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

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 **May 26, 2021 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 2020 Annual Stockholders' Meeting
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 May 3, 2021 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 May 14, 2021 at 5:00 p.m. 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 July 29, 2020

At the meeting, Stockholder approval for the minutes of the July 29, 2020 annual Stockholders' Meeting shall be sought.

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 2021 Stockholders' Meeting, or through online means. Shareholders who wish to request for a copy of the minutes may send an email to lfmcorporatesecretary@gmail.com.

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 2021 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, 2020.

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 July 29, 2020 to May 26, 2021.

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 I-ACGR, 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 2020 Annual Stockholders' Meeting until the 2021 Stockholders' Meeting.

Liberty Flour Mills, Inc.

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 May 26, 2021 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 2021 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 May 26, 2021 at 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 2020 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	
LOURDES J. CHAN	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 ________________, 2021 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: 000-128-846-000

6. Address of principal office and Postal Code: Liberty Building, 835 A. Arnaiz Avenue, Makati City 1223

7. Registrant's telephone number, including area code: (632) 8892-5011

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

   26 May 2021
   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: May 4, 2021

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) 8892-5011

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 2021 Annual Stockholders' Meeting

Liberty Building, 835 A. Arnaiz Avenue, Makati City
26 May 2021
4:00 o'clock PM

Liberty Flour Mills, Inc.

INFORMATION REQUIRED IN AN INFORMATION STATEMENT

I. GENERAL INFORMATION

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

Date of Meeting	May 26, 2021
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 2020 Annual Report sometime on May 4, 2021. This shall be sent through traditional means, and the Company shall not use the alternative mode of distributing and providing notice of the Meeting as provided for in Securities and Exchange Commission Notice dated March 25, 2021.

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 Sections 41 and 80 of the Revised Corporation Code.

The Company does not reasonably foresee any stockholder exercising their right of appraisal 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 March 31, 2021, the board of directors and senior management, as a group, own 14,510,368 common shares which is approximately 9.67% 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 March 31, 2021, 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 May 3, 2021 ("*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.

Manner of Voting

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 L. Ang is a Director and 1st Vice President and Treasurer of Parity Values, Inc.	Filipino	60,521,231	40.35%
Common	PCD Nominee Corp. 37/F The Enterprise Center, Ayala Ave., Makati City	PSE Member Brokers	Filipino	48,212,687	32.14%
Common	William Carlos Uy *President/CEO*	Beneficial Owner	Filipino	12,561,557	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	12,561,557	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	149,601	Sole Voting	Filipino	0.09%
Common	Vicente S. Vargas	472,353	Sole Voting	Filipino	0.31%
Common	William L. Ang	373	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 S. Jalandoni, Jr.	267,634	Sole Voting	Filipino	0.17%
Common	David Ng*	377	Sole Voting	Filipino	Negligible
Common	Sandra Judy Uy	2	Sole Voting	Filipino	Negligible

*Independent Director

The above are likewise nominees for the Company's Board of Directors.

Officers and Senior Management

Title of class	Name of Beneficial Owners	Position	Amount and nature of beneficial ownership		Citizenship	Percent of ownership
Common	Jose Ma. S. Lopez	Senior Vice President & Treasurer	624,465	Sole Voting	Filipino	0.41%
Common	William Carlos Uy	President & Chairman	12,561,557	Sole Voting	Filipino	8.37%
Common	Sandra Judy Uy	Senior Vice President - Manufacturing	2	Sole Voting	Filipino	Negligible
Common	Vicente S. Vargas	Corporate Secretary	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	14,510,368	Sole Voting	9.67%

Voting Trust Holders of 5% or more

The Company does not have knowledge of persons holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

No change in control of the Company has occurred since the beginning of the previous fiscal year.

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 Current Board of Directors of the Company are as follows:

Name of Directors	Age	Citizenship	Position
William Carlos Uy	79	Filipino	Chairman of the Board
Sandra Judy Uy	44	Filipino	Director
John Carlos Uy	70	Filipino	Director
Vicente S. Vargas	64	Filipino	Director
William L. Ang	70	Filipino	Director
David Ng*	59	Filipino	Director
Jose Ma. S. Lopez	77	Filipino	Director
Jesus S. Jalandoni Jr.	63	Filipino	Director
Jose S. Jalandoni	66	Filipino	Director
Daniel R. Maramba	48	Filipino	Director
Jose A. Feria Jr.*	73	Filipino	Director

* Independent Director

The Nominees for Election to the Board of Directors for the Term 2021-2022 are as follows:

Name of Directors	Age	Citizenship	Position
William Carlos Uy	79	Filipino	Chairman of the Board
Sandra Judy Uy	44	Filipino	Director
John Carlos Uy	70	Filipino	Director
Vicente S. Vargas	64	Filipino	Director
William L. Ang	70	Filipino	Director
David Ng*	59	Filipino	Director
Jose Ma. S. Lopez	77	Filipino	Director
Lourdes J. Chan	61	Filipino	Director
Jose S. Jalandoni	66	Filipino	Director
Daniel R. Maramba	48	Filipino	Director
Jose A. Feria Jr.*	73	Filipino	Director

* Independent Director

The Officers and Senior Management of the Company are as follows:

Name	Age	Citizenship	Position
William Carlos Uy	79	Filipino	President & Chairman
Sandra Judy Uy	44	Filipino	Senior Vice President – Manufacturing

Vicente S. Vargas	64	Filipino	Corporate Secretary
Jose Ma. S. Lopez	77	Filipino	Senior Vice President & Treasurer

Background of the Directors, Senior Management, and Nominees

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 (except for Mr. Jesus S. Jalandoni Jr. who will not be seeking re-election for personal matters), 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 Corporate Treasurer of Malayan Bank.

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 S. 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 and Liberty Commodities 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, Jr. 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 Gawad Kalinga Foundation, Inc. and PinoyMe Foundation, Inc.

Daniel R. Maramba 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.

Lourdes J. Chan has been nominated to be a director of the Company. She graduated from Simon Fraser University with a degree in Business Administration with a Minor in Economics. She is the treasurer and Board Member of the following corporations: Kanlaon Development Corporation, Kanlaon Farms, Incorporated, Jayjay Realty Development Corporation. She also serves as a director in the following companies: JM & Company, Algeria Development Corporation, and Valueline Realty & Development Corporation.

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 such the Manual.

In a meeting of the Nominations Committee of the Company on July 29, 2020 Mr. John 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 S. 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 S. 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 L. 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 L. Ang, with David Ng presiding as Chairman.

Significant Employees

While the Company believes that its employees are a valuable resource, other than the persons named above, the Company does not expect any other person to individually make a significant contribution to the business of the Company.

Family Relationships

William Carlos Uy and John Carlos Uy are siblings.

Jose S. Jalandoni, Jesus S. Jalandoni Jr., Lourdes J. Chan are siblings.

Jose S. Jalandoni, Jesus S. Jalandoni Jr., Jose Ma. S. Lopez, Lourdes J. Chan, and Vicente S. 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

There are directors of the Company that 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 L. Ang	Parity Values, Inc. Trade Demands Corporation

The business purpose between the Company and the related parties mentioned is as distributors of the Company's flour and feed products. Transaction prices are between the company and the related parties are determined by the costing of products plus a mark-up; likewise. In any event, the prices offered to the related parties 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

None of the directors or officers have been declared bankrupt nor have there been any petitions filed by or against any of the directors, nor to any businesses of which they were a part of. Neither have any of them been convicted of any crime, domestic or foreign; and there are no criminal proceedings or threatened 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 the directors and officers of the Company have 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 2020 and 2019 are ₱11.652 Million and ₱11.312 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 2021*	Salaries (₱)	Bonus (₱)	Others (₱)	Total (₱)
William Carlos Uy *Chairman and President*	₱2,580,555.00	₱1,254,284.65	₱65,000.00	₱3,899,839.65
Jose Ma. S. Lopez *Senior Vice President & Treasurer*	₱3,046,121.60	₱1,200,234.50	₱65,000.00	₱4,311,356.10
Sandra Judy Uy *Senior Vice President -Manufacturing*	₱2,412,309.92	₱1,243,009.85	₱65,000.00	₱3,720,319.77
TOTAL	**₱8,038,986.52**	**₱3,697,529.00**	**₱195,000.00**	**₱11,931,515.52**

** The 2021 figures are only estimates of the compensation to be given to the aforementioned Executive Officers. The actual compensation given for 2021 may vary from what is provided above.*

Actual Compensation for 2020	Salaries (₱)	Bonus (₱)	Others (₱)	Total (₱)
William Carlos Uy *Chairman and President*	₱2,505,393.20	₱1,239,788.43	₱65,000.00	₱3,810,181.63
Jose Ma. S. Lopez *Senior Vice President & Treasurer*	₱2,957,399.61	₱1,183,204.08	₱65,000.00	₱4,205,603.69
Sandra Judy Uy *Senior Vice President - Manufacturing*	₱2,342,048.47	₱1,228,842.02	₱65,000.00	₱3,635,890.49
TOTAL	**₱7,804,841.28**	**₱3,651,834.53**	**₱195,000.00**	**₱11,651,675.81**

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**

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	2021*	₱8,038,986.52	₱3,697,529.00	₱195,000.00	₱11,931,515.52
	2020	₱7,804,841.28	₱3,651,834.53	₱195,000.00	₱11,651,675.81
	2019	₱8,066,211.00	₱3,050,698.00	₱195,000.00	₱11,311,909.00
All other officers and directors as a group	2021*	₱1,799,897.91	₱3,376,404.74	₱520,000.00	₱5,696,302.65
	2020	₱1,747,473.70	₱3,310,200.73	₱520,000.00	₱5,577,674.43
	2019	₱1,808,912.00	₱2,087,097.00	₱520,000.00	₱4,416,009.00

* *The 2021 figures are only estimates of the compensation to be given to the Executive Officers and members of the Board. The actual compensation given for 2021 may vary from what is provided above.*

Aside from the above, the other directors of the Company do not receive any compensation, except for 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 external auditor. The audit services provided by Sycip Gorres Velayo & Co. for the fiscal year ended 31 December 2020 included the examination of the financial statements of the Company, preparation of the final income tax returns, and other services related to the 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 for 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 San Agustin (formerly, Laya Mananghaya & Co) with Sycip Gorres Velayo & Co. 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 2021 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 July 29, 2020; and
2. The Financial Statements for the fiscal year ended 31 December 2020.

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 July 2020 out of One Hundred Fifty Million (150,000,000) shares issued and outstanding, 131,552,976 shares were represented either in person or by proxy representing 87.7% of the Company's total issued and outstanding shares of stock. At the said meeting, the Minutes of the Annual Stockholders' Meeting of the Company held on May 29, 2019 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 of July 29, 2020 to May 26, 2021 shall also be discussed and submitted to the stockholders for their ratification 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 (through remote communication), through proxy, or voting *in absentia*.

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 cast and counted

A stockholder may vote through proxy, such must be in writing, signed by the stockholder concerned, and in the form provided for in this Information Statement. Such proxies may be sent electronically to lfmcorporatesecretary@gmail.com, or mailed to the office of the Company.

A stockholder may vote electronically *in absentia* using the online web address that will be provided to him/her upon the completion and successful verification. A stockholder that casts his vote *in absentia* shall be deemed present for the purpose of determining a quorum.

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

Before a stockholder can participate via remote communication and/or vote in absentia, the stockholder must first register and be authenticated. The procedure for authentication, participation through remote communication and voting in absentia is attached as **ANNEX "A"**.

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 May 26, 2021.

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 2020 Annual Stockholders' Meeting;
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 L. ANG
   b. JOSE A. FERIA, JR. (Independent Director)
   c. LOURDES J. CHAN
   d. JOSE S. JALANDONI
   e. JOSE MA. S. LOPEZ
   f. DANIEL R. MARAMBA
   g. DAVID NG (Independent Director)
   h. JOHN CARLOS UY
   i. SANDRA JUDY UY
   j. WILLIAM CARLOS UY
   k. VICENTE 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.

5. Appointment of the External Auditors
6. Other Matters
7. Adjournment

<u>REVOCABILITY OF PROXY</u>

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 March 31, 2021, the board of directors and senior management, as a group, own 14,510,368 common shares which is approximately 9.67% of the outstanding common stock.

Liberty

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 April 20, 2021.

VICENTE S. VARGAS
Corporate Secretary

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

Liberty Flour Mills, Inc.

ANNEX "A"

PROCEDURE FOR PARTICIPATION IN THE 2021 ANNUAL STOCKHOLDERS' MEETING OF LIBERTY FLOUR MILLS THROUGH 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 2021 Annual Meeting will be held via remote communication and voting *in absentia* - no physical attendance at the meeting shall be allowed.

Shareholders who intend to participate in the meeting should send their intention as well as the registration requirements, provided below, to lfmcorporatesecretary@gmail.com. Upon receipt of a stockholder's email, the corporate secretary shall verify the identity of the stockholders following the procedure below. If the registration and verification is successful, the corporate secretary shall send, via electronic mail, access to the website links for the broadcast of the Annual Meeting and the voting portal.

The 2021 Annual Meeting shall be broadcast via Zoom, Google Meets, or Microsoft Teams, with voting shall done using 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 2021 Annual Stockholder's Meeting of the Company:

1. Stockholders as of May 3, 2021 are entitled to participate and vote at the 2021 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 May 14, 2021 at 5:00 p.m. 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 2021 Annual Stockholders' Meeting and vote for and 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 to a stockholder's indicated valid active email address containing the following on or before May 19, 2021:
   a. The link which will be used to broadcast the meeting, and
   b. The link where votes will be cast.

7. The meeting will be broadcast via Zoom, Google Meets, or Microsoft Teams, and the voting shall be conducted through the use of Microsoft Forms.

8. The *In Absentia* voting shall be open beginning May 19, 2021 at 9:00 a.m. and shall close on May 26, 2021 at 5:00 p.m.

9. Stockholders who have notified the company of their intention to participate in the annual meeting via remote communication and those that have voted *in absentia* shall be counted for purposes of determining a quorum.

10. 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. Stockholders who are not on mute 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.

11. **The meeting shall be recorded.**

COVER SHEET

S.E.C. Registration Number

1 4 7 8 2

Company Name

LIBERTY FLOUR MILLS, INC.

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

LIBERTY BUILDING 835 A ARNAIZ
AVENUE LEGASPI VILLAGE
MAKATI CITY

Contact Person	Company's Telephone Number/s
MA. ELISA G. LEDESMA	88898677

1 2 / 3 1	**Certificate of Independent Director**	0 5 / 2 6
Month Day Of Fiscal Year	FORM TYPE	Month Day Of Annual Meeting

Secondary License (if Applicable)

Department Requiring this Document

Amended Articles

Number/Section

Total Amount of Borrowings

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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.

Done this 14 day of APR 2021, at Makati City.

DAVID NG
Affiant

SUBSCRIBED AND SWORN to before me this 14 day of APR 2021 at Makati City, affiant personally appeared before me and exhibited to me his/her Passport No. P5099757A issued at DFA Manila on May 14, 2017 as competent evidence of his/her identity.

