to the items or matters on the Agenda. Notwithstanding the forgoing, the shareholders may cast their vote either by *viva voce* or by a show of hands.

The Corporate Secretary, along with the Assistant Corporate Secretary shall count and tabulate all the votes cast during the meeting, which shall be in accordance with the provisions of the Revised Corporation Code, or any subsequent amendment thereto.

Opportunity Given to Stockholders to Ask Questions and a Record of Questions Asked and Answers Given

Before a matter is put to vote by the Chairman of the Board, the Stockholders shall be given an opportunity to ask questions and raise concerns regarding the matters that are up for vote. Such questions shall be recorded and taken note of by the Corporate Secretary.

Matters Discussed and Resolutions Reached and the Record and Voting Results for Each Agenda Item

Approval of the Minutes of the 2018 Annual Stockholder's Meeting

There was a total of 136,887,824 shares present by person and/or by proxy in the 2019 Annual Shareholders' Meeting.

For Agenda matter concerning the approval of the Minutes of the 2018 Stockholders' Meeting, this was affirmed, approved, and ratified by the affirmative and unanimous vote of the stockholders present in person and/or through proxy.

Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers

For this matter on Agenda the ratification of the Shareholders present at the meeting shall be sought for all the acts and resolution of the Board of Directors and Corporate Officers had taken, adopted, or implemented since the 2017 Annual Stockholders' Meeting.

For the Agenda matter concerning the ratification of all acts and proceedings of the Board of directors and corporate officers, such acts affirmed, approved and ratified by the affirmative and unanimous vote of the stockholders present in person and/or through proxy..

Election of Directors

The shareholders elected the following as Directors of the Company:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William Ang;
5. Vicente Vargas;
6. Jesus S. Jalandoni, Jr.
7. Jose S. Jalandoni;
8. David Ng (Independent Director);
9. Sandra Judy Uy;
10. Daniel R. Maramba; and
11. Jose A. Feria Jr. (Independent Director).

Appointment of an External Auditor

For the fiscal year of 2019 the Chairman Proposed the SyCip Gorres & Velayo serve as the external auditor of the Company.

For the Agenda matter concerning the appointment of SyCip Gorres & Velayo as the external auditor, such appointment was affirmed, approved and ratified by the affirmative and unanimous vote of the stockholders present in person and/or through proxy..

<u>Directors Present During the Meeting and their Voting Rights</u>

The following Directors were present during the meeting.

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William Ang;
5. Vicente Vargas;
6. Jesus S. Jalandoni, Jr.
7. Jose S. Jalandoni;
8. David Ng (Independent Director);
9. Sandra Judy Uy;
10. Daniel R. Maramba; and
11. Jose A. Feria Jr. (Independent Director).

<u>Stockholders Present and their Voting Rights</u>

The voting rights of Shareholders shall be reckoned per share of stock and not per capita.

The following Shareholders were actually present during the 2019 Annual meeting:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William Ang;
5. Vicente Vargas;
6. Jesus Jalandoni, Jr.
7. David Ng;
8. Sandra Judy Uy;
9. Daniel R. Maramba;
10. Jose A. Feria Jr.;
11. Maybank Art Kim Eng (represented by Ian Patrick C. Dy);
12. COL Financial; and

13. Abacus Securities (represented by Jones Go).

Appraisals and Performance Report for the Board and the Criteria and Procedure for their Assessment
The Company acknowledges that a paramount concern for good corporate governance and an essential condition for the current and future success of the Company is the need to be governed by a competent Board of Directors and top management. One mechanism to ensure competent and responsible leadership is to create a mechanism where the performance of the Board and top management is assessed.

Under the Code of Corporate Governance of LFM, the various board committees of LFM evaluate and assess each individual director. This being the case the Executive, Audit, Nomination, Remuneration, or Risk Oversight Committee may evaluate and assess each individual director. Provided, that in the event that a director is part of one committee, then another committee shall be tasked to perform his/her evaluation and assessment.

The assessment criteria includes, among others, the participation and engagement of a Board Member in the meeting of the Board of Directors, the amount of times such director is present, whether or not such member is habitually tardy or punctual, their contribution to the committees to which they belong, and other criteria that the committee conducting the assessment deems as appropriate.

Furthermore, at all meetings of the Board of directors, each director is free to voice out their suggestions to improve the manner of governance or express their concerns regarding matters that should be addressed.

Directors Disclosures on Self-Dealing and Related Party Transactions

There are Directors of the Company that are also directors and stockholders of various companies that distribute the products of the Company. These Directors and the related distribution companies are as follows:

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

All of the above transactions are at arm's length and above board.

Aside from the above, there were no transactions during the year 2018 with any of the directors, officers, or any principal stockholder that are not in the ordinary course of business of the Company.

Disagreement of Directors and Executive Officers

There has been no substantial and/or material disagreement between the Board of Directors and the Executive Officers that relate to the Company's operations, management, policies, or practices.

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

MICHAEL JOHN A. TANTOCO JR., 8TH FLOOR, DPC PLACE, 2322 CHINO ROCES AVENUE, MAKATI CITY.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JOSE A. FERIA JR.**, Filipino, of legal age, and a resident of 44 Juan Luna St. San Lorenzo Village Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Liberty Flour Mills, Inc. (LFM), and I have been an Independent Director of LFM since 2011;

2. I am currently affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Feria Tantoco Daos Law Offices	Senior Partner Partner Associate	12 Years 20 Years 10 Years
Cyan Management Corporation	Chairman	16 Years
Directories of the Philippines Corporation	Vice Chairman	10 Years
Premiere Travel and Tours, Inc.	Chairman	29 Years
Padre Burgos Realty, Inc.	Chairman	12 Years
Spencer Food Corporation	Chairman	9 Years
Vinnel Belvoir Corporation	Chairman	13 Years
EYP.PH Corporatio	Director	19 Years
Assessment Analytics	Director	12 Years
Macawiwili Gold Mining & Development Corporation	Director	20 Years
HL & F Management Corp.	Director	35 Years
Telephilippines, Inc.	Director	24 Years
Aero Asia, Inc.	Corporate Secretary	41 Years

3. I possess all the qualifications and none of the disqualifications to serve as an independent director for LFM, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations;

4. I am related to the following director/officer/ substantial shareholder of LFM other than the relationship provided for under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances; and

7. I shall inform the Corporate Secretary of LFM of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 18 day of JUN 2020, at Makati City.

JOSE A. FERIA JR.
Affiant

SUBSCRIBED AND SWORN to before me this 18 day of JUN 2020 at Makati City, affiant personally appeared before me and exhibited to me his/her TIN : 107-793-449 issued at ____________ on ____________ as competent evidence of his/her identity.

Doc. No. 574 ;
Page No. 104 ;
Book No. III ;
Series of 2020.

RAYMOND FRANCIS MARIA C. JAMORA
Notary Public for Makati City
Appointment No. M-406
Until December 31, 2020
Roll No. 62921
IBP No. 100668-1.2.2020-Iloilo
PTR No. 8116605-1.2.2020-Makati City
8th Floor DPC Place
2322 Chino Roces Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **DAVID NG.**, Filipino, of legal age, and a resident of 10 Banaba Circle, South Forbes Park, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Liberty Flour Mills, Inc. (LFM);

2. I am currently affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Merlin Mining Corporation	President	13 Years
Sandalfold Estate Development Corporation	Corporate Secretary	12 Years
New RTC International Co., Inc.	General Manager	25 Years
Dollkit Trading Corp.	President	9 Years
Mindaire Trading Corp	President	8 Years

3. I possess all the qualifications and none of the disqualifications to serve as an independent director for LFM, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations;

4. I am related to the following director/officer/ substantial shareholder of LFM other than the relationship provided for under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

7. I shall inform the Corporate Secretary of LFM of any changes in the abovementioned information within five (5) days from its occurrence.

18 JUN 2020

Makati City

Done this ___ day of _______, at ____________________.

DAVID NG
Affiant

18 JUN 2020 Makati City

SUBSCRIBED AND SWORN to before me this ____ day of ______ at ________ City, affiant personally appeared before me and exhibited to me his/her TIN: 119-867-313 issued at ____________________ on ____________________ as competent evidence of his/her identity.

Doc. No. 513 ;
Page No. 104 ;
Book No. III ;
Series of 2020.

RAYMOND FRANCIS MARIA C. JAMORA
Notary Public for Makati City
Appointment No. M-406
Until December 31, 2020
Roll No. 62921
IBP No. 100668-1.2.2020-Iloilo
PTR No. 8116605-1.2.2020-Makati City
8th Floor DPC Place
2322 Chino Roces Avenue, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	7	8	2							

COMPANY NAME

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@libertygroup.com.ph	(02) 892-5011	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
444	July 29	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Ma. Lopez	jmlopez@pldtdsl.net	(02) 892-5011	

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Liberty Flour Mills, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Provisions and Contingencies

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

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Gaile A. Macapinlac.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125254, January 7, 2020, Makati City

June 8, 2020

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

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱168,192,892**	₱78,622,637
Receivables (Note 5)	**724,897,821**	726,545,705
Financial assets at fair value through profit or loss (Note 6)	**39,142,457**	157,453,153
Inventories (Note 7)	**172,845,814**	242,023,496
Accrued rent - current portion (Note 26)	**2,313,384**	–
Prepaid expenses and other current assets (Note 8)	**77,232,609**	75,888,274
Total Current Assets	**1,184,624,977**	1,280,533,265
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 9)	**1,177,783,424**	1,168,856,451
Investment properties (Notes 10, 13, 20 and 26)	**1,167,873,287**	1,202,125,662
Property, plant and equipment (Note 11)	**60,267,584**	62,020,215
Deferred tax assets - net (Note 23)	**27,742,144**	26,528,028
Accrued rent - net of current portion (Note 26)	**27,112,503**	6,623,413
Other noncurrent assets (Note 12)	**56,979,918**	6,620,453
Total Noncurrent Assets	**2,517,758,860**	2,472,774,222
TOTAL ASSETS	**₱3,702,383,837**	₱3,753,307,487
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 10 and 13)	**₱632,900,000**	₱770,400,000
Accounts payable and other current liabilities (Note 14)	**215,519,536**	218,897,470
Current portion of:		
Deposits on long-term leases (Note 26)	**7,427,205**	11,294,245
Unearned rental income (Note 26)	**2,422,935**	11,316,531
Income tax payable	–	6,412,134
Total Current Liabilities	**858,269,676**	1,018,320,380
Noncurrent Liabilities		
Net retirement plan liability (Note 21)	**99,893,314**	84,689,014
Deposits on long-term leases - net of current portion (Note 26)	**22,250,613**	15,021,340
Unearned rental income - net of current portion (Note 26)	**13,292,628**	12,693,876
Deferred tax liability - net (Note 23)	**6,391,058**	–
Total Noncurrent Liabilities	**141,827,613**	112,404,230
Total Liabilities	**1,000,097,289**	1,130,724,610

(Forward)

	December 31	
	2019	2018
Equity		
Capital stock (Note 15)	**₱1,500,000,000**	₱1,500,000,000
Other components of equity:		
Fair value changes on financial assets at fair value through other comprehensive income (Note 9)	**(75,196,969)**	(122,474,302)
Accumulated remeasurement gains (losses) on retirement benefits (Note 21)	**(4,814,710)**	2,919,808
Retained earnings (Note 15)	**1,282,298,227**	1,242,137,371
Total Equity	**2,702,286,548**	2,622,582,877
TOTAL LIABILITIES AND EQUITY	**₱3,702,383,837**	₱3,753,307,487