MICHAEL JOHN RICH S. UY
Notary Public for Makati City
Appointment No. M-03
Until December 31, 2021
Roll No. 72787
IBP No. 135184-12.16.20-PPLM
PTR No. 8533536-1.4.2021-Makati City
8th Floor DPC Place
2322 Chino Roces Avenue, Makati City

Doc. No. 412 ;
Page No. 84 ;
Book No. II ;
Series of 2021.

COVER SHEET

S.E.C. Registration Number

1 4 7 8 2

Company Name

LIBERTY FLOUR MILLS, INC.

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

LIBERTY BUILDING 835 A ARNAIZ
AVENUE LEGASPI VILLAGE
MAKATI CITY

Contact Person

MA. ELISA G. LEDESMA

Company's Telephone Number/s

88898677

1 2 / 3 1

Month Day
Of Fiscal Year

Certificate of Independent Director

FORM TYPE

0 5 / 2 6

Month Day
Of Annual Meeting

Secondary License (if Applicable)

Department Requiring this Document

Amended Articles

Number/Section

Total Amount of Borrowings

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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	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 Corporation	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 13 day of APR 2021, at Makati City.

JOSE A. FERIA JR.
Affiant

SUBSCRIBED AND SWORN to before me this 13 day of APR 2021 at ______ City, affiant personally appeared before me and exhibited to me his/her TIN no. 107-799-449 issued at __________________ on __________________ as competent evidence of his/her identity.

MICHAEL JOHN RICH S. UY
Notary Public for Makati City
Appointment No. M-03
Until December 31, 2021
Roll No. 72787
IBP No. 135184-12.16.20-PPLM
PTR No. 8533536-1.4.2021-Makati City
8th Floor DPC Place
2322 Chino Roces Avenue, Makati City

Doc. No. 384 ;
Page No. 78 ;
Book No. II ;
Series of 2021.

MANAGEMENT REPORT

OF

LIBERTY FLOUR MILLS, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended December 31, 2020 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 2021 is in the aggregate amount of ₱1,254,600.00 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 2020:

Income Statement Data

	For the Year December 31 *(in Thousands of Pesos)*		
	2020	**2019**	**2018**
Income	1,477,083	1,035,224	996,496
Expense	(1,234,844)	(936,215)	(881,501)
Income Before Tax	242,239	99,009	114,995
Provision for Tax	(49,814)	(13,848)	(12,979)
Net Income	**192,425**	**85,161**	**102,016**

Balance Sheet Data

	As of December 31 (in Thousands of Pesos)		
	2020	**2019**	**2018**
Assets:			
Cash and cash equivalents	179,719	168,193	78,623
Receivables	841,240	724,898	726,546
Financial assets at FVPL	94,377	39,142	157,453
Inventories	356,616	172,846	242,024
Accrued rent – current	4,647	2,313	-
Prepaid expenses and other current assets	51,347	77,233	75,888
Financial assets at fair value through OCI	1,044,039	1,177,783	1,168,856

Investment properties	1,223,957	1,167,873	1,202,126
Property, plant and equipment	104,058	60,268	62,020
Accrued rent – noncurrent	54,399	27,113	6,623
Deferred income tax assets	18,104	27,742	26,528
Net retirement plan asset	5,257	-	-
Other noncurrent assets	150,602	56,980	6,620
Total Assets	**4,128,362**	**3,702,384**	**3,753,307**
Liabilities:			
Notes payable	580,000	632,900	770,400
Accounts payable and accrued expenses	449,671	215,519	218,897
Income tax payable	1,213	-	6,412
Deposits on long-term leases – current	10,377	7,427	11,294
Unearned rental income – current	4,818	2,423	11,317
Deposits on long-term leases – noncurrent	19,975	22,251	15,021
Unearned rental income – noncurrent	9,777	13,293	12,694
Net retirement plan liability	59,373	99,893	84,689
Liability to related party - PVI	89,730	-	-
Deferred income tax liability	18,377	6,391	-
Total Liabilities	**1,293,311**	**1,000,097**	**1,130,724**
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	49,360	36,231	(122,474)
Fair value changes on financial assets At FVOCI – without recycling	(104,704)	(111,428)	
Fair value changes on AFS investments			
Accumulated remeasurement loss on retirement	(9,328)	(4,815)	2,920
Retained earnings – appropriated		-	-
Retained earnings – unappropriated	1,399,723	1,282,299	1,242,137
Treasury stock			
Total Stockholders' Equity	**2,835,051**	**2,702,287**	**2,622,583**
Total Liabilities and Stockholders' Equity	**4,128,362**	**3,702,384**	**3,753,307**

Results of Operations

2020

The operations for the year ending December 31, 2020 posted a significant turnaround from previous year 2019 as the sales volume of Bakery Flour & Mill Feeds made a substantial increase by 52%. In terms of Sales Value, the Company delivered P1,088.62 million vs. P742.47 million in 2019 for an increase of 47%. Demand for flour increased steadily until 4th quarter of CY2020 as this is an essential item for food needed during the continuous community quarantine implemented by government to prevent spread of COVID-19. Likewise, Cost of Sales had increased by 44% primarily due to increase in sales. The lease rental from one of the subsidiaries made an increase by 27% from prior year despite of rent concessions given to its tenants due to COVID-19. Lease Rental in 2020 is P262.84 million vs. P206.59 million in 2019. Dividend income was lower versus previous year due to callable redemptions in some investment instruments and interest income was slightly lower also due to some maturities. There was also a decrease in interest expense of 27.5% incurred by one of the subsidiaries due to loan repayments compared to 2019. The increase in revenue both from sales of products and lease income generated a Net Income for the year of P192.42 million as compared to P85.16 million in 2019 or an increase by 56%.

As of the year ended December 31, 2020, the total gross income amounted to P378.51 million, as compared to December 31, 2019 which was only P312.04 million for an increase of 21%. Gross income was accounted as coming from the gross profit 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 P172.28million and P178.12million, 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 P4.13 billion in CY2020 compared to P3.70 billion in PY2019 which was an increase by 12%. The total combined liabilities for CY2020 amounted to P1.29 billion which is higher by 22%, vs. P1 billion in 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.

For the year 2020 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 CY2020 as compared to PY2019:

Financial Assets at FVTPL – The significant increase made in 2020 is because of the reclassification on the recognition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant increase of 106.30% in inventory is due to the higher purchases of wheat inventories in anticipation of further deterioration in prices of imported wheat coupled with increase in demand.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent and Other Noncurrent Assets– The increase in Accrued Rent is partly due to additional rental spaces during the year and 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 progress billing payments made by the Parent Company to the supplier for the purchase of new machineries, being installed but not yet operational.

Notes payable – Decreased by 8.4% because one of the Company's subsidiaries, LPC paid P52.90 million during the year for the previously availed loans.

Accounts Payable and accrued expenses – The increase of 172% is primarily due to the higher liabilities under trust receipts of the Parent Company due to higher importations of wheat grains.

Income Tax Payable – Income tax payable increased 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 PAS 17 on Lease.

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

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.

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, 2020, there was 42.4% significant turnaround in revenue as compared to previous years' same period performance. The increase is attributed to the substantial increase in sales volume of flour bags and mill feed with increase in sales value by 47% due to product mix sold coupled by the increase of rental income by 27.2%.

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, 2020, there was a 44% significant increase in cost of sales primarily due to increase in sales. Likewise, there was a proportionate huge increase in costs related to lease rental which had increased for the year at 64%.

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, 2020, the Company generated gross profit of 18%% for bakery flour and mill feed. There was an increase compared to 17% in prior year gross profit. The slight increase is directly attributable to the increase in sales volume coupled with higher cost of raw materials. Together with the gross profit contribution from lease rental, the Company generated 24% 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, 2020, there was a slight decrease in operating expenses by 3% over the previous year. Operating income realized this year is 119% higher than the previous year.

5. Plant Capacity Utilization

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

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

Liquidity and Capital Resources

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2020 with a current ratio at 1.39:1. The working capital requirement of the Company to carry its business is entirely generated internally.

Summary of 2021 and 2022 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2021 and 2022. The Company forecasts its net income to increase by 3% 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. Spending has actually started in 2020 and full spending might be completed by 2021.

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 is engaged in the 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	79	Filipino	Chairman of the Board
Sandra Judy Uy	44	Filipino	Director
John Carlos Uy	70	Filipino	Director
Vicente S. Vargas	64	Filipino	Director
William L. Ang	70	Filipino	Director
David Ng*	59	Filipino	Director
Jose Ma. S. Lopez	77	Filipino	Director
Jesus S. Jalandoni, Jr.	63	Filipino	Director
Jose S. Jalandoni	66	Filipino	Director
Daniel R. Maramba	48	Filipino	Director
Jose A. Feria Jr.*	73	Filipino	Director

* Independent Director

The Senior Management of the Company is as follows:

Name	Age	Citizenship	Position
William Carlos Uy	79	Filipino	President
Jose Ma. S. Lopez	77	Filipino	Senior Vice President & Treasurer
Sandra Judy Uy	44	Filipino	Senior Vice President – Manufacturing
Vicente S. Vargas	65	Filipino	Corporate Secretary

Following is a brief description of the respective backgrounds of the Company's directors and senior management, and their 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 Corporate Treasurer of Malayan Bank.

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 S. 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 - Treasurer of the Company. His directorship in other corporations include the following: Agchem Manufacturing Corporation and Liberty Commodities 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, Jr. 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 Percom Solutions,OPC.

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,OPC, 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 is 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.

Daniel R. Maramba 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.

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 July 29, 2020 Mr. John 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 S. 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 S. 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 S. Jalandoni and Jesus S. Jalandoni Jr. are siblings.

Jose S. Jalandoni, Jesus S. Jalandoni Jr., Jose Ma. S. Lopez and Vicente S. 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 L. 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 March 31, 2021, there are 442 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of March 31, 2021 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,521,231	40.35%
2.)	PCD Nominee Corp.	48,212,687	32.14%
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	0.62%
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	737,112	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

Stock Information

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:

	High	**Low**	**Close on Last Applicable Trading Day of the Quarter**
2021			
First Quarter	41.00	27.25	40.00
2020	**High**	**Low**	
First Quarter	45.00	28.00	40.00
Second Quarter	43.00	30.35	41.00
Third Quarter	43.00	39.50	39.50
Fourth Quarter	75.00	36.05	38.60

2019	High	Low	
First Quarter	54.00	53.00	53.00
Second Quarter	53.00	50.00	50.00
Third Quarter	52.20	26.40	52.20
Fourth Quarter	75.00	33.05	41.65

Market Information (Latest Practicable Trading Date)	
Date	April 16, 2021
Open	₱32.00
High	₱32.00
Low	₱31.9
Close	₱31.9
Volume	1,000
% Change	Down 2.89%

Dividends

Cash Dividends

The average dividend per share of the Company was ₱0.50 per shares in 2020, ₱0.30 in 2019, and ₱1.00 in 2018.

Property Dividends

On November 25, 2020, the Parent Company's BOD approved the declaration of property dividends in the form of 10.35 billion common shares of LPC (with a par value of ₱0.01 per share), with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Parent Company, to eligible stockholders of the Parent Company as of record date of December 18, 2020.

As of March 24, 2021, the property dividends have not yet been distributed to the Parent Company's shareholders, subject to the application and eventual approval of the SEC.

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2020, 2019, and 2018.

	Dividend Type	**Record Date**	**Rate**	**Amount (₱)**
For 2020	Property	December 18, 2020	69 LPC shares per LFM Share	88,001,880.00
For 2020	Cash	July 14, 2020	5%	75,000,000.00
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

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

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

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

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

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

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

In addition to the Audit Committee composed of David Ng as Chairman and 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 S. 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 L. 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 L. 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.

2020 ANNUAL STOCKHOLDER'S MEETING

Quorum for the 2020 Annual Stockholders' Meeting

At the 2020 Annual Stockholders' Meeting of the Corporation, there were the stockholders present through person or proxy represented 131,552,976 shares which corresponds to 87.7% of the issued and outstanding capital stock entitled to vote.

Voting and Vote Tabulation Procedures used in the Meeting

In the 2020 Regular Meeting voting was done during the meeting shall either be in person (through remote communication), through proxy, or voting in absentia.

Votes through Proxy

Stockholders had the option to vote through proxy where the proxy form included with the information statement would be filled up and sent to the LFM's principal office address or electronically to the Corporate Secretary at to lfmcorporatesecretary@gmail.com.

Voting in Absentia

Stockholders were given the option of using the online web address provided to the shareholders. This online web address led them to a Microsoft Form which contained the matters to be voted on, as well as a mechanism for stockholders to cast their votes. Stockholders who casted their votes *in absentia* were considered as present for the purposes of the quorum.

Voting at the Meeting

For the stockholders that were present in the remote communication meeting, the shareholders may cast their vote either by *viva voce* or by a show of hands.

Tabulation and Counting of Results

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.

For the 2020 Annual Stockholders' Meeting, after each matter on the agenda, the stockholders were given an opportunity to ask their questions or give their comments relevant to the matter being presented.

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

Approval of the Minutes of the 2020 Annual Stockholder's Meeting

There was a total of 131,552,976 shares present by person and/or by proxy in the 2020 Annual Shareholders' Meeting, representing 87.7% of the Company's total issued and outstanding capital stock.

For Agenda matter concerning the approval of the Minutes of the 2019 Stockholders' Meeting, this was affirmed, approved, and ratified by the affirmative and unanimous vote of the stockholders present in person and/or through proxy, and/or voting through remote communication.

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 2020 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, and/or voting through remote communication..

Election of Directors

The shareholders unanimously elected the following as Directors of the Company:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente S. 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 2020 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, and/or voting through remote communication.

<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 L. Ang;
5. Vicente S. 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 2020 Annual meeting:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;

3. John Carlos Uy;
4. William L. Ang;
5. Vicente Vargas;
6. Jesus S. Jalandoni, Jr.
7. David Ng;
8. Sandra Judy Uy;
9. Daniel R. Maramba;
10. Jose A. Feria Jr.;
11. Feria Tantoco Daos Law Offices (represented by Michael B. Tantoco);
12. COL Financial (through Ms. Hershey Lagumay); and
13. Julius Sanvictores.

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 L. 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 2020 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.

Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBILITY 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, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 **24th** day of **March 2021**

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

SUBSCRIBED AND SWORN TO before me this ____ day of APR 1 5 2021, in CITY OF MAKATI affiants exhibiting to me his competent evidence of identity as follows:

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

Doc. No. 183
Page No. 38
Book No. X
Series of 2021.

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

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	7	8	2						

C O M P A N Y   N A M E

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

C O M P A N Y   I N F O R M A T I O N

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)
441	May 26	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.*

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

Tel: (632) 8891 0307
Fax: (632) 8819 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, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Provisions and Contingencies

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

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

Audit response

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021

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

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱179,719,444**	₱168,192,892
Receivables (Note 5)	**841,239,779**	724,897,821
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**94,377,416**	39,142,457
Inventories (Note 7)	**356,615,886**	172,845,814
Accrued rent - current portion (Note 26)	**4,646,857**	2,313,384
Prepaid expenses and other current assets (Note 8)	**51,347,075**	77,232,609
Total Current Assets	**1,527,946,457**	1,184,624,977
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	**1,044,038,905**	1,177,783,424
Investment properties (Notes 10, 13 and 26)	**1,223,957,338**	1,167,873,287
Property, plant and equipment (Note 11)	**104,058,478**	60,267,584
Deferred tax assets - net (Note 23)	**18,103,777**	27,742,144
Accrued rent - net of current portion (Note 26)	**54,399,114**	27,112,503
Net retirement plan asset (Note 21)	**5,256,513**	–
Other noncurrent assets (Note 12)	**150,601,151**	56,979,918
Total Noncurrent Assets	**2,600,415,276**	2,517,758,860
TOTAL ASSETS	**₱4,128,361,733**	₱3,702,383,837

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 10 and 13)	**₱580,000,000**	₱632,900,000
Accounts payable and other current liabilities (Note 14)	**499,671,046**	215,519,536
Current portion of:		
Deposits on long-term leases (Note 26)	**10,377,345**	7,427,205
Unearned rental income (Note 26)	**4,817,905**	2,422,935
Income tax payable	**1,212,931**	–
Total Current Liabilities	**1,096,079,227**	858,269,676
Noncurrent Liabilities		
Net retirement plan liability (Note 21)	**59,372,880**	99,893,314
Deposits on long-term leases - net of current portion (Note 26)	**19,974,491**	22,250,613
Unearned rental income - net of current portion (Note 26)	**9,777,271**	13,292,628
Payable to a related party (Note 10)	**89,730,000**	–
Deferred tax liabilities - net (Note 23)	**18,377,308**	6,391,058
Total Noncurrent Liabilities	**197,231,950**	141,827,613
Total Liabilities	**1,293,311,177**	1,000,097,289

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

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

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

2. Significant Accounting and Financial Reporting Policies

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

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular 3 Series of 2019 for the deferral of the application of Accounting for Common Usage Service Area (CUSA) discussed in PIC Q&A No. 2018-12-H for a period of 3 years starting from January 1, 2018 to December 31, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Day 1" Difference

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

Financial Instruments

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

a. Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For cash, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on 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, 2020 and 2019, the Group's loans and borrowings consist of notes payable, accounts payable and other current liabilities and deposits on long-term leases. The Group has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding or embedded derivatives as at December 31, 2020 and 2019.

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

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	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.

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

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

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

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

Dividend Distribution

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

Stock Issuance Costs

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

Basic/Diluted Earnings per Share

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

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

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

Revenue from Contracts with Customers

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

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

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

Sales

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

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

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

<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.

<u>Costs and Expenses</u>
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

Contingencies

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

Segment Reporting

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that 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 ₱453.40 million and ₱510.43 million as at December 31, 2020 and 2019, respectively (see Note 9).

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

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

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

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

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

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

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

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

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

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

4. **Cash and Cash Equivalents**

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

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

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

5. **Receivables**

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

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

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

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

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

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

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

6. Financial Assets at Fair Value through Profit or Loss

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

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

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

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

7. Inventories

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

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

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

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

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

8. Prepaid Expenses and Other Current Assets

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

9. Financial Assets at Fair Value through Other Comprehensive Income

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

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

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

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

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

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

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

10. Investment Properties

	2020				
	Land (see Note 13)	**Building and Building Improvements** (see Note 13)	**Condominium Unit**	**Construction in Progress**	**Total**
Cost					
Balance at beginning of year	**₱492,277,625**	**₱1,003,924,808**	**₱11,216,084**	**₱–**	**₱1,507,418,517**
Additions	**99,700,000**	**727,858**	**203,572**	–	**100,631,430**
Balance at end of year	**591,977,625**	**1,004,652,666**	**11,419,656**	–	**1,608,049,947**
Accumulated Depreciation					
Balance at beginning of year	**–**	**329,068,336**	**10,476,894**	–	**339,545,230**
Depreciation	**–**	**44,470,325**	**77,054**	–	**44,547,379**
Balance at end of year	**–**	**373,538,661**	**10,553,948**	–	**384,092,609**
Net book values	**₱591,977,625**	**₱631,114,005**	**₱865,708**	**₱–**	**₱1,223,957,338**

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

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

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

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

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

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

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

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

The aggregate fair value of investment properties amounted to ₱5.49 billion and ₱4.68 billion as at December 31, 2020 and 2019. These have been determined based on valuation performed by a qualified and independent appraiser in 2020 and 2019, respectively. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

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

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

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

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

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

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

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

Development Rights

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

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

11. Property, Plant and Equipment

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

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

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

12. Other Noncurrent Assets

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

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

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

13. Notes Payable

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

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

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

14. Accounts Payable and Other Current Liabilities

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

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

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

Dividends payable consist of dividends declared but not yet paid.

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

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

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

15. **Equity**

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

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

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

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

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

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

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

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

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.

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

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

Cash Dividends

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

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

Property Dividends

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

16. Revenue from Contracts with Customers

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

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

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

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

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

17. Cost of Sales

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

18. Expenses

Administrative Expenses

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

Selling Expenses

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

Interest Expense

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

19. Personnel Costs

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

20. Other Income - Net

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

Utilities charges include water and electricity consumption charged to tenants.

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

21. Retirement Benefits Costs

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

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

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

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

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

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

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

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

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

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

The composition of the plan assets follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Comprehensive Income

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

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

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

22. **Provisions and Contingencies**

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

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

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

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

b. Tax Assessments

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

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

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

23. **Income Taxes**

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

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

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

(Forward)

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

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

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

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

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

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

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

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

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

24. Basic/Diluted Earnings Per Share

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

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

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

25. Related Party Transactions

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

Related party receivables are generally settled in cash.

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

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

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

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

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

c. The key management personnel compensation is as follows:

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

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

26. Leases

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

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

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

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

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

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

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

27. **Financial Instruments and Financial Risk Management Objectives and Policies**

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

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

Credit Risk

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

The Group is also potentially subject to concentrations of credit risk in its accounts receivable. Approximately all of the Group's entire trade receivables and revenues are concentrated with its three distributors as at December 31, 2020 and 2019. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. While there is delay in collection of some trade receivables (those classified under "Past due but not impaired") the Group is in close coordination with the distributor to bring their accounts to current. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

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

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

**excluding cash on hand, amounting to ₱721,335 and ₱37,940 as at December 31, 2020 and 2019, respectively.*
*** before considering provision for expected credit losses ₱1,592,626 and ₱1,592,626 for past due and impaired accounts as at December 31, 2020 and 2019, respectively.*
****excluding advances to suppliers amounting to ₱144,163,764 and ₱50,262,409 and computer software amounting to ₱99,099 and ₱350,626 as at December 31, 2020 and 2019, respectively.*

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

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

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

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

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

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

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

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

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

	2020								
	Current	**1-30 days**	**31 - 60 days**	**61-90 days**	**91-120 days**	**121-150 days**	**151-180 days**	**More than 180 days**	**Total**
Trade receivables -									
TDC									
Expected credit loss rate	**0.39%**	**1.57%**	**1.57%**	**1.57%**	**1.57%**	**1.57%**	**1.62%**	**2.27%**	
Estimated total gross carrying amount at default	**₱57,983,426**	**₱14,318,019**	**₱16,829,552**	**₱15,726,740**	**₱12,258,476**	**₱9,911,068**	**₱15,858,339**	**₱1,202,251**	**₱144,087,871**
Expected credit loss	**224,487**	**224,717**	**264,135**	**246,826**	**192,394**	**155,552**	**257,265**	**27,250**	**1,592,626**

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

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

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

Equity Price Risk

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

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

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

	2020	
	Increase (decrease) in rate	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**34%**	**4,301,921**
	(34%)	**(4,301,921)**
Financial assets at FVOCI	**(4%)**	**(14,717,420)**
	4%	**14,717,420**

	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)

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

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

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

(Forward)

	2020			
	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Financial Liabilities				
Notes payable, including interest	₱–	₱606,879,982	₱–	₱606,879,982
Accounts payable and other current liabilities:				
Trade payables	61,687,676	–	–	61,687,676
Liabilities under trust receipts	245,138,627	–	–	245,138,627
Accrued liabilities – inventory in transit	112,300,525	–	–	112,300,525
Dividends payable	32,570,612	–	–	32,570,612
Customers and tenants' deposits	12,442,924	–		12,442,924
Construction bond	3,740,497	–	–	3,740,497
Accrued selling, freight, outside services and other expenses	24,063,790	–	–	24,063,790
Payable to a related party	–	–	89,730,000	89,730,000
Deposits on long-term leases	–	10,517,318	31,654,427	42,171,745
Total financial liabilities	491,944,651	617,397,300	121,384,427	1,230,726,378
Net financial asset (liabilities)	₱663,405,448	(₱567,192,029)	₱838,824,016	₱935,037,435

	2019			
	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:				
Cash in banks	₱102,440,941	₱–	₱–	₱102,440,941
Cash equivalents	65,714,011	–	–	65,714,011
Trade receivables from related parties, net of allowance	693,992,293			693,992,293
Rent receivables:				
Third parties	8,735,650	–	–	8,735,650
Related parties	278,793	–	–	278,793
Advances to a broker	8,384,356	–	–	8,384,356
Other receivables	10,628,412	–	–	10,628,412
Other noncurrent assets	–	–	6,366,883	6,366,883
Financial assets at FVTPL	39,142,457	–	–	39,142,457
Financial assets at FVOCI:				
Equity securities	–	–	667,353,981	667,353,981
Debt securities	35,021,350	28,662,903	446,745,190	510,429,443
Total financial assets	964,338,263	28,662,903	1,120,466,054	2,113,467,220
Financial Liabilities				
Notes payable, including interest	–	634,753,341	–	634,753,341
Accounts payable and other current liabilities:				
Trade payables	18,508,652	–	–	18,508,652
Liabilities under trust receipts	70,417,269	–	–	70,417,269
Accrued liabilities – inventory in transit	57,498,654	–	–	57,498,654
Dividends payable	32,051,412	–	–	32,051,412
Customers and tenants' deposits	6,181,604	4,773,195	1,047,559	12,002,358
Construction bond	3,845,528	–	–	3,845,528
Accrued selling, freight, outside services and other expenses	15,337,413	–	–	15,337,413
Deposits on long-term leases	–	2,422,936	13,292,628	15,715,564
Total financial liabilities	203,840,532	641,949,472	14,340,187	860,130,191
Net financial asset (liabilities)	(₱760,497,731)	(₱613,286,569)	₱1,106,125,867	₱1,253,337,029

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

Fair Value

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

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

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

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

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

	2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱94,377,416**	**₱94,377,416**	**₱–**	**₱–**
Financial assets at FVOCI:				
Quoted debt securities	**453,400,154**	**453,400,154**	**–**	**–**
Quoted equity securities	**578,526,420**	**578,526,420**	**–**	**–**
Unquoted equity securities	**12,112,331**	**–**	**–**	**12,112,331**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**5,385,918,490**	**–**	**–**	**5,385,918,490**

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

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

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

28. Capital Management Policies

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

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

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

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

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

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

29. Note to Consolidated Statements of Cash Flows

a. The Group has no noncash investing and financing activities except for the following:

- Purchase of development rights in 2020 with unpaid consideration of ₱89.73 million as of December 31, 2020 (see Note 10).
- Purchase of investment properties on account in 2018 amounting to ₱7.04 million.

b. Changes in liabilities arising from financing activities

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

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

	2019			
	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

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

30. Other Matters

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

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

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

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

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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

b. *COVID-19 Pandemic*

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Upon lifting of the ECQ on May 16, 2020, the modified ECQ has been implemented until May 31, 2020 and general community quarantine (GCQ) until June 30, 2020. On August 3, 2020, the Office of the President issued a Memorandum declaring MECQ for NCR and selected provinces, starting August 4, 2020 until August 18, 2020. On August 19, 2020, NCR was placed under general community quarantine until August 31, 2020, which was subsequently extended until March 28, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

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

31. Segment Information

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

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

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

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

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

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

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

	2019			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱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	502,436,489	116,920,099	80,621,237	699,977,825
Gross profit on sales/income	141,587,304	(18,477,667)	188,933,173	312,042,810
Selling and administrative expenses	(154,506,102)	(23,617,072)	–	(178,123,174)
Interest expense	–	–	(53,203,734)	(53,203,734)
Other charges – net	580,976	88,805	17,623,122	18,292,903
Provision for income tax	–	–	–	(13,847,949)
Net income	(₱12,337,822)	(₱42,005,934)	₱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	565,374,524	67,103,831	40,792,965	673,271,320
Gross profit on sales/income	89,169,536	1,231,824	147,924,646	238,326,006
Selling and administrative expenses	(175,643,409)	(5,658,756)	–	(181,302,165)
Interest expense	–	–	(13,465,488)	(13,465,488)
Other charges - net	(12,650,518)	(1,320,737)	85,407,531	71,436,276
Provision for income tax	–	–	–	(12,978,975)
Net income	(₱99,124,391)	(₱5,747,669)	₱219,866,689	₱102,015,654
Property, plant and equipment	₱56,651,227	₱5,320,793	₱–	₱61,972,020
Investment properties	₱–	₱–	₱1,202,125,662	₱1,202,125,662
Depreciation and amortization	₱12,192,114	₱390,749	₱15,972,454	₱28,555,317
Additions to property, plant and equipment and investment properties	₱7,644,442	₱717,981	₱220,540,140	₱228,902,563

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2020

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

**Not applicable*

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

FINANCIAL ASSETS (Annex 68-J: Schedule A)

DECEMBER 31, 2020

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

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

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

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS (Annex 68-J: Schedule C)

DECEMBER 31, 2020

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

CAPITAL STOCK (Annex 68-J: Schedule G)

DECEMBER 31, 2020

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Annex 68-D)

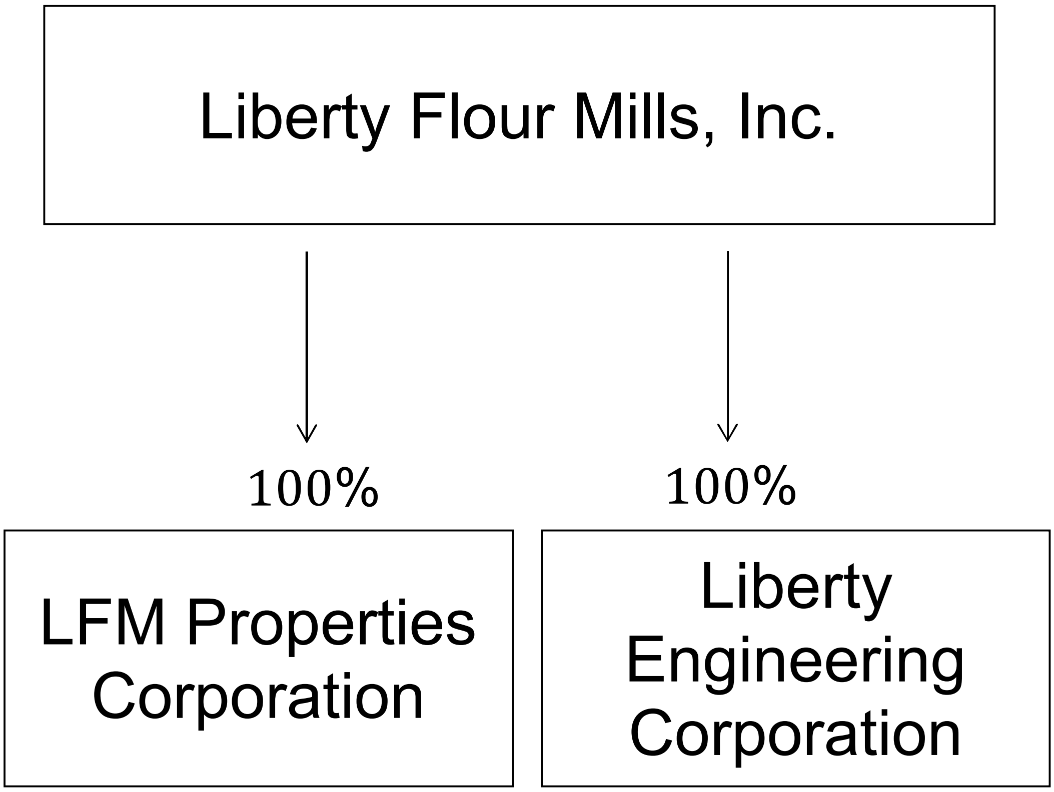
DECEMBER 31, 2020

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2020



SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 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
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)

DECEMBER 31, 2020

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

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-A		

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
441	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) 892-5011	–

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-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2020**

2. SEC Identification Number **14782** 3. BIR Tax Identification No. **000-128-846-000**

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

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

6. (SEC Use Only)
Industry Classification Code:

7. **LIBERTY BUILDING, A. ARNAIZ AVENUE, MAKATI CITY** — **1223**
Address of principal office — Postal Code

8. **(632) 892-5011**
Issuer's telephone number, including area code

9. **NONE**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 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 these securities listed on a Stock Exchange.