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Sales (Notes 16 and 25)	**₱742,466,225**	₱722,879,715	₱737,482,353
Rental income (Notes 10 and 25)	**206,586,489**	120,296,030	110,618,692
	949,052,714	843,175,745	848,101,045
COST OF SALES AND SERVICES			
Cost of sales (Note 17)	**619,356,588**	632,478,355	557,356,484
Cost of services (Note 10)	**80,621,237**	40,792,965	40,445,323
	699,977,825	673,271,320	597,801,807
GROSS PROFIT	**249,074,889**	169,904,425	250,299,238
OPERATING EXPENSES (Note 18)			
Administrative expenses	**(140,544,865)**	(143,573,842)	(135,405,991)
Selling expenses	**(37,578,309)**	(37,728,323)	(35,898,667)
OTHER INCOME (CHARGES)			
Dividend income (Notes 6 and 9)	**37,598,668**	42,081,311	36,043,582
Interest income (Notes 4, 5 and 9)	**25,369,253**	26,340,270	27,876,976
Interest expense (Notes 7, 13, 18 and 26)	**(53,203,734)**	(13,465,488)	(12,593,839)
Other income (charges) - net (Notes 6, 9 and 20)	**18,292,903**	71,436,276	(6,284,081)
INCOME BEFORE INCOME TAX	**99,008,805**	114,994,629	124,037,218
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**5,356,214**	15,743,508	14,744,703
Deferred	**8,491,735**	(2,764,533)	6,604,751
	13,847,949	12,978,975	21,349,454
NET INCOME	**85,160,856**	102,015,654	102,687,764
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized fair value changes on financial assets at fair value through other comprehensive income (Note 9)	**53,556,255**	(54,485,881)	–
Fair value gain realized through sale of financial assets at fair value through other comprehensive income (Note 9)	**(19,640)**	–	–
Unrealized fair value loss on AFS investments (Note 9)	**–**	–	(22,869,400)
Fair value gain realized through sale of AFS investments	**–**	–	(1,514,450)
	53,536,615	(54,485,881)	(24,383,850)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement benefits (Note 21)	**(11,049,311)**	8,719,013	6,961,700
Unrealized fair value changes on financial assets at fair value through other comprehensive income (Note 9)	**(6,259,282)**	(44,059,443)	–
Income tax effect	**3,314,793**	(2,615,704)	(2,088,510)
	(13,993,800)	(37,956,134)	4,873,190
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**39,542,815**	(92,442,015)	(19,510,660)
TOTAL COMPREHENSIVE INCOME	**₱124,703,671**	₱9,573,639	₱83,177,104
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	**₱0.57**	₱0.68	₱0.68

See accompanying Notes to Consolidated Financial Statements.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

		Other Components of Equity				
	Capital Stock (Note 15)	Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Fair Value Changes on Available-for-Sale Investments (Note 9)	Accumulated Remeasurement Gains (Losses) on Retirement Benefits (Note 21)	Retained Earnings (Note 15)	Total
BALANCES AT JANUARY 1, 2019	**₱1,500,000,000**	**(₱122,474,302)**	**₱–**	**₱2,919,808**	**₱1,242,137,371**	**₱2,622,582,877**
Net income	–	–	–	–	85,160,856	85,160,856
Other comprehensive income (loss)	–	47,277,333	–	(7,734,518)	–	39,542,815
Total comprehensive income (loss)	–	47,277,333	–	(7,734,518)	85,160,856	124,703,671
Cash dividends declared (Note 15)	–	–	–	–	(45,000,000)	(45,000,000)
BALANCES AT DECEMBER 31, 2019	**₱1,500,000,000**	**(₱75,196,969)**	**₱–**	**(₱4,814,710)**	**₱1,282,298,227**	**₱2,702,286,548**
BALANCES AT JANUARY 1, 2018	₱1,500,000,000	(₱23,928,978)	₱–	(₱3,183,501)	₱1,290,121,717	₱2,763,009,238
Net income	–	–	–	–	102,015,654	102,015,654
Other comprehensive income (loss)	–	(98,545,324)	–	6,103,309	–	(92,442,015)
Total comprehensive income (loss)	–	(98,545,324)	–	6,103,309	102,015,654	9,573,639
Cash dividends declared (Note 15)	–	–	–	–	(150,000,000)	(150,000,000)
BALANCES AT DECEMBER 31, 2018	₱1,500,000,000	(₱122,474,302)	₱–	₱2,919,808	₱1,242,137,371	₱2,622,582,877
BALANCES AT JANUARY 1, 2017	₱1,500,000,000	₱–	₱42,734,379	(₱8,056,691)	₱1,259,333,953	₱2,794,011,641
Net income	–	–	–	–	102,687,764	102,687,764
Other comprehensive income (loss)	–	–	(24,383,850)	4,873,190	–	(19,510,660)
Total comprehensive income (loss)	–	–	(24,383,850)	4,873,190	102,687,764	83,177,104
Cash dividends declared (Note 15)	–	–	–	–	(112,500,000)	(112,500,000)
BALANCES AT DECEMBER 31, 2017	₱1,500,000,000	₱–	₱18,350,529	(₱3,183,501)	₱1,249,521,717	₱2,764,688,745

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱99,008,805**	₱114,994,629	₱124,037,218
Adjustments to reconcile profit before income tax to net cash flows:			
Interest expense (Notes 7, 13, 18 and 26)	**53,203,734**	13,465,488	12,593,839
Depreciation and amortization (Notes 10, 11, 12, 17 and 18)	**52,845,710**	28,555,317	30,445,352
Dividend income (Notes 6 and 9)	**(37,598,668)**	(42,081,311)	(36,043,582)
Interest income (Notes 4, 5 and 9)	**(25,369,253)**	(26,340,270)	(27,876,976)
Fair value loss (gain) on financial assets at fair value through profit or loss (Notes 6 and 20)	**(13,660,256)**	13,263,851	5,351,084
Loss on sale of financial assets at fair value through profit or loss (Notes 6 and 20)	**4,910,880**	198,510	–
Change in net retirement liability (Note 21)	**4,154,989**	(6,360,855)	(4,132,207)
Unrealized foreign currency exchange gain	**(472,781)**	–	–
Gain on:			
Disposal of investment property (Note 10)	–	(76,154,837)	–
Sale of available-for-sale investments (Note 20)	–	–	(1,514,450)
Disposal of property, plant and equipment	–	–	(34,928)
Working capital changes:			
Decrease (increase) in:			
Receivables	**1,658,071**	36,950,186	29,459,008
Inventories	**69,177,682**	(36,762,680)	47,493,043
Accrued rent	**(22,802,474)**	(1,905,575)	(2,051,471)
Prepaid expenses and other current assets	**(1,344,335)**	(10,753,392)	(2,187,832)
Increase (decrease) in:			
Accounts payable and other current liabilities	**9,051,473**	46,325,413	15,504,880
Deposits on long-term leases	**1,676,739**	10,658,943	2,819,153
Unearned rental income	**(8,294,844)**	19,763,950	552,628
Cash generated from operations	**186,145,472**	83,817,367	194,414,759
Interest received	**25,359,066**	26,340,270	27,876,976
Income taxes paid	**(11,768,348)**	(10,371,022)	(15,029,690)
Net cash provided by operating activities	**199,736,190**	99,786,615	207,262,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Financial assets at fair value through other comprehensive income (Note 9)	**(56,780,000)**	–	–
Investment properties (Note 10)	**(14,927,394)**	(213,437,833)	(262,262,085)
Property, plant and equipment (Note 11)	**(8,648,440)**	(8,424,087)	(4,220,141)
Financial assets at fair value through profit or loss (Note 6)	**(5,165,984)**	(8,115,454)	(165,556,484)
Available-for-sale investments	–	–	(78,556,293)
Proceeds from:			
Sale of financial assets at fair value through profit or loss (Note 6)	**132,226,056**	4,559,433	43,994,833
Redemption of financial assets at fair value through other comprehensive income (Note 9)	**95,130,360**	1,139,250	–
Disposal of investment property (Note 10)	–	76,529,000	–
Sale of available-for-sale investments	–	–	27,911,950

(Forward)

	Years Ended December 31		
	2019	2018	2017
Disposal of property, plant and equipment	**₱–**	₱–	₱149,095
Dividend received	**37,598,668**	42,081,311	36,043,582
Decrease (increase) in other noncurrent assets	**(50,664,978)**	5,878,297	(4,913,945)
Net cash provided by (used in) investing activities	**128,768,288**	(99,790,083)	(407,409,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments (Note 13)	**(165,500,000)**	(74,559,530)	(23,353,470)
Interest paid	**(51,703,944)**	(11,833,985)	(12,600,596)
Dividends paid (Note 15)	**(50,203,060)**	(141,466,189)	(93,663,599)
Proceeds from availment of bank loans (Note 13)	**28,000,000**	174,500,000	302,900,000
Net cash provided by (used in) financing activities	**(239,407,004)**	(53,359,704)	173,282,335
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**472,781**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**89,570,255**	(53,363,172)	(26,865,108)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**78,622,637**	131,985,809	158,850,917
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱168,192,892**	₱78,622,637	₱131,985,809

See accompanying Notes to Consolidated Financial Statements.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Liberty Flour Mills, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008, the Parent Company extended its corporate life for another 50 years. The Parent Company is engaged primarily in the manufacture of flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded in the Philippine Stock Exchange (PSE) since then. Following are the Parent Company's subsidiaries and the respective ownership as at December 31, 2019 and 2018:

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

(a) Registered with the SEC on December 18, 1995.
(b) Registered with the SEC on December 10, 1965. Extended its corporate life for another 50 years from December 31, 2015.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on June 8, 2020.

2. Significant Accounting and Financial Reporting Policies

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

The consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) in 2019 and 2018; and available-for-sale (AFS) investments in 2017 which have been measured at fair value. The consolidated financial statements are presented in Philippine peso (peso), which is the Group's functional and presentation currency, and rounded to the nearest peso except as otherwise indicated.

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- PFRS 16, *Leases*

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Group is the lessor.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessments, in consultation with its tax counsel, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements:

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.
Fair Value Measurement
The Group measures financial instruments, such as financial assets at FVTPL and financial assets at FVOCI in 2019, 2018 and AFS investments in 2017, at fair value at the end of reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

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

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

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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

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

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

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

- *Financial assets at amortized cost (debt instruments).* This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

  The Group's cash and cash equivalents, receivables and refundable deposits recorded under "Other noncurrent assets" are included in this category as at December 31, 2019 and 2018.

- *Financial assets at FVOCI (debt instruments).* The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's debt instruments at FVOCI includes government and corporate bonds as at December 31, 2019 and 2018.

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

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

  The Group's financial asset designated at FVOCI includes quoted and unquoted equity investments as at December 31, 2019 and 2018.

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

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

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

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

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

The Group has no derivative asset as at December 31, 2019 and 2018.

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

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

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

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

b. Financial Liabilities

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

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

The Group's financial liabilities consist only of loans and borrowings. As at December 31, 2019 and 2018, the Group's loans and borrowings consist of notes payable, accounts payable and other current liabilities and deposits on long-term leases. The Group has no financial liabilities at

FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding or embedded derivatives as at December 31, 2019 and 2018.

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

Classification of Financial Instruments Between Liability and Equity

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

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

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

Prepaid Expenses and Other Current Assets
Value-added Tax. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

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

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

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

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

Investment Properties

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

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

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

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

	Number of Years
Condominium units	10–25
Building and building improvements	10

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

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

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

Property, Plant and Equipment

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

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged in profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional costs of the property, plant and equipment.

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

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

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

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

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

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income (loss) includes gains and losses on changes in fair value of financial assets at FVOCI in 2019 and 2018, AFS investments in 2017 and remeasurement gains or losses on retirement benefits.

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

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

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

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

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

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

Revenue from Contracts with Customers

Accounting Policies Upon Adoption of PFRS 15 starting January 1, 2018

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

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

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

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

Bill-and-hold arrangement
The following criteria must be met for a customer to have obtained control of a product:

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

Accounting Policies Prior to January 1, 2018

Revenue from the sale of goods (net of discount, if any) shown as "Sales" in the consolidated statement of comprehensive income is recognized upon invoicing and delivery when the significant risks and rewards of ownership of the goods have passed to the customer. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts and returns.

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

Revenue from bill-and-hold arrangements is recognized when the buyer takes title, provided:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

Accounting Policies Applicable to All Periods Presented

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognizes related restructuring costs

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

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

Income Taxes

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Segment Reporting
The Group's operating business is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segment is presented in Note 31 to the consolidated financial statements. The Group revenue producing segments are located in the Philippines (i.e. geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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

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

Estimates

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

- *Quantitative Criteria.* The borrower is more than 90-180 days past due on its contractual payments, which is consistent with the Company's definition of default, except for trade receivables from related parties which is 180 days past due on its contractual payments.

- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent;
  b. The borrower is in breach of financial covenant(s);
  c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
  d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

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

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

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

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

The allowance for expected credit losses amounted to ₱1.59 million and ₱1.10 million as at December 31, 2019 and 2018, respectively. The carrying value of receivables amounted to ₱724.90 million and ₱726.55 million as at December 31, 2019 and 2018, respectively (see Note 5).

Estimation of Allowance for Doubtful Accounts (Prior to January 1, 2018). Provisions are made for specific and groups of accounts where objective evidence of impairment exists. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts, such as but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior, known market factors and historical loss experiences.

The Group makes an individual assessment of financial assets that are individually significant. Since the Group has only three customers, the Group does not anymore perform collective impairment assessment on trade receivables. Collective impairment assessment of other receivables is performed by comparing the carrying amount against the present value of expected collection from other receivables.

No provision for doubtful accounts was recognized in 2017.

Impairment of financial assets at FVOCI (debt instruments). Upon adoption of PFRS 9, the Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Management assessed that debt instruments classified as financial assets at FVOCI are not impaired. The carrying value of investment in debt instruments classified as financial assets at FVOCI amounted to ₱510.43 million and ₱516.87 million as at December 31, 2019 and 2018, respectively (see Note 9).

Impairment of AFS Investments. Prior to adoption of PFRS 9 effective January 1, 2018, in the case of equity investments classified as AFS investments, management evaluates the presence of significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Group treats "significant" generally as a fair value decline of 20% or more below its cost and "prolonged" generally as greater than six months against the period in which the fair value has been below its original cost. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from OCI and recognized in profit or loss. Impairment losses on AFS financial assets are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Any indication of deterioration in these factors can have a negative impact on their fair value. No impairment loss on AFS investments was recognized in 2017 (see Notes 9).

Estimation of Fair Value of Investments in Unquoted Equity Securities. The fair values of the unquoted equity securities have been estimated using the adjusted net asset method. The adjusted net asset method involves deriving the fair value the investee's equity instruments by reference to the fair value of its assets and liabilities. Subject to the measurement method that the investee used to measure its assets and liabilities, the assets subject to adjustments are property, plant and equipment, financial assets at FVOCI and intangible assets.

As at December 31, 2019 and 2018, the carrying value of unquoted financial instruments amounting to ₱10.61 million and ₱12.85 million, respectively approximate their fair values (see Notes 9 and 27).

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

As at December 31, 2019 and 2018, the Group recognized deferred tax assets on deductible temporary differences amounting to ₱30.68 million and ₱29.06 million, respectively (see Note 23).

As at December 31, 2019 and 2018, the Group did not recognize deferred tax assets on deductible temporary differences, unused NOLCO and MCIT amounting to ₱24.81million and ₱22.16 million, respectively, as management assessed that there will be no sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized (see Note 23). The Group did not also recognize deferred tax asset amounting to ₱6.09 million on impairment loss on financial assets at FVTPL as management believes that that there is no capital gain against which the impairment loss can be offset to realize the benefit of such deferred tax asset (see Note 23).

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

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

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligation. The carrying value of the Group's net retirement plan liability amounted to ₱99.89 million and ₱84.69 million as at December 31, 2019 and 2018, respectively (see Note 21).

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

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	**₱102,478,881**	₱78,622,637
Cash equivalents	**65,714,011**	–
	₱168,192,892	₱78,622,637

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

Interest income earned on cash in banks and cash equivalents amounted to ₱0.87 million in 2019, ₱0.84 million in 2018 and ₱1.96 million in 2017.

5. Receivables

	2019	2018
Trade receivables from related parties (see Notes 16 and 25)	**₱695,584,919**	₱701,920,592
Rent receivables from:		
Third parties	**8,735,650**	7,527,455
Related parties (see Note 25)	**278,793**	364,561
Receivable from a broker	**8,384,356**	4,433,308
Advances to officers and employees (see Note 25)	**2,878,317**	846,346
Others (see Note 25)	**10,628,412**	12,552,364
	726,490,447	727,644,626
Less allowance for expected credit losses	**1,592,626**	1,098,921
	₱724,897,821	₱726,545,705

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

Rent receivables arise from leasing the Group's investment properties. These include noninterest and interest-bearing receivables with average credit terms of 30 days. Interest income earned amounted to ₱0.16 million in 2019, ₱0.32 million in 2018 and ₱1.29 million in 2017.

Receivable from a broker represents the Group's deposit to its agent of marketable securities, which are liquidated through acquisition of additional investments in financial instruments for the Group.

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

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

Provision for expected credit losses amounted to ₱0.49 million in 2019 (see Note 18).

6. Financial Assets at Fair Value through Profit or Loss

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

	2019	2018
Balance at beginning of year	**₱157,453,153**	₱167,359,493
Acquisitions	**5,165,984**	8,115,454
Disposal:		
Cost	**(142,047,816)**	(4,956,453)
Realized fair value loss (see Note 20)	**4,910,880**	198,510
Changes in fair value of financial assets at FVTPL (see Note 20)	**13,660,256**	(13,263,851)
	₱39,142,457	₱157,453,153

Dividend income earned on financial assets at FVTPL amounted to ₱8.53 million in 2019, ₱12.73 million in 2018 and ₱8.33 million in 2017.

7. Inventories

	2019	2018
At cost:		
Flour and mill feeds	**₱16,738,891**	₱5,486,023
Wheat grains	**147,433,172**	226,402,199
Supplies	**8,673,751**	10,135,274
	₱172,845,814	₱242,023,496

Costs of inventories recognized as expenses, presented under "Cost of sales" in the consolidated statements of comprehensive income, amounted to ₱526.68 million in 2019, ₱540.65 million in 2018 and ₱457.16 million in 2017 (see Note 17).

Under the terms of agreements covering trust receipts, certain inventories have been released to the Group during the year in trust for the banks. The outstanding liabilities under such trust receipts amounted to ₱70.42 million and ₱98.01 million as at December 31, 2019 and 2018, respectively (see Note 14). Interest expense recognized on liabilities under trust receipts amounted to ₱2.72 million in 2019 (based on annual interest of 3.58% to 6.50%), ₱1.46 million in 2018 (based on annual interest of 3.00% to 6.50%) and ₱1.16 million in 2017 (based on annual interest of 2.5% to 3.50%).

Wheat grains inventories in-transit amounted to ₱57.50 million and nil as at December 31, 2019 and 2018, respectively (see Note 14).

8. Prepaid Expenses and Other Current Assets

	2019	2018
Store supplies	**₱26,033,197**	₱23,270,753
Input VAT	**17,580,867**	29,130,922
Creditable withholding taxes	**12,489,227**	8,829,961
Advance VAT on importation	**6,710,979**	4,793,737
Prepaid taxes	**6,500,088**	2,905,737
Advances to suppliers	**4,190,246**	1,878,053
Prepaid insurance	**928,634**	1,405,084
Others	**2,799,371**	3,674,027
	₱77,232,609	₱75,888,274

9. Financial Assets at Fair Value through Other Comprehensive Income

	2019	2018
Debt securities	**₱510,429,443**	₱516,873,188
Equity securities:		
Quoted	**656,743,276**	639,137,586
Unquoted	**10,610,705**	12,845,677
	₱1,177,783,424	₱1,168,856,451

In 2019, the Group purchased debt and equity securities amounting to ₱10.00 million and ₱46.78 million, respectively.

In 2019, the Group redeemed debt and quoted equity securities with a carrying amount of ₱70.00 million and ₱25.13 million, respectively. In 2018, the Group sold equity securities with a fair value amounting to ₱1.14 million. In 2017, the Group sold AFS investments for ₱27.91 million. Accordingly, the fair value gain of ₱1.51 million in 2017 previously recognized on these investments were realized and recognized as gain on sale of AFS investments (see Note 20).

Fair value changes on financial assets at FVOCI in 2019 and 2018 follow:

	2019	2018
Balance at beginning of year	**(₱122,474,302)**	(₱23,928,978)
Fair value gain (loss) recognized in other comprehensive income	**47,296,973**	(98,545,324)
Fair value gain realized through sale (see Note 20)	**(19,640)**	–
Balance at end of year	**(₱75,196,969)**	(₱122,474,302)

No impairment loss was recognized on the Group's investment in debt securities in 2019 and 2018.

Interest income earned on debt securities amounted to ₱24.34 million in 2019, ₱25.18 million in 2018 and ₱24.62 million in 2017. Dividend income earned on equity securities amounted to ₱29.07 million in 2019, ₱29.35 million in 2018 and ₱27.71 million in 2017.

10. Investment Properties

	2019				
	Land (see Note 13)	**Building and Building Improvements (see Note 13)**	**Condominium Unit**	**Construction in Progress**	**Total**
Cost					
Balance at beginning of year	**₱492,277,625**	**₱420,499,330**	**₱10,919,656**	**₱575,835,155**	**₱1,499,531,766**
Additions	**–**	**6,626,947**	**296,428**	**963,376**	**7,886,751**
Reclassification	**–**	**576,798,531**	**–**	**(576,798,531)**	**–**
Balance at end of year	**492,277,625**	**1,003,924,808**	**11,216,084**	**–**	**1,507,418,517**
Accumulated Depreciation					
Balance at beginning of year	**–**	**286,989,272**	**10,416,832**	**–**	**297,406,104**
Depreciation	**–**	**42,079,064**	**60,062**	**–**	**42,139,126**
Balance at end of year	**–**	**329,068,336**	**10,476,894**	**–**	**339,545,230**
Net book values	**₱492,277,625**	**₱674,856,472**	**₱739,190**	**₱–**	**₱1,167,873,287**

	2018				
	Land (see Note 13)	Building and Building Improvements (see Note 13)	Condominium Unit	Construction in Progress	Total
Cost					
Balance at beginning of year	₱492,651,788	₱416,927,902	₱10,399,120	₱359,448,643	₱1,279,427,453
Additions	–	3,571,428	520,536	216,386,512	220,478,476
Disposal	(374,163)	–	–	–	(374,163)
Balance at end of year	492,277,625	420,499,330	10,919,656	575,835,155	1,499,531,766
Accumulated Depreciation					
Balance at beginning of year	–	271,659,798	10,399,120	–	282,058,918
Depreciation	–	15,329,474	17,712	–	15,347,186
Balance at end of year	–	286,989,272	10,416,832	–	297,406,104
Net book values	₱492,277,625	₱133,510,058	₱502,824	₱575,835,155	₱1,202,125,662

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

Construction in progress pertains to costs incurred for the construction of Liberty Plaza. Capitalized general borrowing costs amounted to nil and ₱20.4 million in 2019 and 2018, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 4.40% in 2018 which was determined using the weighted effective interest rate of the general borrowings.

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

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

	2019	2018	2017
Rental income	**₱206,586,489**	₱120,296,030	₱110,618,692
Direct operating expenses:			
Depreciation and amortization	**42,139,126**	15,347,186	14,567,945
Outside services	**11,035,160**	9,254,481	7,601,468
Communication, light and water	**15,037,899**	5,817,088	5,927,674
Real estate tax	**6,924,466**	6,924,466	6,924,466
Repairs and maintenance	**3,017,135**	1,580,584	4,467,680
Insurance and others	**2,467,451**	1,869,160	956,090
	80,621,237	40,792,965	40,445,323
	₱125,965,252	₱79,503,065	₱70,173,369

Direct operating expenses incurred for non-income generating properties amounted to ₱2.63 million in 2019, ₱1.59 million in 2018 and ₱1.50 million in 2017.

The Group has refundable deposits for utilities installation on its investment properties amounting to ₱5.34 million and ₱4.72 million as at December 31, 2019 and 2018, respectively, presented as part of "Other noncurrent assets" in the consolidated statements of financial position (see Note 12).

The aggregate fair value of investment properties amounted to ₱4.68 billion and ₱3.89 billion as at December 31, 2019 and 2018, respectively. These have been determined based on valuation performed by a qualified and independent appraiser in 2019 and 2015 to 2016, respectively. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

The Group's management assessed that the fair value of these investment properties as at December 31, 2016 and 2015 approximates its fair value as at December 31, 2018 as no significant changes on the properties have taken place since the latest appraisal, or will take place in the near future, in the market, economic or legal environment in which the Company operates or in the market to which the investment property is dedicated.

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

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

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

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

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

Land and building owned by the Group with an aggregate carrying value of ₱648.52 million and ₱681.75 as at December 31, 2019 and 2018 served as collateral to secure the loans obtain from a bank (see Note 13).

11. Property, Plant and Equipment

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

	2018						
	Land and Land Improvements	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment	Total
Cost							
Beginning balances	₱25,019,725	₱214,275,604	₱114,267,930	₱47,428,932	₱839,842	₱33,434,689	₱435,266,722
Additions	315,847	5,568,556	–	147,321	–	2,392,363	8,424,087
Ending balances	25,335,572	219,844,160	114,267,930	47,576,253	839,842	35,827,052	443,690,809
Accumulated Depreciation							
Beginning balances	13,393,517	199,790,315	85,687,034	41,821,554	839,842	27,147,785	368,680,047
Depreciation and amortization (see Notes 17 and 18)	1,094,288	4,835,674	3,199,011	2,491,785	–	1,369,789	12,990,547
Ending balances	14,487,805	204,625,989	88,886,045	44,313,339	839,842	28,517,574	381,670,594
Net Book Values	₱10,847,767	₱15,218,171	₱25,381,885	₱3,262,914	₱–	₱7,309,478	₱62,020,215

12. Other Noncurrent Assets

	2019	2018
Advances to suppliers	**₱50,262,409**	₱220,480
Refundable deposits (see Note 10)	**5,344,883**	4,721,834
Computer software	**350,626**	656,139
Others	**1,022,000**	1,022,000
	₱56,979,918	₱6,620,453

As at December 31, 2019, advances to suppliers primarily pertain to down payment to supplier for the purchase of machineries.

Amortization of computer software amounted to ₱0.31 million in 2019, ₱0.22 million in 2018 and ₱0.24 million in 2017 (see Note 18).

13. Notes Payable

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

All loans amounting to ₱632.9 million and ₱770.4 million as at December 31, 2019 and 2018, respectively, are secured by a real estate mortgage on certain parcels of land and building owned by the Group amounting to ₱648.52 million and ₱681.75 million as at December 31, 2019 and 2018 (see Note 10).

Total interest expense on notes amounted to ₱48.8 million in 2019, ₱11.60 million in 2018 and ₱11.40 million in 2017.

14. Accounts Payable and Other Current Liabilities

	2019	2018
Liabilities under trust receipts (see Note 7)	**₱70,417,269**	₱98,013,049
Accrued liability for inventories in transit (see Note 7)	**57,498,654**	–
Dividends payable	**32,051,412**	37,254,472
Trade payables	**18,508,652**	31,552,123
Customers and tenants' deposits	**12,002,358**	11,837,668
Construction bond	**3,845,528**	1,668,216
Output VAT - net	**3,697,434**	5,063,883
Withholding tax, HDMF and SSS payable	**2,160,816**	5,808,254
Accrued selling, freight and outside services	**2,998,978**	3,132,809
Retention payable	**–**	15,000,000
Accrued other expenses	**12,338,435**	9,566,996
	₱215,519,536	₱218,897,470

Liabilities under trust receipts are short-term loan with the banks, with terms of 90 days at 3.5% to 6.5% per annum, for importation of wheat grains.

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

Dividends payable consist of dividends declared but not yet paid.

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

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

Retention payable are non-interest bearing and fully recoverable upon completion of the contractor's construction services.

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

15. Equity

Capital Stock

The Parent Company's capital stock as at December 31, 2019 and 2018 follows:

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

Issued and outstanding shares as at December 31, 2019 and 2018 are held by 444 and 442 equity holders, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retained Earnings
As at December 31, 2019 and 2018, retained earnings include net accumulated earnings of subsidiaries amounting to ₱74.98 million and ₱34.29 million, respectively. This amount is also not available for dividend distribution.

Below is the summary of cash dividends declared for the years ended 2019, 2018 and 2017:

Date of Declaration	Date of Record	Date of payment	Dividend per share	Total amount
March 22, 2017	April 07, 2017	April 21, 2017	₱0.75	112.5 million
March 21, 2018	April 06, 2018	April 30, 2018	₱0.50	75.0 million
October 24, 2018	November 12, 2018	December 7, 2018	₱0.50	75.0 million
April 24, 2019	May 10, 2019	May 17, 2019	₱0.30	45.0 million

16. Revenue from Contracts with Customers

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

	2019	2018	2017
Sales of bakery flour	**₱644,023,793**	₱654,544,060	₱671,999,632
Sales of mill feeds	**98,442,432**	68,335,655	65,482,721
	₱742,466,225	₱722,879,715	₱737,482,353

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

Contract Balances
The Group's trade receivables from related parties amounting to ₱695.58 million and ₱701.92 million as at December 31, 2019 and 2018, respectively, arise from sale of flour and mill feeds with its related parties. These are noninterest-bearing with average credit terms of 120 days (see Note 5).

The Group has no contract assets and contract liabilities as at December 31, 2019 and 2018.

17. Cost of Sales

	2019	2018	2017
Materials used	**₱526,683,003**	₱540,654,610	₱457,162,790
Direct labor (see Note 19)	**51,280,079**	50,184,861	52,099,199
Overhead:			
Utilities	**25,112,072**	25,253,104	29,410,360
Depreciation (see Note 11)	**6,236,584**	7,080,196	8,665,901
Repairs and maintenance	**4,314,916**	3,440,569	3,614,695
Other factory overhead	**5,729,934**	5,865,015	6,403,539
	₱619,356,588	₱632,478,355	₱557,356,484

18. Expenses

Administrative Expenses

	2019	2018	2017
Employee benefits and bonuses (see Notes 19, 21 and 25)	**₱37,280,764**	₱38,528,602	₱47,843,976
Salaries and wages (see Notes 19 and 25)	**34,110,718**	31,093,623	29,574,910
Outside services	**20,120,373**	24,025,924	17,547,783
Taxes and licenses	**16,846,093**	22,495,259	11,578,529
Membership and subscription	**9,890,218**	5,793,431	7,005,376
Commission	**4,740,575**	321,200	300,000
Depreciation and amortization (see Notes 11 and 12)	**2,921,716**	4,524,352	5,492,494
Insurance	**2,318,692**	1,633,809	1,678,522
Communication, light and water	**1,689,967**	1,710,601	1,476,932
Representation	**1,288,669**	1,430,512	2,687,292
Per diem	**760,000**	770,000	765,000
Donations and contribution	**749,783**	1,717,425	1,807,466
Repairs and maintenance	**975,926**	641,386	505,460
Provision for expected credit losses (see Note 5)	**493,705**	–	–
Office supplies	**446,950**	569,753	667,334
Rent	**–**	1,767,255	4,692,558
Others	**5,910,716**	6,550,710	1,782,359
	₱140,544,865	₱143,573,842	₱135,405,991

Selling Expenses

	2019	2018	2017
Promotional and marketing expenses (see Note 25)	**₱35,035,916**	₱35,046,083	₱33,022,900
Depreciation and amortization (see Note 11)	**1,548,284**	1,603,583	1,719,012
Freight and handling fees	**983,520**	1,068,548	1,156,755
Others	**10,589**	10,109	–
	₱37,578,309	₱37,728,323	₱35,898,667

Interest Expense

	2019	2018	2017
Notes payable (see Note 13)	**₱48,801,460**	₱11,601,877	₱11,405,857
Liabilities under trust receipts (see Note 7)	**2,716,779**	1,461,988	1,166,801
Deposits on long-term leases (see Note 26)	**1,685,495**	401,623	21,181
	₱53,203,734	₱13,465,488	₱12,593,839

19. Personnel Costs

	2019	2018	2017
Direct labor (see Note 17)	**₱51,280,079**	₱50,184,861	₱52,099,199
Salaries and wages (see Notes 18 and 25)	**34,110,718**	31,093,623	29,574,910
Bonus and allowances (see Note 18)	**20,547,689**	23,606,192	26,767,101
Retirement benefits costs (see Notes 18, 21 and 25)	**10,570,847**	9,376,921	13,499,265
Other employee benefits (see Notes 18 and 25)	**6,162,228**	5,545,489	7,577,610
	₱122,671,561	₱119,807,086	₱129,518,085

20. Other Income (Charges) - Net

	2019	2018	2017
Fair value gain (loss) on financial assets at FVTPL (see Note 6)	**₱13,660,256**	(₱13,263,851)	(₱5,351,084)
Utilities charges	**11,210,646**	791,990	1,208,718
Loss on sale of financial assets at FVTPL (see Note 6)	**(4,910,880)**	(198,510)	–
Gain on sale of financial assets at FVOCI/AFS investments (see Note 9)	**19,640**	–	1,514,450
Gain on sale of investment property (see Note 10)	**–**	76,154,837	–
Other income (charges) - net	**(1,686,759)**	7,951,810	(3,656,165)
	₱18,292,903	₱71,436,276	(₱6,284,081)

Utilities charges include water and electricity consumption charged to tenants.

Others include provision for losses, realized foreign exchange gains and other miscellaneous income and expenses.

21. Retirement Benefits Costs

The Parent Company has a non-contributory defined benefit retirement plan covering its regular employees. Under the terms of the Collective Bargaining Agreement, the Parent Group is required to pay its regular employees retirement benefits of 30 days for every year of credited service upon reaching the compulsory retirement age of 65. Optional retirement is allowed for an employee who reaches the age of 50 and has completed 20 years of credited service to the Parent Company.

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

The Retirement Plan Committee is responsible for the general admission of the Retirement Plan and the management of the retirement fund. The Retirement Plan Committee may seek the advice of counsel and appoint an investment manager or managers to the retirement fund, an independent accountant to audit the fund and an actuary to value the fund.

Changes in net retirement liability as at December 31, 2019 and 2018 follow:

	Balance at Beginning of Year	Net Retirement Cost in Profit or Loss in the Consolidated Statements of Comprehensive Income			Benefits Directly Paid by the Group	Remeasurements in Other Comprehensive Income					Balance at End of Year
		Current Service Cost	Net Interest	Subtotal		Actuarial Loss Excluding Amount included in Net Interest	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from Demographic Assumptions	Subtotal	
December 31, 2019											
Present value of defined benefit obligation	₱107,897,871	₱4,167,383	₱8,153,177	₱12,320,560	(₱6,415,858)	₱–	₱19,069,566	(₱5,268,410)	₱–	₱13,801,156	₱127,603,729
Fair value of plan assets	23,208,857	–	1,749,713	1,749,713	–	2,751,845	–	–	–	2,751,845	27,710,415
Net defined benefit liability	₱84,689,014	₱4,167,383	₱6,403,464	₱10,570,847	(₱6,415,858)	(₱2,751,845)	₱19,069,566	(₱5,268,410)	₱–	₱11,049,311	₱99,893,314
December 31, 2018											
Present value of defined benefit obligation	₱127,310,328	₱3,759,422	₱7,174,476	₱10,933,898	(₱15,737,776)	₱–	(₱504,539)	(₱15,763,596)	₱1,659,556	(₱14,608,579)	₱107,897,871
Fair value of plan assets	27,541,446	–	1,556,977	1,556,977	–	(986,037)	(4,903,529)	–	–	(5,889,566)	23,208,857
Net defined benefit liability	₱99,768,882	₱3,759,422	₱5,617,499	₱9,376,921	(₱15,737,776)	₱986,037	₱4,398,990	(₱15,763,596)	₱1,659,556	(₱8,719,013)	₱84,689,014

The breakdown of net retirement plan liability per entity follows:

	2019	2018
Parent Company	**₱94,131,361**	₱78,730,080
LPC	**5,761,953**	5,958,934
	₱99,893,314	₱84,689,014

The Parent Company is expected to contribute ₱25.00 million to its defined benefit pension plan in 2020.

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

The composition of the plan assets follows:

	2019	2018
Cash in banks	**₱7,645,837**	₱7,248,225
Receivables	**776,217**	752,112
Investments in equity securities:		
Industrial	**22,361,105**	18,766,269
Mining and oil	**1,718,066**	1,116,150
Services	**1,590,000**	1,608,000
Others	**846,280**	945,191
Liabilities (see Note 25)	**(7,227,090)**	(7,227,090)
	₱27,710,415	₱23,208,857

Investments in equity securities can be transacted through the PSE. The plan assets include shares of stock of the Parent Company with fair value of ₱9.90 million and ₱10.01 million as at December 31, 2019 and 2018, respectively. Fair value loss recognized by the retirement plan assets for the changes in market values of the shares of stock of the Parent Company amounted to ₱0.11 million in 2019 and ₱4.02 million in 2018. With respect to the plan's investment in the Parent Company's shares of stock:

a. There are no restrictions or limitations on the shares provided in the plan,
b. The Board of Trustees of the plan exercises voting rights over the shares, and
c. There was no material gain or loss over the shares in 2019, 2018 and 2017.