Yes [✓] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE **COMMON**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that 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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify
the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders; **-NA-**

(b) Any information statement filed pursuant to SRC Rule 20; **-NA-**

(c) Any prospectus filed pursuant to SRC Rule 8.1. **–NA-**

Liberty

LIBERTY FLOUR MILLS, INC.

2020
ANNUAL REPORT

PART I - BUSINESS AND GENERAL INFORMATION

1. 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 Parent Company is primarily engaged in the business of manufacturing 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 since then.

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 its subsidiary. Neither was there any material reclassification, merger, consolidation or purchase or sale of a significant amount of the assets of the Company or its subsidiary.

<u>Products</u>

The products of the Company consist mainly of flour products. The following is a description of the primary products produced by the Company:

1. **Bakery Flour**

a. El Superior and LFM Bakers

El Superior and LFM Bakers are the Company's flour products which undergo the same processes as the other flour products the Company produces. Unlike the Pine Tree and LFM Soft brands, these products are hard variety of flour best for making pandesal and loaf bread. El Superior is marketed exclusively by Parity Values, Inc., while LFM Bakers is marketed by Liberty Commodities Corporation.

b. Pine Tree and LFM Soft

Pine Tree and LFM Soft are soft variety of flour are best used for making biscuits and cookies. Pine Tree and LFM soft are marketed by Trade Demands Corporation. and Liberty Commodities Corporation, respectively.

2. **Mill Feed**

Mill Feed is a flour by-product which is sold for animal feeds.

<u>Services</u>

The Company is likewise engaged in the business of leasing out office and commercial spaces directly or through its wholly owned subsidiary, LFM Properties Corporation. The Company leases out excess office spaces at its head office at Liberty Building in Makati City. It also leases out commercial and office spaces at its property in Mandaluyong City. LFM Properties

Corporation owns: (1) a 19-storey building in Salcedo Village, Makati City which is fully leased out to local and foreign corporations as well as some foreign embassies and consulates; (2) a 17-storey building in Salcedo Village, Makati City which was completed in Q1 2019; (3) two-(2) residential condominium units which is fully leased out; and (4) a 2,100 square meter property in Ortigas Center which is currently leased out as a parking lot. Future plans for the Ortigas Center property are not yet definite although studies are being undertaken for a 2-storey structure to be leased out to commercial and service establishments. Although the property sector has suffered from high vacancy rates during the last 5 years, the Company has done well with its real estate investments because of its prudent approach to the development of properties. Its strategy of providing superior quality office and commercial spaces at reasonable rates and maintaining low levels of debt have proven to be a successful formula in an industry dominated by large developers such as Ayala Land Inc., Megaworld Properties, Empire East Land and Robinsons Land Corporation. With the recent upturn in the property market, the Company intends to develop its Ortigas Center property in the near future. Although no firm plans have yet been approved, the Company intends to continue to follow its conservative development strategy in case of a sudden downturn in the real estate industry.

The relative contribution of the Company's products and services to its sales or revenues are as follows:

Products/Services	Percentage of Sales/Revenues
Hard Flour	54%
Soft Flour	18%
Mill Feed	9%
Rental Income	19%

Customers

Transactions with and/or Dependence on Related Parties

The Company's products are exclusively distributed and marketed by Parity Values, Inc., Trade Demands, Corp., and Liberty Commodities Corp. The Company sells its products mainly on a wholesale basis principally to bakeries, institutional end-users (i.e. pastry and cake shops) as well as supermarkets members of the baking and food supply industry nationwide. The Company, likewise, does not engage in the retail of its products.

Its business is dependent on the three (3) above-mentioned distributors whereby the loss of any of the three (3) would have a material adverse effect on the business.

Other than the products above-mentioned, the Company currently has no new products or services under development.

In view of the Company's distribution structure, the Company is largely dependent on the distribution capability of its three (3) distributors.

The Company's products are distributed to the above-mentioned distributors as follows:

Distributor	Percentage to Sales
Parity Values, Inc.	64%
Trade Demands, Corp.	14%
Liberty Commodities Corp.	22%

Competition

Considering that competition in the supply of flour, bakery and mill products is stiff, the Company believes that product pricing, customer service and satisfaction and product performance will ultimately determine market leadership. Currently, the Company's market strategy follows such belief and the Company is confident that by making the quality of its products more superior than that of its competitors, while maintaining the competitiveness of its prices, it will be able to maintain, if not further improve, its standing in the industry.

There are now about twenty one (21) major flour millers in the country who are currently undertaking the same business as the Company.

The first eight were established in the 1960s. These were the following:

1. RFM Corporation
2. General Milling Corporation
3. Wellington Flour Mills Corporation
4. Pacific Flour Mills
5. Pilmico Foods Corporation
6. Philippine Flour Mills
7. Liberty Flour Mills
8. Universal Robina Corporation

In 1990s, the following established their own mills:

9. San Miguel Corp.
10. Philippine Foremost Milling Corp.
11. Morning Star Milling Corporation
12. Delta Milling Industry

Newer mills have joined the industry and made competition stronger and these are:

13. Monde Nissin Corp.
14. Atlantic Grains Corp.
15. Asian Grains Corp.
16. Agri-Pacific Rebisco Flour Mills
17. Great Earth Industrial Corp.
18. New Hope Flour Mills
19. North Star Flour Mills
20. Big C Agriflour Corp.

Late in 2017, a multinational joint venture between the Salim family of Indonesia and Australian CBH Group open their latest milling venture in Asia, the Mabuhay Interflour Mills.

The market share of the Company is approximately five (5%) percent.

Purchase of Raw Materials and Supplies

The principal materials purchased are obtained on a competitive basis from many different sources that are readily available, both in the Philippines and abroad such as: Columbia Grain Int'l, LLC., CHS, Inc., and Bunge Asia PTE. Ltd.

Employees

As of December 31, 2020, the Company has 127 regular and probationary employees as follows:

Type of Employee	Number of Employees
Managerial	15
Administrative	10
Clerical	5
Operations	97
Total	127

The rank-and-file employees and the supervisory employees are subject to separate Collective Bargaining Agreements (CBA). Both CBAs will expire on June 30, 2024.

The Company has not experienced any strike or had been threatened by a strike. Relationship between management and labor has been harmonious.

The Company's subsidiary has the following employees:

Type of Employees	LFM Properties Corp.
Managerial	6
Administrative	2
Clerical	0
Operations	7
Total	15

Working Capital

The working capital required by the Company in its business is from internally generated funds and bank borrowings.

Sales

All sales by the Company of its products are sold locally or to the domestic market. The Company does not export nor cater to foreign consumers.

Subsidiaries

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.

Effect of any existing or probable government regulation on the business of the Company

The Company's products are subject to evaluation and approval by the Bureau of Food and Drugs. The Company ensures that all its products comply with strict government and health standards.

Other than as mentioned above, the Company is not aware of any existing or probable government regulations that would have an effect on the business of the Company. Should there be new government regulations that would have an adverse effect on the Company's business, the Company believes that it will have to make adjustments in its business so that it may comply with such new regulations.

The subsidiaries of the Company are required to secure mayor's permits and business permits. For the current year, the subsidiaries have already secured the necessary permits and has paid the fees thereof.

Prior to the construction of the buildings, the Company's subsidiary, LFM Properties Corporation, has secured the necessary permits, including the environmental compliance certificate required by the Department of Environment and Natural Resources.

Research and Development

None of the research and development expenses are borne directly by the Company's customers.

On the other hand, the subsidiaries are not expected to spend any amount for development activities.

Patents

The Company enters into royalty agreements covering its products. The Company regularly ensures that all such agreements are valid and subsisting and takes earnest efforts in protecting its right to such agreements.

In 2003, the Company's Royalty Agreement with General Mills, Inc., a Delaware Corporation, involving the license to use the trademark Softasilk has expired.

The Royalty Agreement of the Company with General Mills, Inc. for the exclusive license to use the trademark Gold Medal expired in December 2009.

Cost of Compliance with Environmental Laws

The Company was granted Environmental Compliance Certificate (ECC) by the DENR-NCR after complying with the Environmental Impact Statement (EIS) System requirements as prescribed in the guidelines of the Implementing Rules & Regulations of Presidential Decree No. 1586. A Permit To Operate pursuant to Clean Air Act (RA 8749) is granted to the Company with annual fees of around P19, 700.00 and other charges.

Major Risks Involved

The Company is affected by foreign exchange fluctuation considering that its supplies and raw materials are sourced abroad. Similarly, increase in the price of wheat in the world market poses as a major risk to the Company. When necessary, the Company adjusts the prices of its products in order to meet changes in the currency rates and prices.

The properties of the Company and its subsidiary are sufficiently insured with reputable insurance companies.

2. Properties

The properties of the Company consist of the following:

1. A parcel of land with a flour mill located at F.Blumentritt Ext., Mandaluyong City which serve as the manufacture plant of the Company for its flour and feeds products;

2. A parcel of land located at the border of Angono and Teresa, Rizal which is not used in operation;

3. A parcel of land with a building located along Boni cor. P. Cruz, Mandaluyong City which is being leased out to tenants; and

4. A parcel of land with a building located at A.Arnaiz Avenue, Makati City which serves as the management and administrative building of the Company.

The Company also owns several properties which were purchased for investment purposes, namely:

1. A parcel of land located in Cabuyao, Laguna
2. A parcel of land located in Tagaytay
3. A parcel of land in Angeles City
4. A parcel of land in FTI Taguig
5. A building unit in PSE, Fort BGC

All of the Company's properties are owned by it as absolute and registered owner.

The Company currently does not have any plans of acquiring any other real property within the next twelve (12) months.

3. Legal Proceedings

The Company is involved in legal proceedings and 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.

However, there are no pending criminal cases filed against the Company or any of its directors and key officers.

4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

5. Market for Company's Common Equity and Related Stockholder Matters

Market Information

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
Second Quarter	43.00	41.00
Third Quarter	39.50	39.50
Fourth Quarter	40.00	38.00
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

Holders

As of December 31, 2020, there are 441 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of December 31, 2020 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,521,231	40.35%
2.)	PCD Nominee Corp.(F)	48,222,057	32.15%
3.)	Bacsay Management Corp.	5,589,742	3.73%
4.)	Sebring Management Corp.	3,122,102	2.08%
5.)	E.K.I Tourist Dev. Corp.	2,855,505	1.90%
6.)	L & J Agricultural Inc.	2,417,841	1.61%
7.)	Moreno, Jose Jr.	928,277	0.62%
8.)	Lopez Jr., Eduardo	915,468	0.61%
9.)	Pulmones, Amelia Kalaw	913,613	0.61%
10.)	Carvina Farms Inc.	769,920	0.51%
11.)	Feria, Paula K.	737,112	0.49%
12.)	Fajardo, Erwin M.	697,337	0.46%
13.)	Kalaw, Regina	628,116	0.42%
14.)	Lopez, Jose Ma. S.	624,465	0.42%
15.)	Hsu, Philip	602,405	0.40%
16.)	Galan, Norma Yu	524,745	0.35%
17.)	Fajardo, Eric	521,796	0.35%
18.)	Javellana, Maria Teresa V.	509,493	0.34%
19.)	Maramba III, Felix R.	487,934	0.33%
20.)	Quiros, Ma. Cristina V.	475,344	0.32%

Dividends

Cash Dividends
The average cash dividend per share of the Company was ₱.50 in 2020, P0.30 in 2019 and ₱1.00 in 2018.

Property Dividends

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

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2020, 2019, and 2018.