The carrying amount of the Group's plan assets represents their fair values as at December 31, 2019 and 2018.

The latest actuarial valuation of the Group's plan is as at December 31, 2019. The principal actuarial assumptions used to determine retirement benefits costs as at January 1 are as follows:

	2019	2018
Discount rate	**5.08%–5.32%**	7.18%–7.59%
Future salary increases	**5.00%**	5.00%

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

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

		2019		2018	
		Increase (decrease) in rate	Increase (decrease) in DBO	Increase (decrease) in rate	Increase (decrease) in DBO
Discount rate	**+100 bps**	**8.6%**	**(₱10,055,730)**	(3.5%)	(₱3,497,550)
	- 100 bps	**(7.5%)**	**8,702,281**	3.8%	3,738,312
Salary increase rate	**+100 bps**	**8.6%**	**9,986,327**	7.9%	7,863,550
	-100 bps	**(7.5%)**	**(8,805,068)**	(7.1%)	(6,992,512)

In 2019, the average duration of the defined benefit obligation at the end of the period is 8.0 years for the Parent Company and 4.6 years for LPC. In 2018, the average duration of the defined benefit obligation at the end of the period is 7.3 years for the Parent Company and 4.9 years for LPC.

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

	2019	2018
Year 1	**₱28,474,894**	₱25,522,651
Year 2	**2,844,087**	4,809,635
Year 3	**7,090,929**	5,991,218
Year 4	**7,417,623**	5,933,923
Year 5	**9,993,851**	9,131,939
Year 6- 10	**58,688,526**	64,489,966

Other Comprehensive Income

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

	2019	2018
Beginning balance	**₱2,919,808**	(₱3,183,501)
Remeasurement gains (losses) on retirement benefits in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	**(13,801,156)**	14,608,579
Remeasurement gain (loss) on plan assets	**2,751,845**	(5,889,566)
Total	**(11,049,311)**	8,719,013
Income tax effect	**3,314,793**	(2,615,704)
	(7,734,518)	6,103,309
Ending balance	**(₱4,814,710)**	₱2,919,808

22. Provisions and Contingencies

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

In 2015, the Group submitted with the Department of Agrarian Reform (DAR) its Application for Exemption from Comprehensive Agrarian Reform Program (CARP), also known as R.A. 6657, for its land property. The Application for Exemption was partially granted in 2016. In August 2016, the Group filed a Motion for Partial Reconsideration on the remaining hectares of the said land property with a carrying value of ₱1.03 million. As at December 31, 2019, the appeal is still under review of the DAR.

b. Tax Assessments

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

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

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

23. Income Taxes

Current Income Tax

In 2019 and 2018, the Group's provision for current income tax represents RCIT, except for the Parent Company's provision which represents MCIT. In 2017, the Group's provision for current income tax represents RCIT.

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

	2019	2018	2017
Income tax at statutory income tax rate	**₱29,702,641**	₱34,498,389	₱37,211,165
Additions to (reductions in) income tax resulting from:			
Dividend income exempt from tax	**(11,279,601)**	(12,624,393)	(10,813,075)
Interest income subjected to final tax	**(7,564,083)**	(7,806,052)	(7,976,072)
Movement in unrecognized deferred tax assets	**2,653,899**	14,413,707	(1,033,470)
Loss (gain) on sale and fair value changes on financial assets at FVTPL	**(2,624,812)**	4,038,708	1,605,325

(Forward)

	2019	2018	2017
Nondeductible expenses	**₱2,152,705**	₱2,846,394	₱2,355,581
Expired NOLCO	**807,200**	458,673	–
Sale of investment property subjected to capital gains tax	–	(22,846,451)	–
	₱13,847,949	₱12,978,975	₱21,349,454

Deferred Income Tax

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

	2019	2018
Parent Company		
Deferred tax assets:		
Net retirement plan liability	**₱28,239,408**	₱25,406,704
Advance rental	–	3,326,130
Allowance for doubtful accounts	–	329,676
Deferred tax liabilities:		
Accrued rent	**(355,430)**	(2,534,482)
Unrealized foreign exchange gain	**(141,834)**	–
Net deferred tax assets	**₱27,742,144**	₱26,528,028
Subsidiaries:		
Deferred tax assets:		
Net retirement plan liability	**₱1,728,586**	₱–
Advance rental	**708,122**	–
Deferred tax liability -		
Accrued rent	**(8,827,766)**	–
Net deferred tax liability	**(₱6,391,058)**	₱–

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

	2019	2018
Provision for:		
Probable losses	**₱8,728,390**	₱5,594,337
Expected credit losses	**1,592,626**	–
NOLCO	**45,864,255**	48,414,168
MCIT	**5,223,539**	2,320,966
Unamortized past service cost	**9,110,663**	12,116,348
	₱70,519,473	₱68,445,819

As at December 31, 2019 and 2018, the Group did not recognize deferred tax asset on impairment loss on financial assets at FVTPL amounting to ₱40.60 million as management believes that that there is no capital gain against which the impairment loss can be offset to realize the benefit of such deferred tax asset.

As at December 31, 2019, the Group's NOLCO and MCIT that can be claimed as deduction against taxable income and regular income tax due, respectively, are as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
2016	2019	₱2,690,668	₱–
2017	2020	821,698	–
2018	2021	44,901,802	2,320,966
2019	2022	2,290,993	2,902,573
		50,705,161	5,223,539
Less: Applied in 2019		2,150,238	–
Expired in 2019		2,690,668	–
		₱45,864,255	₱5,223,539

24. Basic/Diluted Earnings Per Share

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

	2019	2018	2017
Consolidated net income	**₱85,160,856**	₱102,015,654	₱102,687,764
Divided by weighted average number of shares (see Note 15)	**150,000,000**	150,000,000	150,000,000
Basic/diluted earnings per share	**₱0.57**	₱0.68	₱0.68

The Group does not have potentially dilutive common shares as at December 31, 2019, 2018 and 2017. Therefore, the basic and diluted earnings per share are the same.

25. Related Party Transactions

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

Related party receivables are generally settled in cash.

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

	Amount/Volume Income (Expense)			Outstanding Receivable Balance			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Stockholder							
Parity Values, Inc.							
Sales	**₱408,876,372**	₱445,864,781	₱457,689,094	**₱414,444,933**	₱397,331,822	120 days	Unsecured, not impaired
Rent income	**2,116,940**	2,015,497	2,073,185	**–**	233,946	30 days	Unsecured, not impaired
Promotional and marketing expenses	**(29,750,000)**	(29,750,000)	(28,050,000)	**–**	–	On demand	–
Rent expense	**–**	1,009,290	1,607,143	**–**	–	30 days	Unsecured, not impaired
Others	**(6,696)**	–	–	**(6,696)**	–	30 days	Unsecured, not impaired

(Forward)

	Amount/Volume Income (Expense)			Outstanding Receivable Balance			
	2019	2018	2017	**2019**	2018	Terms	Conditions
Under Common Control							
Liberty Commodities Corporation							
Sales	**₱171,250,718**	₱149,817,998	₱142,641,002	**₱137,658,893**	₱128,863,955	120 days	Unsecured, not impaired
Rent income	**2,752,984**	2,499,124	2,669,836	**278,793**	130,615	30 days	Unsecured, not impaired
Promotional and marketing expenses	**(5,250,000)**	(5,250,000)	(4,950,000)	–	–	On demand	–
Sale of land	–	76,529,000	–	–	765,290	On demand	–
Trade Demands Corporation							
Sales	**162,339,135**	127,196,936	137,152,257	**143,481,093**	175,724,815	120 days	Unsecured; with impairment of ₱1,592,626 and ₱1,098,921 as at December 31, 2019 and 2018
Other related parties							
Officers and employees							
Advances	**1,047,238**	846,346	1,057,599	**904,099**	846,346	On demand	Unsecured; not impaired
Retirement Plan							
Others	–	–	–	**7,227,090**	7,227,090	On demand	Unsecured; not impaired
Trade receivables from related parties (see Note 5)				**₱695,584,919**	₱701,920,592		
Rent receivables from related parties (see Note 5)				**278,793**	364,561		
Advances to officers and employees (see Note 5)				**904,099**	846,346		
Others (see Note 5)				**7,220,394**	7,992,380		

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

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

b. The Parent Company also has a receivable from its retirement plan amounting to ₱7.23 million as at December 31, 2019 and 2018 which is recorded under "Receivables - others" account in the consolidated statements of financial position. The members of the Retirement Plan Committee are directors or officers of the Parent Company.

c. The key management personnel compensation is as follows:

	2019	2018	2017
Short-term employee benefits	**₱17,316,738**	₱19,239,645	₱19,713,404
Post-employment benefits and others	**32,568,268**	29,314,432	35,825,407
	₱49,885,006	₱48,554,077	₱55,538,811

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

26. Leases

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

Under the lease contracts, the lessees are required to pay security deposits and advance rental. These are shown under "Deposits on long-term leases" account in the consolidated statements of financial position and are recorded at their accreted values which amounted to ₱29.68 million and ₱26.31 million as at December 31, 2019 and 2018, respectively. Accretion of interest, included in interest expense in profit or loss, amounted to ₱1.69 million in 2019, ₱0.40 million in 2018 and ₱0.03 million in 2017.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and will be amortized on a straight-line basis over the lease term, amounted to ₱15.72 million and ₱24.01 million as at December 31, 2019 and 2018, respectively.

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱29.43 million and ₱6.62 million as at December 31, 2019 and 2018, respectively.

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

	2019	2018
Within one year	**₱195,540,767**	₱88,969,841
After one year but not more than five years	**705,266,884**	122,640,326
More than five years	**521,443,148**	–
	₱1,422,250,799	₱211,610,167

27. Financial Instruments and Financial Risk Management Objectives and Policies

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

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

Credit Risk

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

The Group is also potentially subject to concentrations of credit risk in its accounts receivable. Approximately all of the Group's entire trade receivables and revenues are concentrated with its three distributors as at December 31, 2019 and 2018. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. While there is delay in collection of some trade receivables (those classified under "Past due but not impaired") the Group is in close coordination with the distributor to bring their accounts to current. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

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

	2019	2018
Financial assets at amortized cost		
Cash and cash equivalents*	**₱168,154,952**	₱78,589,161
Trade and other receivables**	**723,612,130**	726,798,280
Other noncurrent assets***	**6,366,883**	5,743,834
Financial assets at FVTPL	**39,142,457**	157,453,153
Financial assets at FVOCI	**1,177,783,424**	1,168,856,451
	₱2,115,059,846	₱2,137,440,879

**excluding cash on hand, amounting to ₱37,940 and ₱33,476 as at December 31, 2019 and 2018, respectively..*
*** before considering provision for expected credit losses ₱1,592,626 and ₱1,098,921 for past due and impaired accounts and excluding advances to officers and employees amounting to ₱2,878,317 and ₱846,346 as at December 31, 2019 and 2018, respectively.*
****excluding advances to suppliers amounting to ₱50,262,409 and ₱220,480 and computer software amounting to ₱350,626 and ₱636,139 as at December 31, 2019 and 2018, respectively.*

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

	2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱684,951,278**	**₱580,131,037**	**₱–**	**₱1,265,082,315**
Moderate	**–**	**143,481,093**	**–**	**143,481,093**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**684,951,278**	**723,612,130**	**–**	**₱1,408,563,408**
ECL	**–**	**1,592,626**	**–**	**1,592,626**
Carrying amount	**₱684,951,278**	**₱722,019,504**	**₱–**	**₱1,406,970,782**

	2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Low	₱601,206,183	₱551,073,465	₱–	₱1,152,279,648
Moderate	–	175,724,815	–	175,724,815
High	–	–	–	–
Gross carrying amount	601,206,183	726,798,280	–	₱1,328,004,463
ECL	–	1,098,921	–	1,098,921
Carrying amount	₱601,206,183	₱725,699,359	₱–	₱1,326,905,542

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

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

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

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

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

	2019								
	Current	**1-30 days**	**31 - 60 days**	**61-90 days**	**91-120 days**	**121-150 days**	**151-180 days**	**More than 180 days**	**Total**
Trade receivables -									
TDC									
Expected credit loss rate	**0.38%**	**1.51%**	**1.51%**	**1.51%**	**1.51%**	**1.51%**	**1.56%**	**2.14%**	
Estimated total gross carrying amount at default	**₱59,021,982**	**₱13,838,039**	**₱12,603,691**	**₱11,542,799**	**₱11,136,757**	**₱10,506,405**	**₱10,554,534**	**₱14,276,886**	**₱143,481,093**
Expected credit loss	**222,216**	**208,862**	**190,231**	**174,219**	**168,091**	**158,576**	**165,131**	**305,300**	**1,592,626**

	2018								
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	Total
Trade receivables -									
TDC									
Expected credit loss rate	0.13%	0.54%	0.54%	0.54%	0.54%	0.54%	0.54%	1.22%	
Estimated total gross carrying amount at default	₱51,950,349	₱11,331,159	₱13,188,841	₱10,719,086	₱11,500,678	₱12,194,275	₱11,380,783	₱53,459,644	₱175,724,815
Expected credit loss	65,716	61,461	71,343	58,197	62,441	66,207	61,489	652,067	1,098,921

As at December 31, 2019 and 2018, no allowance for expected credit losses are recognized for trade receivables other than receivable from Trade Demands Corporation, and rent receivables subjected to impairment.