	Dividend Type	Record Date	Rate	Amount
For 2020	Property	December 18, 2020	69 LPC shares per LFM Share	P88,001,880.00
For 2020	Cash	July 14,2020	5%	P75,000,000.00
For 2019	Cash	May 10,2019	3%	P45,000,000.00
For 2018	Cash	April 6,2018	5%	P75,000,000.00
	Cash	November 12,2018	5%	P75,000,000.00

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

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

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

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

6. 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 2020:

Income Statement Data

For the Year December 31
(in Thousands of Pesos)

	2020	2019	2018
Income	1,477,083	1,035,224	996,496
Expense	(1,234,844)	(936,215)	(881,501)
Income Before Tax	242,239	99,009	114,995
Provision for Tax	(49,814)	(13,848)	(12,979)
Net Income	192,425	85,161	102,016

Balance Sheet Data

	As of December 31 (in Thousands of Pesos)		
	2020	**2019**	**2017**
Assets:			
Cash and cash equivalents	179,719	168,193	78,623
Receivables	841,240	724,898	726,546
Financial assets at FVPL	94,377	39,142	157,453
Inventories	356,616	172,846	242,024
Accrued rent – current	4,647	2,313	-
Prepaid expenses and other current assets	51,347	77,233	75,888
Financial assets at fair value through OCI	1,044,039	1,177,783	1,168,856
Investment properties	1,223,957	1,167,873	1,202,126
Property, plant and equipment	104,058	60,268	62,020
Accrued rent – noncurrent	54,399	27,113	6,623
Deferred income tax assets	18,104	27,742	26,528
Net retirement plan asset	5,257	-	-
Other noncurrent assets	150,602	56,980	6,620
Total Assets	**4,128,362**	**3,702,384**	**3,753,307**
Liabilities:			
Notes payable	580,000	632,900	770,400
Accounts payable and accrued expenses	499,671	215,519	218,897
Income tax payable	1,213	-	6,412
Deposits on long-term leases – current	10,377	7,427	11,294
Unearned rental income – current	4,818	2,423	11,317
Deposits on long-term leases – noncurrent	19,975	22,251	15,021
Unearned rental income – noncurrent	9,777	13,293	12,694
Net retirement plan liability	59,373	99,893	84,689
Liability to related party-PVI	89,730	-	-
Deferred income tax liability	18,377	6,391	-
Total Liabilities	**1,293,311**	**1,000,097**	**1,130,724**
Stockholders' Equity			
Capital stock – P10 par value			
Issued – 150 million shares	1,500,000	1,500,000	1,500,000
Fair value changes on financial assets at FVOCI – with recycling	49,360	36,231	(122,474)
Fair value changes on financial assets at FVOCI – without recycling	(104,704)	(111,428)	
Fair value changes on AFS investments			
Accumulated remeasurement gains (losses) on retirement benefits	(9,328)	(4,815)	2,920
Retained earnings – unappropriated	1,399,723	1,282,299	1,242,137
Total Stockholders' Equity	**2,835,051**	**2,702,287**	**2,622,583**
Total Liabilities and Stockholders' Equity	**4,128,362**	**3,702,384**	**3,753,307**

Results of Operations

2020

The operations for the year ending December 31, 2020 posted a significant turnaround from previous year 2019 as the sales volume of Bakery Flour & Mill Feeds made a substantial increase by 52%. In terms of Sales Value, the Company delivered P1,088.62 million vs. P742.47 million in 2019 for an increase of 47%. Demand for flour increased steadily until 4th quarter of CY2020 as this is an essential item for food needed during the continuous community quarantine implemented by government to prevent spread of COVID-19. Likewise, Cost of Sales had increased by 44% primarily due to increase in sales. The lease rental from one of the subsidiaries made an increase by 27% from prior year despite of rent concessions given to its tenants due to COVID-19. Lease Rental in 2020 is P262.84 million vs. P206.59 million in 2019. Dividend income was lower versus previous year due to callable redemptions in some investment instruments and interest income was slightly lower also due to some maturities. There was also a decrease in interest expense of 27.5% incurred by one of the subsidiaries due to loan repayments compared to 2019. The increase in revenue both from sales of products and lease income generated a Net Income for the year of P192.42 million as compared to P85.16 million in 2019 or an increase by 56%.

As of the year ended December 31, 2020, the total gross income amounted to P378.51 million, as compared to December 31, 2019 which was only P312.04 million for an increase of 21%. Gross income was accounted as coming from the gross profit 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 P172.28million and P178.12million, 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 P4.13 billion in CY2020 compared to P3.70 billion in PY2019 which was an increase by 12%. The total combined liabilities for CY2020 amounted to P1.29 billion which is higher by 22%, vs. P1 billion in 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.

For the year 2020 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 CY2020 as compared to PY2019:

Financial Assets at FVTPL – The significant increase made in 2020 is because of the reclassification on the recognition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant increase of 106.30% in inventory is due to the higher purchases of wheat inventories in anticipation of further deterioration in prices of imported wheat coupled with increase in demand.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent and Other Noncurrent Assets– The increase in Accrued Rent is partly due to additional rental spaces during the year and 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 progress billing payments made by the Parent Company to the supplier for the purchase of new machineries, being installed but not yet operational.

Notes payable – Decreased by 8.4% because one of the Company's subsidiaries, LPC paid P52.90 million during the year for the previously availed loans.

Accounts Payable and accrued expenses – The increase of 172% is primarily due to the higher liabilities under trust receipts of the Parent Company due to higher importations of wheat grains.

Income Tax Payable – Income tax payable increase 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 PAS 17 on Lease.

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

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 P102.01 million 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 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 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.

<u>2018</u>

The operations for the year resulted in a net income of P102million, 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 P1.13billion 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.

Summary of 2021 and 2022 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2021 and 2022. The Company forecasts its net income to increase by 2% from its preceding year.

The Company does not have any material commitments for capital expenditures for the year 2020.

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. Spending has actually started in 2020 and full spending might be completed by 2021.

7. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended 31 December 2020 is attached as Annex "A" of this Report.

8. 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 Company paid P1,230,000 net of VAT and OPE, for the audit services for the group.

In the selection of auditors, the audit committee give nominations to the Board which, the Board along with the stockholders select and approve during the annual stockholders' meeting.

PART III - CONTROL AND COMPENSATION INFORMATION

9. 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	78	Filipino	Chairman of the Board
Sandra Judy Uy	43	Filipino	Director
John Carlos Uy	70	Filipino	Director
Vicente S. Vargas	64	Filipino	Director
William L. Ang	69	Filipino	Director
David Ng*	59	Filipino	Director
Jose Ma. S. Lopez	76	Filipino	Director
Jose S. Jalandoni	65	Filipino	Director
Jesus S. Jalandoni, Jr.	63	Filipino	Director
Daniel R. 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 S. Vargas	70	Filipino	Corporate Secretary
Jose Ma. S. 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. 78 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. 70 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 S. Vargas. 64 years old. He is a director and Corporate Secretary of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., JM Cold Storage, Inc., JM Kool Corporation. He also serves as the Executive Vice-President and Chief Operating Officer of JM & Company, Inc. and Treasurer of McJola, Inc. and L&J Agricultural, Inc.

William L. Ang. 69 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. 76 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.

Jose S. Jalandoni. 65 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 Percom Solutions,OPC, 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.

David Ng, 59 years old. He 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, Jr. 63 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 Percom Solutions,OPC.

Sandra Judy Uy. 43 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 R. Maramba. 47 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., 72 years old. He is 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 Gawad Kalinga Foundation, Inc. and PinoyMe Foundation, Inc.

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

10. Executive Compensation

The aggregate compensation paid to the Company's Executive Officers for the years 2020 and 2019 are P11.65million and P11.31million 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:

	Salaries	Bonus	Others	Total
2020				
William Carlos Uy *Chairman and President*	2,505,393.20	1,239,788.43	65,000.00	3,810,181.63
Jose Ma. S. Lopez *Senior Vice President for Finance*	2,957,399.61	1,183,204.08	65,000.00	4,205,603.69
Sandra Judy Uy *Senior Vice President - Manufacturing*	2,342,048.47	1,228,842.02	65,000.00	3,635,890.49
Total	7,804,841.28	3,651,834.53	195,000.00	11,651,675.81
2019				
William Carlos Uy Chairman and President	2,585,549	1,032,998	65,000	3,683,547
Jose Ma. S. Lopez *Senior Vice President for Finance*	3,061,104	1,015,869	65,000	4,141,973
Sandra Judy Uy *Senior Vice President - Manufacturing*	2,419,558	1,001,831	65,000	3,486,389
Total	8,066,211	3,050,698	195,000	11,311,909

11. Security Holders

As of December 31, 2020, there are 441 holders of **common shares** of stocks of the Company.

The top 20 stockholders of the Company as of December 31, 2020 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,521,231	40.35%
2.)	PCD Nominee Corp.(F)	48,222,057	32.15%
3.)	Bacsay Management Corp.	5,589,742	3.73%
4.)	Sebring Management Corp.	3,122,102	2.08%
5.)	E.K.I Tourist Dev. Corp.	2,855,505	1.90%
6.)	L & J Agricultural Inc.	2,417,841	1.61%
7.)	Moreno, Jose Jr.	928,277	0.62%
8.)	Lopez Jr., Eduardo	915,468	0.61%
9.)	Pulmones, Amelia Kalaw	913,613	0.61%
10.)	Carvina Farms Inc.	769,920	0.51%
11.)	Feria, Paula K.	737,112	0.49%
12.)	Fajardo, Erwin M.	697,337	0.46%
13.)	Kalaw, Regina	628,116	0.42%
14.)	Lopez, Jose Ma. S.	624,465	0.42%
15.)	Hsu, Philip	602,405	0.40%
16.)	Galan, Norma Yu	524,745	0.35%
17.)	Fajardo, Eric	521,796	0.35%
18.)	Javellana, Maria Teresa V.	509,493	0.34%
19.)	Maramba III, Felix R.	487,934	0.33%
20.)	Quiros, Ma. Cristina V.	475,344	0.32%

12. 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 transactions and above board.

Family Relationships

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

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

PART IV – CORPORATE GOVERNANCE

13. 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 S. 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 L. Ang as members.

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

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

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

PART V – EXHIBITS AND SCHEDULES

Also attached in this report the following attachments:

Annex A - Consolidated Financial Statement
Annex B – Sustainability Report

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on the 15th of April, 2021.

By:

WILLIAM CARLOS UY
President

JOSE MA. S. LOPEZ
SVP Treasurer

VICENTE S. VARGAS
Corporate Secretary

MARIA LUISA L. QUIZON
Chief Accountant

SUBSCRIBED AND SWORN to before me this _____ day of APR 15 2021 affiant(s) exhibiting to me his/their Social Security System IDs, as follows:

Name	SSS
William Carlos Uy	03-0842644-1
Jose Ma. S. Lopez	03-1212721-5
Vicente S. Vargas	03-5142687-0
Maria Luisa L. Quizon	03-3938582-3

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

Doc No. 184
Page No. 38
Book No. X
Series of 2021.

Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Liberty Flour Mills, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

WILLIAM CARLOS UY
Chairman of the Board

WILLIAM CARLOS UY
Chief Executive Officer

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **24th** day of **March 2021**

LIBERTY FLOUR MILLS INC.
MCPO 1571 Makati City E-mail: info@libertygroup.com.ph
PLANT

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

SUBSCRIBED AND SWORN TO before me this ____ day of APR 15 2021, in CITY OF MAKATI affiants exhibiting to me his competent evidence of identity as follows:

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

Doc. No. 186
Page No. 39
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Brgy. Pio del Pilar, 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)
441	May 26	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.*

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

Tel: (632) 8891 0307
Fax: (632) 8819 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, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Provisions and Contingencies

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

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

Audit response

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021

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

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱179,719,444**	₱168,192,892
Receivables (Note 5)	**841,239,779**	724,897,821
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**94,377,416**	39,142,457
Inventories (Note 7)	**356,615,886**	172,845,814
Accrued rent - current portion (Note 26)	**4,646,857**	2,313,384
Prepaid expenses and other current assets (Note 8)	**51,347,075**	77,232,609
Total Current Assets	**1,527,946,457**	1,184,624,977
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	**1,044,038,905**	1,177,783,424
Investment properties (Notes 10, 13 and 26)	**1,223,957,338**	1,167,873,287
Property, plant and equipment (Note 11)	**104,058,478**	60,267,584
Deferred tax assets - net (Note 23)	**18,103,777**	27,742,144
Accrued rent - net of current portion (Note 26)	**54,399,114**	27,112,503
Net retirement plan asset (Note 21)	**5,256,513**	–
Other noncurrent assets (Note 12)	**150,601,151**	56,979,918
Total Noncurrent Assets	**2,600,415,276**	2,517,758,860
TOTAL ASSETS	**₱4,128,361,733**	₱3,702,383,837

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 10 and 13)	**₱580,000,000**	₱632,900,000
Accounts payable and other current liabilities (Note 14)	**499,671,046**	215,519,536
Current portion of:		
Deposits on long-term leases (Note 26)	**10,377,345**	7,427,205
Unearned rental income (Note 26)	**4,817,905**	2,422,935
Income tax payable	**1,212,931**	–
Total Current Liabilities	**1,096,079,227**	858,269,676
Noncurrent Liabilities		
Net retirement plan liability (Note 21)	**59,372,880**	99,893,314
Deposits on long-term leases - net of current portion (Note 26)	**19,974,491**	22,250,613
Unearned rental income - net of current portion (Note 26)	**9,777,271**	13,292,628
Payable to a related party (Note 10)	**89,730,000**	–
Deferred tax liabilities - net (Note 23)	**18,377,308**	6,391,058
Total Noncurrent Liabilities	**197,231,950**	141,827,613
Total Liabilities	**1,293,311,177**	1,000,097,289

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

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

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

2. Significant Accounting and Financial Reporting Policies

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

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular 3 Series of 2019 for the deferral of the application of Accounting for Common Usage Service Area (CUSA) discussed in PIC Q&A No. 2018-12-H for a period of 3 years starting from January 1, 2018 to December 31, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<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 consolidated company financial statements.

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<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, 2020 and 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For cash, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on 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, 2020 and 2019, the Group's loans and borrowings consist of notes payable, accounts payable and other current liabilities and deposits on long-term leases. The Group has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding or embedded derivatives as at December 31, 2020 and 2019.

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

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	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.

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

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

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

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

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

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

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

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

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

Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

Contingencies

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

Segment Reporting

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that 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 ₱453.40 million and ₱510.43 million as at December 31, 2020 and 2019, respectively (see Note 9).

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

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

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

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

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

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

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

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

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

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

4. **Cash and Cash Equivalents**

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

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

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

5. **Receivables**

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

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

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

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

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

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

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

6. Financial Assets at Fair Value through Profit or Loss

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

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

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

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

7. Inventories

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

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

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

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

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

8. Prepaid Expenses and Other Current Assets

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

9. Financial Assets at Fair Value through Other Comprehensive Income

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

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

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

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

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

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

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

10. **Investment Properties**

	2020				
	Land (see Note 13)	**Building and Building Improvements** (see Note 13)	**Condominium Unit**	**Construction in Progress**	**Total**
Cost					
Balance at beginning of year	**₱492,277,625**	**₱1,003,924,808**	**₱11,216,084**	**₱–**	**₱1,507,418,517**
Additions	**99,700,000**	**727,858**	**203,572**	–	**100,631,430**
Balance at end of year	**591,977,625**	**1,004,652,666**	**11,419,656**	–	**1,608,049,947**
Accumulated Depreciation					
Balance at beginning of year	**–**	**329,068,336**	**10,476,894**	–	**339,545,230**
Depreciation	**–**	**44,470,325**	**77,054**	–	**44,547,379**
Balance at end of year	**–**	**373,538,661**	**10,553,948**	–	**384,092,609**
Net book values	**₱591,977,625**	**₱631,114,005**	**₱865,708**	**₱–**	**₱1,223,957,338**

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

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

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

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

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

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

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

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

The aggregate fair value of investment properties amounted to ₱5.49 billion and ₱4.68 billion as at December 31, 2020 and 2019. These have been determined based on valuation performed by a qualified and independent appraiser in 2020 and 2019, respectively. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

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

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

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

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

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

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

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

Development Rights

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

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

11. Property, Plant and Equipment

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

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

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

12. Other Noncurrent Assets

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

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

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

13. Notes Payable

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

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

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

14. Accounts Payable and Other Current Liabilities

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

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

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

Dividends payable consist of dividends declared but not yet paid.