Equity Price Risk

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

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position. The Group has determined that a decrease on the PSEi index could have an impact on the profit or loss or equity, depending on bwhether the decline is significant or prolonged. An increase on the PSEi index would only impact equity, but would not have an effect on profit or loss.

As at December 31, 2019 and 2018, the effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities classified as financial assets at FVTPL and in fair value of financial assets classified at FVOCI follows:

	2019	
	Increase (decrease) in rate	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**19%**	**₱2,460,694**
	(19%)	**(2,460,694)**
Financial assets at FVOCI	**6%**	**27,197,794**
	(6%)	**(27,197,794)**

	2018	
	Increase (decrease) in rate	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	26%	₱3,067,548
	(26%)	(3,067,548)
Financial assets at FVOCI	5%	8,367,975
	(5%)	(8,367,975)

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

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

	2019				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents:					
Cash in banks	**₱102,440,941**	**₱–**	**₱–**	**₱–**	**₱102,440,941**
Cash equivalents	**65,714,011**	**–**	**–**	**–**	**65,714,011**
Trade receivables from related parties	**367,900,589**	**202,313,702**	**123,778,002**	**1,592,626**	**695,584,919**
Rent receivables:					
Third parties	**8,735,650**	**–**	**–**	**–**	**8,735,650**
Related parties	**278,793**	**–**	**–**	**–**	**278,793**
Advances to a broker	**8,384,356**	**–**	**–**	**–**	**8,384,356**
Other receivables	**10,628,412**	**–**	**–**	**–**	**10,628,412**
Other noncurrent assets	**–**	**–**	**–**	**6,366,883**	**6,366,883**
Financial assets at FVTPL	**39,142,457**	**–**	**–**	**–**	**39,142,457**
Financial assets at FVOCI:					
Equity securities	**–**	**–**	**–**	**667,353,981**	**667,353,981**
Debt securities	**–**	**35,021,350**	**28,662,903**	**446,745,190**	**510,429,443**
Total financial assets	**603,225,209**	**237,335,052**	**152,440,905**	**1,122,058,680**	**2,115,059,846**

(Forward)

	2019				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Liabilities					
Notes payable, including interest	**₱–**	**₱–**	**₱634,753,341**	**₱–**	**₱634,753,341**
Accounts payable and other current liabilities:					
Trade payables	**18,508,652**	**–**	**–**	**–**	**18,508,652**
Liabilities under trust receipts	**–**	**70,417,269**	**–**	**–**	**70,417,269**
Accrued liabilities – inventory in transit	**–**	**57,498,654**	**–**	**–**	**57,498,654**
Dividends payable	**32,051,412**	**–**	**–**	**–**	**32,051,412**
Customers and tenants' deposits	**5,457,264**	**724,340**	**4,773,195**	**1,047,559**	**12,002,358**
Construction bond	**3,845,528**	**–**	**–**	**–**	**3,845,528**
Accrued selling, freight, outside services and other expenses	**15,337,413**	**–**	**–**	**–**	**15,337,413**
Deposits on long-term leases	**–**	**–**	**2,422,935**	**13,292,628**	**15,715,563**
Total financial liabilities	**75,200,269**	**128,640,263**	**641,949,471**	**14,340,187**	**860,130,190**
Net financial asset (liabilities)	**₱528,024,940**	**₱108,694,789**	**(₱489,508,566)**	**₱1,107,718,493**	**₱1,254,929,656**

	2018				
	On Demand	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents:					
Cash in banks	₱78,589,161	₱–	₱–	₱–	₱78,589,161
Trade receivables from related parties	308,874,012	391,947,659	–	1,098,921	701,920,592
Rent receivables:					
Third parties	7,527,455	–	–	–	7,527,455
Related parties	364,561	–	–	–	364,561
Advances to a broker	4,433,308	–	–	–	4,433,308
Other receivables	1,099,180	11,453,184	–	–	12,552,364
Other noncurrent assets	–	–	–	5,743,834	5,743,834
Financial assets at FVTPL	157,453,153	–	–	–	157,453,153
Financial assets at FVOCI:					
Equity securities	181,105,302	–	451,117,961	19,760,000	651,983,263
Debt securities	–	–	–	516,873,188	516,873,188
Total financial assets	739,446,132	403,400,843	451,117,961	543,475,943	2,137,440,879
Financial Liabilities					
Notes payable, including interest	–	–	772,485,760	–	772,485,760
Accounts payable and other current liabilities:					
Trade payables	31,552,123	–	–	–	31,552,123
Liabilities under trust receipts	–	98,013,049	–	–	98,013,049
Dividends payable	37,254,472	–	–	–	37,254,472
Retention payable	–	–	–	15,000,000	15,000,000
Customers and tenants' deposits	–	–	11,837,668	–	11,837,668
Construction bond	1,668,216	–	–	–	1,668,216
Accrued selling, freight, outside services and other expenses	12,699,805	–	–	–	12,699,805
Deposits on long-term leases	–	–	11,330,855	27,805,179	39,136,034
Total financial liabilities	83,174,616	98,013,049	795,654,283	42,805,179	1,019,647,127
Net financial asset (liabilities)	₱670,639,537	₱305,387,794	(₱344,536,322)	₱500,670,764	₱1,117,793,752

Fair Value

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

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

	Carrying Value		Fair Value	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
Financial Assets				
Financial assets at FVTPL	**₱39,142,457**	₱157,453,153	**₱39,142,457**	₱157,453,153
Financial assets at FVOCI	**1,177,783,424**	1,168,856,451	**1,177,783,424**	1,168,856,451

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

Fair Value Hierarchy

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

	2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱39,142,457**	**₱39,142,457**	**₱–**	**₱–**
Financial assets at FVOCI:				
Quoted debt securities	**510,429,443**	**510,429,443**	–	–
Quoted equity securities	**656,743,276**	**656,743,276**	–	–
Unquoted equity securities	**10,610,705**	–	–	**10,610,705**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**4,678,310,190**	–	–	**4,678,310,190**

	2018			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱157,453,153	₱157,453,153	₱–	₱–
Financial assets at FVOCI:				
Quoted debt securities	516,873,188	516,873,188	–	–
Quoted equity securities	639,137,586	639,137,586	–	–
Unquoted equity securities	12,845,677	–	–	12,845,677
Nonfinancial assets for which fair values are disclosed				
Investment properties	3,890,264,131	–	–	3,890,264,131

The disclosures on the fair value of investment properties carried at cost are included in Note 11.

In 2019 and 2018, there were no transfers between the fair value measurement hierarchy levels.

28. Capital Management Policies

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

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

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

	2019	2018
Capital stock	**₱1,500,000,000**	₱1,500,000,000
Retained earnings	**1,282,298,227**	1,242,137,371
	₱2,782,298,227	₱2,742,137,371

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

29. Note to Consolidated Statements of Cash Flows

For the year ended December 31, 2018, the Group's noncash investing activity pertains to purchase of investment properties on account amounting to ₱7.04 million.

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

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

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

	2017			
	January 1	Cash flows	Noncash charges*	December 31
Notes payable	₱390,913,000	₱279,546,530	₱–	₱670,459,530
Interest payable	842,102	(12,600,596)	12,572,659	814,165
Dividends payable (see Note 14)	9,884,260	(93,663,599)	112,500,000	28,720,661
Total liabilities	₱401,639,362	₱173,282,335	₱125,072,659	₱699,994,356

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

30. Events After the Reporting Period

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

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

31. Segment Information

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

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

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

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

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

The following tables on business segments present the revenue and profit information for each of the three years in the period ended December 31, 2019 and the segment assets as at December 31:

	2019			
	Bakery Flour	**Mill Feed**	**Real Estate and Investment**	**Consolidated**
Revenue				
Sales – related parties	₱644,023,793	₱98,442,432	₱–	₱742,466,225
Rental income	–	–	206,586,489	206,586,489
Interest income	–	–	25,369,253	25,369,253
Dividend income	–	–	37,598,668	37,598,668
	644,023,793	98,442,432	269,554,410	1,012,020,635
Cost of sales/services	537,237,070	82,119,518	80,621,237	699,977,825
Gross profit on sales/income	106,786,723	16,322,914	188,933,173	312,042,810
Selling and administrative expenses	(154,506,102)	(23,617,072)	–	(178,123,174)
Interest expense	–	–	(53,203,734)	(53,203,734)
Other charges – net	580,976	88,805	17,623,122	18,292,903
Provision for income tax	–	–	–	(13,847,949)
Net income	(₱47,138,403)	(₱7,205,353)	₱153,352,561	₱85,160,856
Property, plant and equipment	₱56,290,948	₱3,494,839	₱481,797	₱60,267,584
Investment properties	₱–	₱–	₱1,167,873,287	₱1,167,873,287
Depreciation and amortization	₱9,673,955	₱600,611	₱42,571,144	₱52,845,710
Additions to property, plant and equipment and investment properties	₱7,615,521	₱472,812	₱8,446,858	₱16,535,191

	2018			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱654,544,060	₱68,335,655	₱–	₱722,879,715
Rental income	–	–	120,296,030	120,296,030
Interest income	–	–	26,340,270	26,340,270
Dividend income	–	–	42,081,311	42,081,311
	654,544,060	68,335,655	188,717,611	911,597,326
Cost of sales/services	572,688,570	59,789,785	40,792,965	673,271,320
Gross profit on sales/income	81,855,490	8,545,870	147,924,646	238,326,006
Selling and administrative expenses	(164,163,211)	(17,138,954)	–	(181,302,165)
Interest expense	–	–	(13,465,488)	(13,465,488)
Other charges – net	(2,683,039)	(280,114)	74,399,429	71,436,276
Provision for income tax	–	–	–	(12,978,975)
Net income	(₱84,990,760)	(₱8,873,198)	₱208,858,587	₱102,015,654
Property, plant and equipment	₱58,349,382	₱3,622,638	₱48,195	₱62,020,215
Investment properties	₱–	₱–	₱1,202,125,662	₱1,202,125,662
Depreciation and amortization	₱11,847,319	₱735,544	₱15,972,454	₱28,555,317
Additions to property, plant and equipment and investment properties	₱7,873,589	₱488,834	₱220,540,140	₱228,902,563

	2017			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱671,999,632	₱65,482,721	₱–	₱737,482,353
Rental income	–	–	110,618,692	110,618,692
Interest income	–	–	27,876,976	27,876,976
Dividend income	–	–	36,043,582	36,043,582
	671,999,632	65,482,721	174,539,250	912,021,603
Cost of sales/services	507,867,545	49,488,939	40,445,323	597,801,807
Gross profit on sales/income	164,132,087	15,993,782	134,093,927	314,305,986
Selling and administrative expenses	(156,094,131)	(15,210,527)	–	(171,304,658)
Interest expense	–	–	(12,593,839)	(12,593,839)
Other charges - net	(349,981)	(34,104)	(5,899,996)	(6,284,081)
Provision for income tax	–	–	–	(21,349,454)
Net income	₱7,687,975	₱749,151	₱115,600,092	₱102,687,764
Property, plant and equipment	₱62,323,112	₱3,869,348	₱394,215	₱66,586,675
Investment properties	₱–	₱–	₱997,368,535	₱997,368,535
Depreciation and amortization	₱15,386,353	₱491,054	₱14,567,945	₱30,445,352
Additions to property, plant and equipment and investment properties	₱3,973,448	₱246,693	₱262,262,085	₱266,482,226