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

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

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

15. **Equity**

Capital Stock

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

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

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

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

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

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

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

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

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.

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

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

Cash Dividends

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

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

Property Dividends

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

16. Revenue from Contracts with Customers

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

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

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

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

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

17. Cost of Sales

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

18. Expenses

Administrative Expenses

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

Selling Expenses

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

Interest Expense

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

19. Personnel Costs

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

20. Other Income - Net

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

Utilities charges include water and electricity consumption charged to tenants.

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

21. Retirement Benefits Costs

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

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

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

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

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

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

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

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

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

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

The composition of the plan assets follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Comprehensive Income

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

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

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

22. **Provisions and Contingencies**

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

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

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

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

b. Tax Assessments

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

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

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

23. **Income Taxes**

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

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

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

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

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

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

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

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

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

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

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

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

24. **Basic/Diluted Earnings Per Share**

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

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

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

25. **Related Party Transactions**

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

Related party receivables are generally settled in cash.

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

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

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

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

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

c. The key management personnel compensation is as follows:

	2020	2019	2018
Short-term employee benefits	**₱18,112,090**	₱17,316,738	₱19,239,645
Post-employment benefits and others	**8,797,885**	10,244,242	9,096,813
	₱26,909,975	₱27,560,980	₱28,336,458

Short-term employee benefits include management bonus given to the Group's directors and officers (see Notes 18 and 19).

26. Leases

The Group leases out office spaces on its investment properties under various operating leases. The leases are for a term of one to ten years and may be renewed upon mutual agreement of the parties.

Under the lease contracts, the lessees are required to pay security deposits and advance rental. These are shown under "Deposits on long-term leases" account in the consolidated statements of financial position and are recorded at their accreted values which amounted to ₱30.35 million and ₱29.68 million as at December 31, 2020 and 2019, respectively. Accretion of interest, included in interest expense in profit or loss, amounted to ₱1.50 million in 2020, ₱1.69 million in 2019 and ₱0.40 million in 2018.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and will be amortized on a straight-line basis over the lease term, amounted to ₱14.60 million and ₱15.72 million as at December 31, 2020 and 2019, respectively.

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱59.05 million and ₱29.43 million as at December 31, 2020 and 2019, respectively.

As a result of the COVID-19 pandemic, the Group provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2020. Certain lease agreements were also pre-terminated. The Group accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱4.96 million; while the lease termination resulted to a decrease in accrued rent and rental income amounting to ₱0.29 million and ₱0.97 million, respectively, as of and for the year ended December 31, 2020.

The future minimum lease receivables under non-cancellable leases on its investment properties are as follows:

	2020	2019
Year 1	**₱188,843,979**	₱200,574,625
Year 2	**140,104,480**	186,008,613
Year 3	**139,496,199**	136,498,160
Year 4	**137,121,029**	129,263,444
Year 5	**134,725,259**	136,464,834
More than 5 years	**521,443,148**	621,055,426
	₱1,261,734,094	₱1,409,865,102

27. **Financial Instruments and Financial Risk Management Objectives and Policies**

The Group's principal financial instruments consist of cash and cash equivalents, trade receivables, financial assets at FVTPL, financial assets at FVOCI, and notes payable. The main purpose of these financial instruments is to fund the Group's operations. The other financial assets and financial liabilities arising directly from its operations are refundable deposits recorded under "Other noncurrent assets" account, liabilities under trust receipts, accounts payable and accrued expenses.

The main risks arising from the Group's financial instruments are credit risk, equity price risk, and liquidity risk. The Group's exposure to foreign currency risk is minimal as this only relates to the Group's foreign currency-denominated cash in banks. The Group's exposure to interest rate risk is minimal as the interest of notes payable are stated at fixed rate. The BOD reviews and approves policies for managing each of these risks.

Credit Risk

Credit risk represents the loss that the Group would incur if the counterparty failed to perform under its contractual obligations. The Group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counterparties. The Group is operating under a sound credit-granting process over its distributors. Credit monitoring process involves a weekly check over collections based on a benchmark.

The Group is also potentially subject to concentrations of credit risk in its accounts receivable. Approximately all of the Group's entire trade receivables and revenues are concentrated with its three distributors as at December 31, 2020 and 2019. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. While there is delay in collection of some trade receivables (those classified under "Past due but not impaired") the Group is in close coordination with the distributor to bring their accounts to current. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

Credit Risk Exposures. The table below shows the gross maximum exposure to on- and off-balance sheet credit risk exposures of the Group, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at December 31:

	2020	2019
Financial assets at amortized cost		
Cash and cash equivalents*	**₱178,998,109**	₱168,154,952
Trade and other receivables**	**842,832,405**	726,490,447
Other noncurrent assets***	**6,338,288**	6,366,883
Debt securities at FVOCI	**453,400,154**	510,429,443
	₱1,481,568,956	₱1,411,441,725

**excluding cash on hand, amounting to ₱721,335 and ₱37,940 as at December 31, 2020 and 2019, respectively.*
*** before considering provision for expected credit losses ₱1,592,626 and ₱1,592,626 for past due and impaired accounts as at December 31, 2020 and 2019, respectively.*
****excluding advances to suppliers amounting to ₱144,163,764 and ₱50,262,409 and computer software amounting to ₱99,099 and ₱350,626 as at December 31, 2020 and 2019, respectively.*

The following table summarizes the credit quality of the Group's financial assets per category as at December 31:

	2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱668,002,307**	**₱669,478,778**	**₱–**	**₱1,337,481,085**
Moderate	**–**	**144,087,871**	**–**	**144,087,871**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**668,002,307**	**813,566,649**	**–**	**1,481,568,956**
ECL	**–**	**1,592,626**	**–**	**1,592,626**
Carrying amount	**₱668,002,307**	**₱811,974,023**	**₱–**	**₱1,479,976,330**

	2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Low	₱706,847,768	₱561,112,864	₱–	₱1,267,960,632
Moderate	–	143,481,093	–	143,481,093
High	–	–	–	–
Gross carrying amount	706,847,768	704,593,957	–	₱1,411,441,725
ECL	–	1,592,626	–	1,592,626
Carrying amount	₱706,847,768	₱703,001,331	₱–	₱1,409,849,099

The credit quality of the financial assets was determined as follows:

Low Risk - This includes cash and cash equivalents and financial assets at FVOCI with recycling with counterparties with good credit or bank standing, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies. For receivables, this consists of accounts with counterparties with no history of default on the agreed contract terms.

Moderate Risk - This includes receivables with counterparties with little history of default on the agreed contract terms.

High Risk - This includes receivables that consist of accounts with counterparties with history of default on the agreed contract terms.

As at December 31, 2020, the COVID-19 outbreak has no significant impact to the Group's credit risk.

Set out below is the information about the credit risk exposure on the Group's trade receivables and rent receivables using a provision matrix:

	2020								
	Current	**1-30 days**	**31 - 60 days**	**61-90 days**	**91-120 days**	**121-150 days**	**151-180 days**	**More than 180 days**	**Total**
Trade receivables -									
TDC									
Expected credit loss rate	**0.39%**	**1.57%**	**1.57%**	**1.57%**	**1.57%**	**1.57%**	**1.62%**	**2.27%**	
Estimated total gross carrying amount at default	**₱57,983,426**	**₱14,318,019**	**₱16,829,552**	**₱15,726,740**	**₱12,258,476**	**₱9,911,068**	**₱15,858,339**	**₱1,202,251**	**₱144,087,871**
Expected credit loss	**224,487**	**224,717**	**264,135**	**246,826**	**192,394**	**155,552**	**257,265**	**27,250**	**1,592,626**

	2019								
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	Total
Trade receivables -									
TDC									
Expected credit loss rate	0.38%	1.51%	1.51%	1.51%	1.51%	1.51%	1.56%	2.14%	
Estimated total gross carrying amount at default	₱59,021,982	₱13,838,039	₱12,603,691	₱11,542,799	₱11,136,757	₱10,506,405	₱10,554,534	₱14,276,886	₱143,481,093
Expected credit loss	222,216	208,862	190,231	174,219	168,091	158,576	165,131	305,300	1,592,626

As at December 31, 2020 and 2019, allowance for expected credit losses are recognized for trade receivables other than receivable from Trade Demands Corporation, and rent receivables subjected to impairment.

As at December 31, 2020, the COVID-19 outbreak has no significant impact to the Company's credit risk.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of investments in quoted equity securities, which are classified in the consolidated statements of financial position as financial assets at FVTPL and at FVOCI investments.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position. The change in market prices used in the sensitivity analysis is determined based on the highest and lowest stock prices of a financial instrument during the period. The Group has determined that for financial assets at FVOCI, a decrease or increase on the stock prices would only impact equity and would not have an effect on profit or loss. The Group has determined that for financial assets at FVTPL, a decrease and increase on the stock prices could have an impact on the profit or loss.

As at December 31, 2020 and 2019, the effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities classified as financial assets at FVTPL and in fair value of financial assets classified at FVOCI follows:

	2020	
	Increase (decrease) in rate	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**34%**	**4,301,921**
	(34%)	**(4,301,921)**
Financial assets at FVOCI	**(4%)**	**(14,717,420)**
	4%	**14,717,420**

	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)

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to pay its obligations when they fall due under normal and stress circumstances. The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The tables below summarize the maturity profile of financial assets that can be used by the Group to manage its liquidity risks and the maturity profile of the Group's other financial liabilities as at December 31:

	2020			
	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 on hand and in banks	**₱144,168,161**	**₱–**	**₱–**	**₱144,168,161**
Cash equivalents	**35,551,263**	**–**	**–**	**35,551,263**
Trade receivables from related parties, net of allowance	**797,009,748**	**–**	**–**	**797,009,748**
Rent receivables:				
Third parties	**14,576,710**	**–**	**–**	**14,576,710**
Related parties	**387,565**	**–**	**–**	**387,565**
Advances to a broker	**13,506,451**	**–**	**–**	**13,506,451**
Advances to officers and employees	**4,461,167**	**–**	**–**	**4,461,167**
Other receivables	**11,298,138**	**–**	**–**	**11,298,138**
Other noncurrent assets	**–**	**–**	**6,388,288**	**6,388,288**
Financial assets at FVTPL	**94,377,416**	**–**	**–**	**94,377,416**
Financial assets at FVOCI:				
Equity securities	**–**	**–**	**590,638,751**	**590,638,751**
Debt securities	**40,013,480**	**50,205,271**	**363,181,404**	**453,400,155**
Total financial assets	**1,155,350,099**	**50,205,271**	**960,208,443**	**2,165,763,813**

(Forward)

	2020			
	Less than 3 Months	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Liabilities				
Notes payable, including interest	**₱–**	**₱606,879,982**	**₱–**	**₱606,879,982**
Accounts payable and other current liabilities:				
Trade payables	**61,687,676**	**–**	**–**	**61,687,676**
Liabilities under trust receipts	**245,138,627**	**–**	**–**	**245,138,627**
Accrued liabilities – inventory in transit	**112,300,525**	**–**	**–**	**112,300,525**
Dividends payable	**32,570,612**	**–**	**–**	**32,570,612**
Customers and tenants' deposits	**12,442,924**	**–**		**12,442,924**
Construction bond	**3,740,497**	**–**	**–**	**3,740,497**
Accrued selling, freight, outside services and other expenses	**24,063,790**	**–**	**–**	**24,063,790**
Payable to a related party	**–**	**–**	**89,730,000**	**89,730,000**
Deposits on long-term leases	**–**	**10,517,318**	**31,654,427**	**42,171,745**
Total financial liabilities	**491,944,651**	**617,397,300**	**121,384,427**	**1,230,726,378**
Net financial asset (liabilities)	**₱663,405,448**	**(₱567,192,029)**	**₱838,824,016**	**₱935,037,435**

	2019			
	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:				
Cash in banks	₱102,440,941	₱–	₱–	₱102,440,941
Cash equivalents	65,714,011	–	–	65,714,011
Trade receivables from related parties, net of allowance	693,992,293			693,992,293
Rent receivables:				
Third parties	8,735,650	–	–	8,735,650
Related parties	278,793	–	–	278,793
Advances to a broker	8,384,356	–	–	8,384,356
Other receivables	10,628,412	–	–	10,628,412
Other noncurrent assets	–	–	6,366,883	6,366,883
Financial assets at FVTPL	39,142,457	–	–	39,142,457
Financial assets at FVOCI:				
Equity securities	–	–	667,353,981	667,353,981
Debt securities	35,021,350	28,662,903	446,745,190	510,429,443
Total financial assets	964,338,263	28,662,903	1,120,466,054	2,113,467,220
Financial Liabilities				
Notes payable, including interest	–	634,753,341	–	634,753,341
Accounts payable and other current liabilities:				
Trade payables	18,508,652	–	–	18,508,652
Liabilities under trust receipts	70,417,269	–	–	70,417,269
Accrued liabilities – inventory in transit	57,498,654	–	–	57,498,654
Dividends payable	32,051,412	–	–	32,051,412
Customers and tenants' deposits	6,181,604	4,773,195	1,047,559	12,002,358
Construction bond	3,845,528	–	–	3,845,528
Accrued selling, freight, outside services and other expenses	15,337,413	–	–	15,337,413
Deposits on long-term leases	–	2,422,936	13,292,628	15,715,564
Total financial liabilities	203,840,532	641,949,472	14,340,187	860,130,191
Net financial asset (liabilities)	(₱760,497,731)	(₱613,286,569)	₱1,106,125,867	₱1,253,337,029

As at December 31, 2020, the COVID-19 outbreak has no significant impact to the Group's liquidity risk.

Fair Value

The carrying values of cash and cash equivalents, receivables, notes payable, accounts payable and other current liabilities approximate their fair values due to their short-term nature. The carrying value of unquoted equity securities approximate their fair values based on the adjusted net asset method. The carrying values deposits on long-term leases were not materially different from their calculated fair values estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

The following are the Group's financial instruments whose carrying amounts are measured at fair value:

	Carrying Value		Fair Value	
	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Financial Assets				
Financial assets at FVTPL	**₱94,377,416**	₱39,142,457	**₱94,377,416**	₱39,142,457
Financial assets at FVOCI	**1,044,038,905**	1,177,783,424	**1,044,038,905**	1,177,783,424

Financial assets at FVTPL and financial assets at FVOCI are carried at their fair values based on quoted market prices.

Fair Value Hierarchy
Below table presents the fair value measurement hierarchy of the Group's financial assets carried at fair value and nonfinancial assets whose fair values are disclosed as at December 31:

	2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱94,377,416**	**₱94,377,416**	**₱–**	**₱–**
Financial assets at FVOCI:				
Quoted debt securities	**453,400,154**	**453,400,154**	**–**	**–**
Quoted equity securities	**578,526,420**	**578,526,420**	**–**	**–**
Unquoted equity securities	**12,112,331**	**–**	**–**	**12,112,331**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**5,385,918,490**	**–**	**–**	**5,385,918,490**

	2019			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱39,142,457	₱39,142,457	₱–	₱–
Financial assets at FVOCI:				
Quoted debt securities	510,429,443	510,429,443	–	–
Quoted equity securities	656,743,276	656,743,276	–	–
Unquoted equity securities	10,610,705	–	–	10,610,705
Nonfinancial assets for which fair values are disclosed				
Investment properties	4,678,310,190	–	–	4,678,310,190

The disclosures on the fair value of investment properties carried at cost are included in Note 10.