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Liberty Flour Mills, Inc. (the Company), as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated June 8, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125254, January 7, 2020, Makati City

June 8, 2020

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

In compliance with Revised Securities Regulation Code Rule 68, as Amended (2011), the Company has prepared the following schedules:

- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) (Annex 68-J: Schedule B)
- Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements (Annex 68-J: Schedule C)
- Capital Stock (Annex 68-J: Schedule G)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- Schedule of financial soundness indicators (Annex 68-E)
- Map of the Relationship of the Companies within the Group

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Annex 68-D)
DECEMBER 31, 2019

Unappropriated retained earnings, beginning	₱1,129,780,758
Adjustments: (see adjustments in previous years' reconciliation)	(17,040,620)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,112,740,138
Add: Net income actually earned/realized during the year	
Net income closed to retained earnings	44,476,441
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(56,041)
Benefit from deferred income tax	(674,567)
Net income actually earned/realized during the year	43,745,833
Less: Cash dividend declaration during the year	(45,000,000)
Total retained earnings available for dividend declaration, end	₱1,111,485,971

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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Liberty Flour Mills, Inc. (the Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 8, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125254, January 7, 2020, Makati City

June 8, 2020

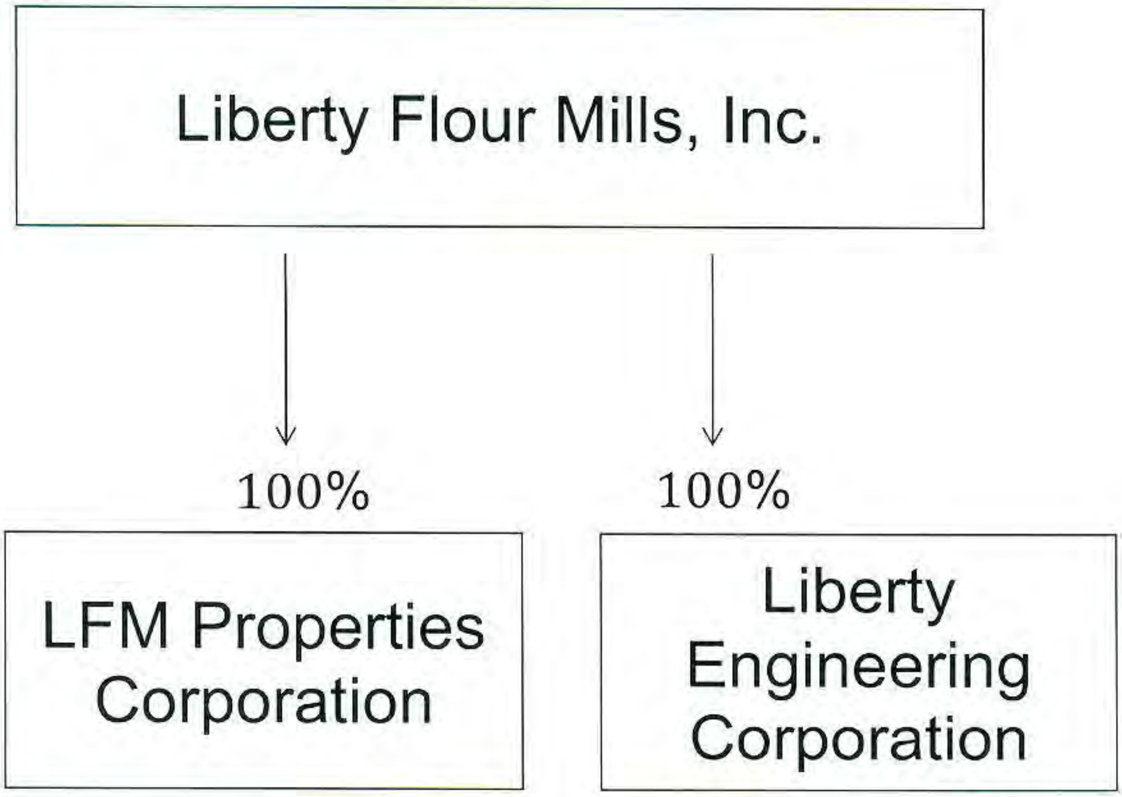
LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)
DECEMBER 31, 2019

		December 31	
	Formula	**2019**	2018
Current Ratio	Total current assets/Total current liabilities	**1.38**	1.26
Acid Test Ratio	(Cash and cash equivalents + Receivable) / Total current liabilities	**1.24**	0.87
Solvency Ratio	(Net income + Depreciation)/ Total liabilities	**0.14**	0.12
Debt-to-Equity Ratio	Total liabilities/Total equity	**0.37**	0.43
Asset-to-Equity Ratio	Total assets/Total equity	**1.37**	1.43
Interest Rate Coverage Ratio	Earnings before interest and tax/Interest expense	**2.86**	9.54
Return on Equity	Net income/Total equity	**0.03**	0.04
Return on Assets	Net income/Total assets	**0.02**	0.03
Net Profit Margin	Net income/Revenue	**0.09**	0.12

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2019



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2019
For the Year Ended December 31, 2019

Page No.

Consolidated Financial Statements

Supplementary Schedules

Additional Components

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2019

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
	₱	₱	₱

NOT APPLICABLE

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amounts Collected	Amounts Written Off*			
Stockholder							
Parity Values, Inc.	₱ 397,565,768	₱ 410,993,312	₱ (360,434,146)	₱ -	₱ 448,124,934	₱ -	₱ 448,124,934
Under common control							
Liberty Commodities Corporation	129,759,860	174,003,702	(165,060,586)	(765,290)	137,937,686	-	137,937,686
Trade Demands Corporation	175,724,815	162,339,135	(194,582,857)	-	143,481,093	-	143,481,093
Other related parties							
Retirement plan	7,227,090	-	-	-	7,227,090		7,227,090
	₱ 710,277,533	₱ 747,336,149	₱ (720,077,589)	₱ (765,290)	₱ 736,770,803	₱ -	₱ 736,770,803

*Assessed to be no longer collectible by management

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amounts Collected	Amounts Written Off			
LFM Properties Corporation	₱ (5,405)	₱ 449,267	₱ 384,497	₱ -	₱ 59,365	₱ -	₱ 59,365
	₱ -	₱ 449,267	₱ 384,497	₱ -	₱ 59,365	₱ -	₱ 59,365

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
Schedule D. Long-Term Debt
December 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Loan" in related Balance Sheet	Amount shown under Caption "Long-Term Loan" in related Balance Sheet
Long-term loan	₱ -	₱ -	₱ -
	₱ -	₱ -	₱ -

NOT APPLICABLE

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

Schedule E. Indebtedbess to Related Parties (Long-Term Loans from Related Companies)
December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
	₱ -	₱ -
NOT APPLICABLE		
	₱ -	₱ -

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
Schedule F. Guarantees of Securities of Other Issuers
December 31, 2019

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
		₱ -	₱ -	
NOT APPLICABLE				
		₱ -	₱ -	

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
Schedule G. Capital Stock
December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common stock	200,000,000	150,000,000	-	61,090,972	14,211,168	74,697,860
	200,000,000	150,000,000	-	-	14,211,168	74,697,860

Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBIIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

WILLIAM CARLOS UY
Chairman of the Board

WILLIAM CARLOS UY
Chief Executive Officer

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **8th** day of **June 2020**

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

SUBSCRIBED AND SWORN TO before me this ____ day of JUN 2 2 2020, affiants exhibiting to me their Residence Certificates as follows:

Name	CTC No.	Date Issued	Place Issued
WILLIAM CARLOS UY	04383055	Feb. 07, 2020	Makati City
JOSE MA. S. LOPEZ	04383011	Feb. 07, 2020	Makati City

Doc. No. 382
Page No. 78
Book No. XIII
Series of 2020.

ATTY. [illegible]
Notary Public City of Makati
Until December 31, 2020
IBP No. 0572[illegible] Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-183-(2019-2020)
PTR No. 8116014 Jan. 2, 2020
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET

SEC Registration Number

1	4	7	8	2						

Company Name

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

Liberty Building, 835 A. Arnaiz Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@libertygroup.com.ph	(02) 8892-5011	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
444	Last Wednesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Ma. Lopez	jmlopez@pldtdsl.net	(02) 8892-5011	–

Contact Person's Address

Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2020**

2. Commission identification number: **14782**

3. BIR Tax Identification No: **000-128-846-V**

4. Exact name of registrant as specified in its charter: **LIBERTY FLOUR MILLS, INC.**

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

6. Industry Classification Code: (SEC Use Only)

7. **Liberty Building, A. Arnaiz Avenue, Makati City** **1200**
   Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code: **(632) 8892-5011**

9. Former name, former address and former fiscal year, if changed since last report: **-na-**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**150,000,000**

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

    Yes [√] No [ ]

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

Stock Exchange	Class of Securities
Philippine Stock Exchange, Inc.	**Common Shares**

12. Indicate by check mark whether the registrant:

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

    Yes [√] No [ ]

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

    Yes [√] No [ ]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the unaudited interim financial statement of the Liberty Flour Mills, Inc. (the "Company) and its subsidiary for the three (3) months ended March 31, 2020 which is attached hereto as Annex "A" and which is hereby incorporated by reference to form an integral part of the Report. Likewise, attached as Annex "B" is the Company's Statement of Changes in Stockholder's Equity for the three (3) months ended March 31, 2020 and as compared to same period for the year 2019, and the Company's basis for the computation of Basic Earnings per share.

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

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

The operations for three-month period ended 31 March 2020 resulted in a net income of PhP35.84 million, a very huge increase by 427%, a significant turnaround from previous year's same period net loss of PhP8.39 million. In terms of sales, basically there was an increase of 103% volume of flour bags sold in the first quarter of 2020 which resulted to an increase in revenue by 88% from the previous year's same period operation. Cost of sales had increased by 69% compared to same period last year primarily due to increase in sales but slightly pulled down by lower cost of major raw materials. Dividend income on shares of stocks on quoted securities had increased by 44% while interest income in debt instruments decreased by 3% from the previous year's same period due to redemption of some instruments.

For the quarter ended 31 March 2020, total gross income amounted to PhP51.70 million, which is 222% higher from the previous year's same period operation which made gross profit amounting to Php16.07 million.

Other operating income represents rental income which had an aggregate amount of Php56.50 million for the first three-month period of 2020 which is higher by 84% compared to previous year's same period of PhP30.73 million. Increase is due to higher tenants' occupancy rates in one of the subsidiaries' second building which became fully operational.

Operating expenses for the three-month period of 2020 amounted Php57.47 million, 1% lower than the previous year's same period operating expense of PhP57.98 million. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

For the three-month period of 2020, the Company had an operating income of PhP50.73 million versus previous year's same period operating loss of Php11.18 million. The operating income performance is primarily due to the above stated reasons.

Other income and (charges), net, for the three-month period of 2020 amounted to Php3.56 million, which is 201% lower than last year's same period amounting to Php3.51 million. The account consists of net interest income and expense, dividend income and net miscellaneous income from scrap sales. During the period, the Company earned dividend income from various investments. As for the quarter ended, the Company has trust receipt balance amounting to Php70.62million as compared to last year's same period of Php25.36million.

The total combined assets amounted to PhP3.59 billion as of 31 March 2020 which is lower by 3% while total liabilities amounted to PhP.87 billion which is lower by 13%, mainly due to bank loans and other liabilities, from balances as of 31 December 2019.

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

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

Accounts Receivable – The increase in account is due to increase in sales during the first quarter of 2020.

Inventories – The decrease in account is due to lower importation of raw materials made for the period ended which is also reflected in the Statement of Cash Flow attached herein.

Financial Assets at FVPL – The decrease is due to the reclassification in compliance with the new financial accounting standard.

Prepaid expenses and other current assets – The increase is due to reclassification of advances to supplier made for the purchase of machinery.

Accounts payable – The decrease is due to payment of Trust Receipts payable during the first quarter of 2020.

Income tax payable – The increase is due to recognition of income tax payable by one of the subsidiaries for the first quarter of 2020.

Bank Loans – The significant decrease was due to payment of loans made by the subsidiary to finance other priority projects.

Retained earnings – Balance as of March 31, 2020 is basically on the same level as of previous period last year.

Performance Indicators

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

- Selling Price, Volume and Revenue Growth

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

During the three-month period ended 31 March 2020, there was a 222% increase in revenue as compared to previous year's same period performance. The increase is attributed to the increase in sales volume of the Company's products combined with the increase in the Company's rental income by 103% as the second building of one of the subsidiaries became fully operational.

- Cost Contribution

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

During the three-month ended 31 March 2020, there was a 69% increase in cost of sales over the previous year's same period performance brought about by the increase in sales but slightly pulled down by the improvement in average unit cost of the product.

- Gross Profit Contribution

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

During the three-month ended 31 March 2020, the Company generated gross profit rate of 21%. There was an increase of 9% in gross profit rates compared in the prior year's same period performance. The increase is directly attributable to the increase in total sales volume with higher net sales mix and improved cost of sales.

- Operating margin

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

During the three-month ended 31 March 2020, there was a decrease in operating expenses by 1% over the previous year's same period performance. Operating income was earned this quarter as a result of increase in sales, improvement in cost coupled with decrease in operating expenses.

- Plant Capacity Utilization

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

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2019 and as of quarter ended 31 March 2020 with a current ratio at 9.86:1. The working capital requirement of the Company to carry its business is entirely generated internally.

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.

MAKETPRICE

The market price of the Company's common shares closed at PhP40.00 on 31 March 2020. For the Company's high and low prices for the first quarter of 2020, please see table below:

Stock	Quarter	High	Low
LFM	1	41.00	40.00

PART II – FINANCIAL DISCLOSURES

Financial Instruments and Financial Risk Disclosure

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

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

a. Credit Risk

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

The Group trade receivables is concentrated with its three distributors which account for 98% of the total trade receivables as of March 31, 2020. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. With respect to credit risk arising from other financial assets of the Group which comprise of cash equivalents, financial assets at FVPL, debt instruments classified as financial asset at FVOCI and debt instruments classified as AFS investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancement held over these assets.

b. Market Risk

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

c. Foreign Currency Risk

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

The Group's foreign currency-denominated financial assets and liabilities which are all in US dollar ($) as of March 31, follows:

	2020	2019
Cash in bank	$90,369	$1,198
Total US dollar-denominated assets	$90,369	$1,198

The exchange rate per $1.00 to Philippine peso is P50.78 and P52.782 respectively.

d. Liquidity Risk

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

There are no Company's investments in foreign securities.

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

a. Financial assets at FVPL

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

b. AFS financial assets

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

c. Financial assets at FVOCI

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

d. Deposits on long-term leases

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

e. Other financial assets and financial liabilities

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

PART III - OTHER INFORMATION

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

SIGNATURE

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

LIBERTY FLOUR MILLS, INC.

By:

WILLIAM CARLOS UY
Chairman of the Board

WILLIAM CARLOS UY
Chief Executive Officer

JOSE MA. S. LOPEZ
Chief Financial Officer

ANNEX "A"

LIBERTY FLOUR MILLS, INC.

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

UNAUDITED FINANCIAL STATEMENTS
MARCH 31, 2020

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
BALANCE SHEET
AS OF MARCH 31,2020
(With comparative figures for year ended Dec. 31, 2019 and three months ended March 31, 2019)

Assets		**March 31, 2020**		**December 31, 2019 Audited**		**March 31, 2019**
Current Assets						
Cash and cash equivalents		P 162,460,919		P 168,192,892		P 42,598,558
Receivables		762,091,306		724,897,821		663,234,239
Financial assets at fair value through profit or loss		35,539,752		39,142,457		156,927,793
Inventories:						
Finished goods	P 32,364,582		P 25,412,642		P 55,541,132	
Raw materials	85,364,407		89,934,518		234,539,521	
Inventories-in Transit	-		57,498,654		-	
Total Inventories		117,728,989		172,845,814		290,080,653
Prepaid expenses & other current assets		135,459,193		79,545,993		83,539,218
Total current assets		P 1,213,280,159		P 1,184,624,977		P 1,236,380,461
Financial assets at fair value through OCI		1,048,529,595		1,177,783,424		1,185,069,642
Investment properties		1,163,318,452		1,167,873,287		516,679,433
Plant, Property & Equipment, net		59,782,203		60,267,584		750,001,690
Deferred Charges & Other Assets		106,126,143		111,834,565		39,088,483
Total Assets		**P 3,591,036,552**		**P 3,702,383,837**		**P 3,727,219,709**
Liabilities & Stockholders' Equity						
Current Liabilities						
Accounts Payable		P 118,125,678		P 215,519,536		P 175,895,714
Income Tax Payable		4,972,970		-		6,190,573
Other Liabilities				9,850,140		40,046,928
Total Current Liabilities		P 123,098,648		P 225,369,676		P 222,133,215
Bank Loans		610,900,000		632,900,000		782,400,000
Deposit on long-term lease		-		22,250,613		-
Accrued retirement benefits costs		93,764,945		99,893,314		79,436,375
Deferred Income Tax Liability		-		6,391,058		-
Other Non-current Liabilities		42,779,608		13,292,628		12,923,308
Total Liabilities		**P 870,543,201**		**P 1,000,097,289**		**P 1,096,892,898**
Stockholders' Equity						
Capital Stock, authorized - 200,000,000 shares at P10 par value per share P2,000,000,000.						
Issued and outstanding,150,000,000 shares		P 1,500,000,000		P 1,500,000,000		P 1,500,000,000
Fair value changes on financial assets through OCI		(79,450,797)		(75,196,969)		(64,521,110)
Remeasurement gain (loss) on defined benefit		(5,634,974)		(4,814,710)		2,919,808
Retained earnings						
Appropriated	P -		P -		-	
Unappropriated	1,305,579,122		1,282,298,227		1,191,928,113	
Total Retained Earnings		1,305,579,122		1,282,298,227		1,191,928,113
Treasury Stock, at cost		-		-		-
Total Stockholders' Equity		**P 2,720,493,351**		**P 2,702,286,548**		**P 2,630,326,811**
Total Liabilities & Stockholders' Equity		**P 3,591,036,552**		**P 3,702,383,837**		**P 3,727,219,709**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF INCOME AND EXPENSES
For quarter ended March 31,2020
(With comparative figures for the quarter ended March 31,2019)

		March 31, 2020		March 31, 2019
Net Sales	P	242,735,840	P	129,425,002
Cost of Sales		(191,033,856)		(113,358,468)
Gross Profit	P	51,701,984	P	16,066,534
Other operating income		56,497,228		30,731,281
Operating Expenses		(57,466,259)		(57,977,832)
Income from operations	P	50,732,953	P	(11,180,017)
Other Income/Charges, net		(3,557,833)		3,511,943
Income before Income Tax	P	**47,175,120**	P	**(7,668,074)**
Provision for Income Tax, current		(11,330,172)		(717,267)
Provision for Income Tax, Deferred				
Net Income for the period	**P**	**35,844,948**	**P**	**(8,385,341)**
Earnings (loss) per share	**P**	**0.24**	**P**	**(0.06)**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For quarter ended March 31,2020
(With comparative figures for the quarter ended March 31,2019)

		January 1 to March 31, 2020		January 1 to March 31, 2019
CASHFLOWS FROM OPERATING ACTIVITIES:				
Income before tax	P	47,175,120	P	(7,668,074)
Adjustment for:				
Depreciation		14,190,317		6,565,447
Fair Value changes of financial assets at FVPL		3,602,705		(3,408,515)
Retirement Benefit Cost		(7,027,651)		(5,252,640)
Interest income		(5,581,721)		(5,736,025)
Dividend Income		(8,750,716)		(6,095,566)
Interest expense		10,508,321		11,901,166
Loss (Gain) on the sale of AFS investments		-		-
Loss on sale of FVPL investments		-		-
Operating Income before working capital changes		**54,116,375**		**(9,694,207)**
Decrease (Increase) in:				
Receivables		(37,007,093)		63,243,749
Inventories		55,116,825		(48,057,157)
Prepayments and other assets		(74,089,035)		(7,650,943)
Increase (Decrease) in:				
Trade Payables		(103,250,597)		(44,870,947)
Accrued Payables and other liabilities		-		-
Deposit on long term lease		(310,209)		4,766,269
Unearned Rental Income		(1,007,007)		(269,036)
Liabilities for Retirement Fund		-		-
Cash generated (used) from operations		**(106,430,741)**		**(42,532,272)**
Income tax paid		(2,211,300)		(938,828)
Interest Received		5,581,721		5,736,025
Net cash provided by (used in) operating activities		**(103,060,320)**		**(37,735,075)**
CASHFLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of FVPL				3,933,875
Dividends received		8,750,716		6,095,566
Proceeds from redemption of FVOCI		125,000,000		-
Acquisition of plant, property and equipment		(3,941,095)		(8,444,551)
Decrease(increase) in other non-current assets		27,045		27,272
Net cash used in investing activities		**129,836,666**		**1,612,162**
CASHFLOW FROM FINANCING ACTIVITIES				
Availment of Loans		(22,000,000)		12,000,000
Loan Payments		-		-
Interest paid		(10,508,321)		(11,901,166)
Payments of cash dividends		-		-
Net cash generated from financing activities		**(32,508,321)**		**98,834**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,731,975)**		**(36,024,079)**
Add: Cash and cash equivalents:				
January 1		168,192,895		78,622,637
April 1				
CASH AND CASH EQUIVALENTS, END	P	**162,460,919**	P	**42,598,558**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2020

1. Basis of Financial Statement Preparation

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31, 2020.

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

2. Significant Accounting Policies

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Group is the lessor.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

3. Others

1. The same accounting policies and methods of computation are followed in the interim financial statements as of March 31, 2020 as compared with the audited financial statements as of December 31, 2019.

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

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

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

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

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

7. There are no contingent liabilities and contingent assets.

ANNEX "B"

LIBERTY FLOUR MILLS, INC.

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

STATEMENT OF CHANGES
IN STOCKHOLDER'S EQUITY
MARCH 31, 2020

LIBERTY FLOUR MILLS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For three months ended March 31, 2020 and 2019

		2020		2019
CAPITAL STOCK				
Authorized - 200 million shares				
at P10 par value per share P2 billion				
Issued and outstanding -150 million shares	P	1,500,000,000	P	1,500,000,000
TREASURY STOCK, at cost		-		-
Fair value on available for sale assets		-		-
Fair value changes on financial assets through OCI		(79,450,797)		(64,521,110)
Accumulated Remeasurement on Retirement Benefits		(5,634,974)		2,919,808
RETAINED EARNINGS				
January `1		1,269,734,174		1,200,313,454
Net income for the period		35,844,948		(8,385,341)
Cash dividends declared and paid		-		-
		1,305,579,122		1,191,928,113
		2,720,493,351		**2,630,326,811**

BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE

		2020		2019
NUMERATOR:				
Net income for the first quarter	P	35,844,948	P	(8,385,341)
DENOMINATOR:				
Outstanding shares		150,000,000		150,000,000
Treasury Stock		0		0
TOTAL WEIGHTED AVERAGE SHARES		150,000,000		150,000,000

LIBERTY FLOUR MILLS, INC. and Subsidiaries
Aging of Accounts Receivable
As of March 31,2020

Type of Accounts Receivable		Total		Current		1 Month		2-3 Months		Over 3 Mos.
a) Trade Receivables										
Flour and Millfeed customers	P	722,004,636	P	360,297,199.04	P	67,437,198	P	3,887,611	I	290,382,627.15
Building Tenants		10,484,788		8,707,766.36		573,584.43		24,843.67		1,178,593.61
b) Non-Trade Receivables:										
Others		29,601,882		738,965.82		651,842.96		220,962		27,990,111.63
Total	**P**	**762,091,306**	**P**	**369,743,931**	**P**	**68,662,625**	**P**	**4,133,417**	I	**319,551,332**