In 2020 and 2019, there were no transfers between the fair value measurement hierarchy levels.

28. Capital Management Policies

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

The Group monitors capital by having a daily monitoring of receipts and collections, regular release of disbursements to suppliers, monthly cash flow report preparation and monthly review of capital expenditure requirements. The Group at this point, with its healthy cash flow, is not looking for any bank loans to finance its operations and renovations. The Group strives to earn a minimum return double the annual inflation rate.

The following table summarizes the total capital considered by the Group as at December 31:

	2020	2019
Capital stock	**₱1,500,000,000**	₱1,500,000,000
Retained earnings	**1,399,723,332**	1,282,298,227
	₱2,899,723,332	₱2,782,298,227

The Group is not subject to any externally imposed capital requirements.

29. Note to Consolidated Statements of Cash Flows

a. The Group has no noncash investing and financing activities except for the following:

- Purchase of development rights in 2020 with unpaid consideration of ₱89.73 million as of December 31, 2020 (see Note 10).
- Purchase of investment properties on account in 2018 amounting to ₱7.04 million.

b. Changes in liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities follow:

		2020		
	January 1	**Cash flows**	**Noncash charges***	**December 31**
Notes payable	**₱632,900,000**	**(₱52,900,000)**	**₱–**	**₱580,000,000**
Interest payable	**1,858,341**	**(38,042,687)**	**37,074,485**	**890,139**
Dividends payable (see Note 14)	**32,051,412**	**(74,480,800)**	**75,000,000**	**32,570,612**
Total liabilities	**₱666,809,753**	**(₱165,423,487)**	**₱112,074,485**	**₱613,460,751**

		2019		
	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

**Noncash charges pertain to declaration of dividends and accrual of interests on note payable.*

30. **Other Matters**

a. *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill*

The Bicameral Conference Committee ratified on February 3, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Bill introduces reforms to the corporate income tax and incentives systems. As at March 24, 2021, the CREATE Bill is still for approval by President Rodrigo Duterte.

The following are the key changes to the Philippine tax law pursuant to the CREATE Bill which are relevant and may have impact to the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

b. *COVID-19 Pandemic*

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Upon lifting of the ECQ on May 16, 2020, the modified ECQ has been implemented until May 31, 2020 and general community quarantine (GCQ) until June 30, 2020. On August 3, 2020, the Office of the President issued a Memorandum declaring MECQ for NCR and selected provinces, starting August 4, 2020 until August 18, 2020. On August 19, 2020, NCR was placed under general community quarantine until August 31, 2020, which was subsequently extended until March 28, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak on its financial position and performance as of and for the year ended December 31, 2020. Considering the evolving nature of this outbreak, the Group will continue to monitor the situation.

31. Segment Information

The Group's operating business are organized and managed separately according to industry. The industry segments where the Group operates are as follows:

a. Bakery flour - manufacturing of flour and distribution/sales of its produce.
b. Mill feed - utilization of its by-products and distribution/sales of its produce; and
c. Real estate and investment - leasing of office and commercial units and investment in securities.

The Group has only one geographical segment as its operations are solely based in the Philippines.

The Executive Committee, the Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross margin and net income and is measured consistently with gross margin and net income in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on revenue, income before tax and net income for the year.

The following tables on business segments present the revenue and profit information for each of the three years in the period ended December 31, 2020 and the segment assets as at December 31:

	2020			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱967,591,233	₱121,027,781	₱–	₱1,088,619,014
Rental income	–	–	262,842,161	262,842,161
Interest income	–	–	22,925,763	22,925,763
Dividend income	–	–	28,117,038	28,117,038
	967,591,233	121,027,781	313,884,962	1,402,503,976
Cost of sales/services	709,778,070	181,972,037	131,819,933	1,023,570,040
Gross profit on sales/income	257,813,163	(60,944,256)	182,065,029	378,933,936
Selling and administrative expenses	(129,101,659)	(16,095,380)	(27,501,371)	(172,698,410)
Interest expense	–	–	(38,575,445)	(38,575,445)
Other charges – net	(2,398,272)	8,815,943	68,161,035	74,578,706
Provision for income tax	–	–	–	(49,813,682)
Net income	126,313,232	(₱68,223,693)	184,149,248	192,425,105
Property, plant and equipment	₱97,551,248	₱6,056,497	₱450,733	₱104,058,478
Investment properties	₱–	₱–	₱1,223,957,338	₱1,223,957,338
Depreciation and amortization	₱11,812,243	₱543,030	₱45,037,196	₱57,392,469
Additions to property, plant and equipment and investment properties	₱54,383,550	₱1,793,681	₱100,838,657	₱157,015,888

	2019			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱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	502,436,489	116,920,099	80,621,237	699,977,825
Gross profit on sales/income	141,587,304	(18,477,667)	188,933,173	312,042,810
Selling and administrative expenses	(154,506,102)	(23,617,072)	–	(178,123,174)
Interest expense	–	–	(53,203,734)	(53,203,734)
Other charges – net	580,976	88,805	17,623,122	18,292,903
Provision for income tax	–	–	–	(13,847,949)
Net income	(₱12,337,822)	(₱42,005,934)	₱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	565,374,524	67,103,831	40,792,965	673,271,320
Gross profit on sales/income	89,169,536	1,231,824	147,924,646	238,326,006
Selling and administrative expenses	(175,643,409)	(5,658,756)	–	(181,302,165)
Interest expense	–	–	(13,465,488)	(13,465,488)
Other charges - net	(12,650,518)	(1,320,737)	85,407,531	71,436,276
Provision for income tax	–	–	–	(12,978,975)
Net income	(₱99,124,391)	(₱5,747,669)	₱219,866,689	₱102,015,654
Property, plant and equipment	₱56,651,227	₱5,320,793	₱–	₱61,972,020
Investment properties	₱–	₱–	₱1,202,125,662	₱1,202,125,662
Depreciation and amortization	₱12,192,114	₱390,749	₱15,972,454	₱28,555,317
Additions to property, plant and equipment and investment properties	₱7,644,442	₱717,981	₱220,540,140	₱228,902,563

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2020

**Not applicable*

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

FINANCIAL ASSETS (Annex 68-J: Schedule A)

DECEMBER 31, 2020

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Amortized Cost					
Cash and cash equivalents	N/A	N/A	₱179,719,424	N/A	₱1,885,372
Receivables:					
Trade receivables from related parties, net of allowance	N/A	N/A	797,009,748	N/A	–
Rent receivables:					
Third parties	N/A	N/A	14,576,710	N/A	39,050
Related parties	N/A	N/A	387,565	N/A	–
Receivable from broker	N/A	N/A	13,506,451	N/A	179,698
Advances to officers and employees	N/A	N/A	4,461,167	N/A	–
Other receivables	N/A	N/A	11,298,138	N/A	–
Other noncurrent assets*	N/A	N/A	6,388,288		
			1,027,347,491		2,104,120

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
Financial Assets at FVTPL					
Equity investments	Union Bank of the Philippines	25,807	1,855,523	1,855,523	90,325
Equity investments	Aboitiz Power	212,000	5,628,600	5,628,600	–
Equity investments	GMA Holdings, Inc.	74,000	440,300	440,300	22,200
Equity investments	Philippine National Bank	27,531	808,035	808,035	250,160
Equity investments	Cebu Air, Inc	8,640	436,320	436,320	–
Equity investments	Nickel Asia	584,208	3,271,565	3,271,565	175,262
Equity investments	Lepanto	3,545,455	567,273	567,273	–
Equity investments	Philex Mining	1,000,000	4,950,000	4,950,000	10,000
Equity investments	ACE Enexor, Inc	300,000	3,450,000	3,450,000	–
Equity investments	SFA Semicon Philippines	400,000	612,000	612,000	–
Equity investments	Cebu Landmasters, Inc.	100,000	505,000	505,000	25,000
Equity investments	PLDT	2,000	2,680,000	2,680,000	154,000
Equity investments	Security Bank Corp.	–	–	–	112,500
Equity investments	Universal Rightfield Property Holdings	600,000	22,800	22,800	–
Equity investments	PXP Energy	150,000	1,650,000	1,650,000	–
Equity investments	AC Energy Philippines, Inc.	7,500,000	67,500,000	67,500,000	300,000
		14,529,641	94,377,416	94,377,416	1,139,447
Financial Assets at FVOCI					
Debt instruments	Deutsche Bank	600,000	81,502,200	81,502,200	4,140,000
Debt instruments	Ayala Land. Inc.	1,040,000	109,933,040	109,933,040	4,770,000
Debt instruments	SM Investments	500,000	49,824,000	49,824,000	2,181,600
Debt instruments	Philippine National Bank	200,000	25,388,000	25,388,000	980,000
Debt instruments	GT Capital Holdings, Inc.	350,000	–	–	338,597
Debt instruments	Energy Development	187,500	–	–	311,873
Debt instruments	Globe Telecom, Inc.	99,000	–	–	290,318
Debt instruments	Rockwell Land	200,000	20,001,320	20,001,320	814,912
Debt instruments	PLDT, Inc.	500,000	49,826,310	49,826,310	2,103,512
Debt instruments	San Miguel Brewery, Inc.	250,000	50,545,396	50,545,396	2,300,000
Debt instruments	SM Prime Holdings, Inc.	250,000	24,910,800	24,910,800	1,148,340
Debt instruments	Ayala Corporation	200,000	20,695,939	20,695,939	771,200
Debt instruments	Government bonds	100,000	10,530,300	10,530,300	370,000
Debt instruments	Metropolitan Bank & Trust Company	100,000	10,242,850	10,242,850	300,000
		4,826,500	453,400,155	453,400,155	20,820,352

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
Equity investments	Arthaland Corporation	426,250	10,332,063	10,332,063	708,495
Equity investments	BDO Unibank, Inc.	4,730	505,164	505,164	5,676
Equity investments	Fil-Estate Land, Inc.	20,000	18,400	18,400	–
Equity investments	Manila Bulletin Publishing, Inc.	5,789,685	2,576,410	2,576,410	–
Equity investments	Asian Terminals, Inc.	392,133	6,109,432	6,109,432	275,669
Equity investments	BDO Leasing & Finance	25,000	–	–	–
Equity investments	PLDT, Inc.	7,000	7,000	7,000	–
Equity investments	Petron Corporation	38,650	39,770,850	39,770,850	265,073
Equity investments	First Gen Corporation	70,000	7,574,000	7,574,000	544,656
Equity investments	San Miguel Corporation	934,100	71,593,010	71,593,010	4,916,999
Equity investments	San Miguel Purefoods Company, Inc.	40,000	–	–	565,960
Equity investments	Leisure & Resorts World	50,000,000	–	–	2,355,000
Equity investments	Ayala Corporation	138,060	71,439,930	71,439,930	3,456,962
Equity investments	First Philippine Holdings	50,000	22,200,000	22,200,000	1,375,000
Equity investments	Globe Telecom, Inc.	100,000	51,700,000	51,700,000	2,600,300
Equity investments	Megawide Construction	250,000	25,125,000	25,125,000	1,756,250
Equity investments	GT Capital Holdings,Inc.	30,000	30,780,000	30,780,000	1,509,870
Equity investments	8990 Holdings, Inc.	200,000	20,400,000	20,400,000	1,205,260
Equity investments	Phoenix Petroleum Philippines	7,750	7,804,250	7,804,250	586,520
Equity investments	Philippine Bank of Communications	8,965,609	190,070,911	190,070,911	–
Equity investments	Double Dragon Properties	200,000	20,520,000	20,520,000	1,295,560
Equity investments	UPCC Securities	35,907	4,605,477	4,605,477	–
Equity investments	UPCC Holdings	40,396	–	–	–
Equity investments	Liberty Commodities	17,733	7,506,854	7,506,854	–
		67,783,003	590,638,751	590,638,751	23,423,250
Total Financial Assets			**₱2,165,763,813**	**₱1,138,416,322**	**₱47,487,169**

**Excluding advances to suppliers amounting to ₱144,163,764 and computer software amounting to ₱99,099 as at December 31, 2020.*

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS (Annex 68-J: Schedule C)

DECEMBER 31, 2020

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written off	Current	Non-Current	Balance at End of Period
LFM Properties Corporation	₱59,365	₱481,802	₱529,003	₱–	₱12,164	₱–	₱12,164
	₱59,365	₱481,802	₱529,003	₱–	₱12,164	₱–	₱12,164

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

CAPITAL STOCK (Annex 68-J: Schedule G)

DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Outstanding	Number of Shares Reserved	Number of Shares held by Related Parties	Number of Shares held by Directors and Officers	Number of Shares held by Others
Common	200,000,000	150,000,000	–	–	1,649,613	148,350,387
	200,000,000	150,000,000	–	–	1,649,613	148,350,387

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Annex 68-D)

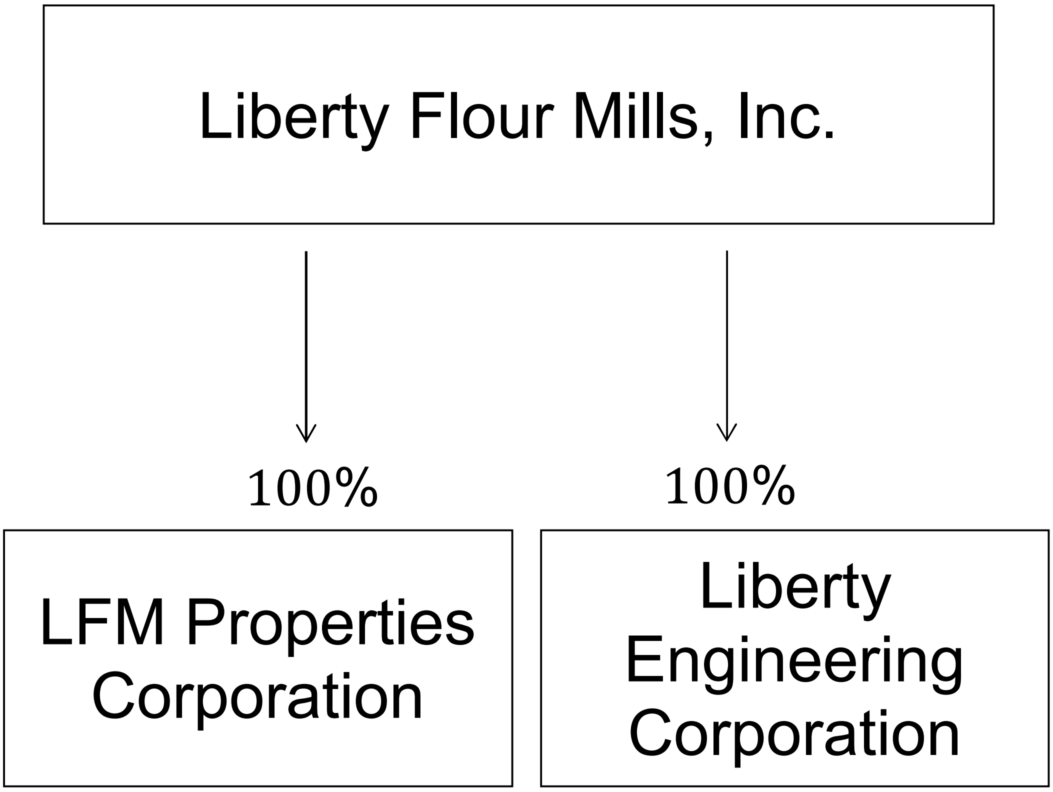
DECEMBER 31, 2020

Unappropriated retained earnings, beginning	₱1,129,257,199
Adjustments: (see adjustments in previous years' reconciliation)	(17,771,228)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,111,485,971
Add: Net income actually earned/realized during the year	
Net income closed to retained earnings	94,350,485
Net income actually earned/realized during the year	94,350,485
Less: Cash dividend declaration during the year	(75,000,000)
Property dividend declaration during the year	(88,001,880)
Total dividend declaration during the year	(163,001,880)
Total retained earnings available for dividend declaration, end	₱1,042,834,576

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2020



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 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
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Liberty Flour Mills, Inc.
7F Liberty Building
835 A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Liberty Flour Mills, Inc. (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
SEC Accreditation No. 1621-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 205-947-572
BIR Accreditation No. 08-001998-126-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8534318, January 4, 2021, Makati City

March 24, 2021

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)

DECEMBER 31, 2020

		December 31	
	Formula	**2020**	2019
Current Ratio	Total current assets/Total current liabilities	**1.29**	1.38
Acid Test Ratio	(Cash and cash equivalents + Receivable)/ Total current liabilities	**0.86**	1.04
Solvency Ratio	(Net income + Depreciation)/ Total liabilities	**0.18**	0.14
Debt-to-Equity Ratio	Total liabilities/Total equity	**0.50**	0.37
Asset-to-Equity Ratio	Total assets/Total equity	**1.50**	1.37
Interest Rate Coverage Ratio	Earnings before interest and tax/Interest expense	**7.28**	2.86
Return on Equity	Net income/Total equity	**0.07**	0.03
Return on Assets	Net income/Total assets	**0.05**	0.02
Net Profit Margin	Net income/Revenue	**0.14**	0.09

SUSTAINABILITY REPORT
LIBERTY FLOUR MILLS, INC.

Company Details	
Name of Organization	Liberty Flour Mills, Inc.
Location of Headquarters	Liberty Building, 835 A. Arnaiz Avenue, Makati City
Location of Operations	528 F. Blumentritt Extension Mandaluyong City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report is limited to the operations of Liberty Flour Mills, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	The primary activity of the corporation is the milling and manufacturing of various kinds of hard and soft flour. These include *El Superior* and *LFM Bakers* which is used for the baking of bread; *Pine Tree* and *LFM Soft Flour* which is used for the Manufacture of biscuits and cookies; and an all-purpose flour sold under the brand name *Maya All-Purpose Flour*. The company also sells Mill feed, which is a by-product of the manufacturing process, which is used as a component for animal feeds.
Reporting Period	For the year ending on December 31, 2020
Highest Ranking Person responsible for this report	William Carlos Uy President / Chairman

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
Liberty Flour Mills, Inc. acknowledges that in the course of running its business, there will be significant impacts on the environment as well as the communities that surround where we do business in. Hence, in the application of the materiality principle, it was of critical importance that the in drafting and creating the sustainability report that there be a descent into the particulars. Consequently, in the course of preparation of the report, the company looked at what its strengths are, what areas need improvement, what risks are of concern or of a growing concern, and how risks can be mitigated. However, the analysis did not stop there. There was a descent into the particulars of whether the strengths, mitigation measures for areas of improvement and risk diversion would create a substantial impact to our stakeholders and the environment. The Company acknowledges that if continuing strengths and mitigation measures carry with them negative and harmful social and environmental impacts, this would not be a sustainable practice for the company.

[1] See *GRI 102-46* (2016) for more guidance.

There were also instances when the report when its application or requested information was difficult to extract, since the company does not or has not kept track of such data, nor does it possess historical data. In this scenario, while no accurate information could be provided, it gave insight to what additional matters the Company should be paying attention to. Additionally, when the report called for the Company to provide a course of action it will undertake in the future, the most sustainable option was selected. Furthermore, if there was a request for disclosure of information, and the information requested for was not certain, the figures chosen to be reported were conservative estimates that leaned away from showing an over-compliance with sustainability goals, rather would provide for figures which would serve as a benchmark for the company to improve on. The logic and reason behind this choice of methodology is in the ingrained tendency for there to be complacency when figures and data slant favorably towards the Company. For the year 2020, the dynamics of the COVID-19 Pandemic were also considered for purposes of the materiality principle.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount - In Thousands of Pesos	Units
Direct economic value generated (revenue)	1,351,461,175	PhP
Direct economic value distributed:		
a. Operating costs	149,953,429	PhP
b. Employee wages and benefits	64,836,992	PhP
c. Payments to suppliers, other operating costs	954,936,614	PhP
d. Dividends given to stockholders and interest payments to loan providers	113,575,445	PhP
e. Taxes given to government	60,193,583	PhP
f. Investments to community (e.g. donations, CSR)	604,631	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The largest risk faced by the Company is the trend of increasing prices of raw materials, particularly wheat. Wheat, the quality of which is needed to produce flour, cannot be	Employees and customers	The increase in the price of wheat, and the fluctuations in foreign currency are matters that cannot be controlled by the Company. Hence, to mitigate the risk the company has implemented the following:

sourced locally – hence the Company's wheat requirement is sourced from overseas. Over the past year, there has been a trend of an increase in the price of wheat, added to this is the fluctuation of foreign currency rates. All of this conspire to create a steady and unpredictable rise in prices to an essential raw material.		• Modernization of the Milling Facilities – The modernization of the milling facilities aims to enhance the efficiency of the Company's milling activities. Correspondingly, this is anticipated to reduce the overall manufacturing cost that is attributed to the flour milled. Which in turn, facilitates the offsetting of the increase in the price of raw materials. • Minimizing Variable Input Costs – In the course of production, there are variable input costs that go into the milling process. The company constantly studies on how these variable input costs can be minimized, and when minimized, if these can be further reduced or maintained at the given cost level.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company sees multiple economic opportunities in what has been termed the *Fourth Industrial Revolution* ("FIRE") – which pertains to the rapid digitalization that is prevalent in our lives today. • There is a growing demand for flour. Such demand is brought about by different segments of society engaging in baking activities. These may be used for the manufacturing or consumption of breads, cakes, biscuits, and the like. Additionally, the rise in online commerce by Micro and Small entrepreneurs, particularly	Consumers, suppliers, manufacturers, delivery chains and employees	To maximize these opportunities, the company has enhanced its Research and Development to produce flours that would cater to various customer demands.

those offering food, creates an avenue of largely untapped customers. • FIRE has created a broader wealth of knowledge and exposure to our consumer base – including social media influence on consumer behavior. Over the past years, there has been an increase in the demand for alternative types of flour, such as whole wheat flour, low glycemic flour, among others. The consumer demand for alternative and specialized flours are avenues which the company can use to diversify its offerings.		

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
The Company has a Risk Oversight Committee which is primarily for tracking, collating, and analyzing the various risks that LFM faces.	Natural disasters (eg. Typhoons and floods) are risks that the Company faces. As mentioned above, wheat, which is an essential raw material in the production of flour is sourced from abroad. This being the case, natural calamities play a big role in the management of the company's supply chain. In addition to affecting the supply chain,	To mitigate the supply chain risk, the Company ensures that it has sufficient stock of its raw materials. To mitigate distribution risks, the Company ensures that it has made the proper arrangements and provisions with its partners to ensure the delivery of the goods.	To measure the effects of natural calamities, the Company looks at the following: • Number of days of delay for the raw materials. • Number of undelivered locations for distribution of products. • Time of downtime of the manufacturing facility.

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

	natural disasters also affect the distribution of the Company's goods. Being perishable in nature, there is a need to deliver the goods from the factory to end consumer as quick as possible.		• Costs to repair any damage to property, plant and equipment. • Costs of damaged or spoiled raw materials and finished goods.
In addition to the Risk Management and Oversight Committee, the Executive Board oversees all risk and opportunities, including physical risks related to climate.	The Company looks into the severity and probability of the climate-related risks/opportunities on wheat production which can result to variation on wheat prices. Furthermore, physical safety risks related to frequently occurring typhoons and flooding which can hamper the milling process as well as delivery of flour to our customers.	The Company identifies, assesses and manages climate-related risks through a risk-based thinking associated with ISO 9001:2015	Natural catastrophes, such as floods and typhoons, will directly affect the Company's operations. These are measured through the following: • Number of days of non-milling of flour. • Number of days of Work Suspension due to typhoons and calamity in the flour milling area and delivery to various customer sites. • Costs of repair or replaced damage or destroyed assets. • Costs for maintenance due to wear and tear on or damage to infrastructure.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	*Variable, and subject to change.*	%

Note: As mentioned earlier, the main raw material used by the Company is wheat. The percentage of local suppliers will change depending on the amount of wheat sourced from abroad.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Suppliers and Contractors are chosen based on predetermined requirements and their capacity to fulfill the needs of the Company in the most economically feasible manner.	Employees, Suppliers, Contractors, and Customers.	The Company requires that those that it deals with possess all the necessary permits and licenses necessary to operate.
Wheat, which is the main raw material needed to produce flour, is not endemic to the Philippines. Consequently, this has to be imported from the United States of America. Given the fact of its importation, there is a need to have the wheat transported in barges and shipped using trucks. All of these contribute to the use of fossil fuels.	Community	The Company tries to maximize shipments and place orders in the most economic manner possible. This would both aim to reduce the Company's costs as well as the indirect fossil fuel impact.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Poor production yield (as a result of climate-related factor) of wheat in the US affects the price of this key raw material for flour production. This leads to a poor quality of flour.	Suppliers	Close monitoring of wheat prices and constant search for the best wheat qualities suitable for local flour production.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Best global practices in flour milling can be readily accessed, with advancement in digital technology.	Suppliers	Research and development in modernized milling operations to maximize efficiency.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	No formal training	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	No formal training	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	No formal training	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has an Anti-Corruption Policy in its Code of Corporate Governance.	Employees, suppliers, service providers, and Government.	The Company has an Anti-Corruption and Bribery policy which prohibits directors, officers, management, and all employees from offering or receiving any benefit to "facilitate transactions. To implement such policy, the Company has a Whistleblowing Policy which can be found in the Company's Code of Corporate Governance.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Bribery and corruption may be facilitated by employees, suppliers, or service providers, without the knowledge of the Company.	Employees, suppliers, service providers, and the Government.	In the exercise of its day-to-day operations, the Company endeavors to ensure that employees handling government facing roles do not engage in corrupt practices. It is difficult to monitor compliance with this from the supplier and service provider's side since their operations are not controlled by the Company. However, in the selection of suppliers and service providers the Company

		selects those with good reputations – both business wise and ethically.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
An opportunity that the Company has is to communicate the anti-corruption policy, not only to government and regulatory facing employees, rather to all.	Employees	Management will endeavor to come up with a training program, if feasible, to orient its employees on the Anti-Bribery and Corruption Policy and Whistleblowing Policy of the Company.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#-
Number of incidents in which employees were dismissed or disciplined for corruption	None	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
For the 2019 Fiscal Year, there were no reports or incidents that the Company has knowledge of.	Employees, suppliers, service providers, and the Government.	To ensure that this remains the same moving forward, the Company will communicate such to its directors, officers, and employees.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
If there is a lapse in oversight, some employees or suppliers, or service providers, may be tempted to engage in corrupt practices to help expedite certain matters.	Employees, suppliers, service providers, and the Government.	To ensure that this does not happen, the Company will endeavor to monitor transactions that its employees have with the government, as well as remind its suppliers and service providers, that the company will not tolerate them engaging in corrupt practices.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No opportunities identified.		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	n/a	GJ
Energy consumption (gasoline)	600	LTRS
Energy consumption (LPG)	NONE	Kgs
Energy consumption (diesel)	NONE	GJ
Energy consumption (electricity)	320,372.928	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	300	LTRS
Energy reduction (LPG)	176	KGS
Energy reduction (diesel)	NONE	GJ
Energy reduction (electricity)	NONE	kWh
Energy reduction (gasoline)	NONE	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The milling and production of flour consumes a great amount of electricity.	Community	The Company seeks to ensure that the use of energy is in the most efficient manner. Furthermore, the Company is also in the process of upgrading its machinery, and such upgrade would make the mills run more efficiently, hence consume less power.
Wheat, which is the main raw material needed to produce flour, is not endemic to the Philippines. Consequently, this has to be imported from the United States of America.	Community	The Company tries to maximize shipments and place orders in the most economic manner possible. This would both aim to reduce the Company's costs as well as the indirect fossil fuel impact.

Given the fact of its importation, there is a need to have the wheat transported in barges and shipped using trucks. All of these contribute to the use of fossil fuels. These are metrics that the Company cannot accurately measure since these are indirectly attributable and not directly incurred.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No significant risks were reported or identified.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company makes a constant effort to try and lower the amount of energy consumption that the company consumes in every aspect of its operations. This not only helps the environment, it also reduces the Company's operating costs.	Employees, Community	The Company implements measures to try and lessen its energy consumption. Among these measures is the modernization and utilization of upcoming technologies for the manufacturing of flour.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	20,901	m^3
Water consumption	14,630	m^3
Water recycled and reused	n/a	m^3

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Bulk of the Company's use pf water would be directly attributable to or because of its manufacturing activities.	Employees	

Additionally, there will be large water consumption for the lavatory facilities.		
Another source for the company's use of water would be those that are necessary for the upkeep and cleaning of facilities and employee lavatory use. These are further exacerbated by the COVID-19 pandemic where people are encouraged to constantly disinfect. Consequently, there is less focus given to reducing water consumption, and greater attention to sanitizing and disinfecting the premises. This necessarily entails an increase in the usage of water.	Employees and the Company	The Company tries to reduce its water consumption by scheduling the most optimal time for sanitation. Employees are also reminded to conscientious with their use of water.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No significant risks were reported or identified.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company makes a constant effort to try and lower the amount of water consumption that the company consumes in every aspect of its operations. This not only helps the environment, it also reduces the Company's operating costs.	Employees, Community	The Company implements measures to try and lessen its water consumption. These are done through employee reminders to conserve water, and try and use upcoming technologies in flour milling that make the milling process more efficient and less draining on natural resources.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	NONE	kg/liters
• non-renewable	55,932,829	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services	NONE	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Being engaged in the manufacturing of commodities, the products that are used by the company are non-renewable in nature, since they are meant for consumption. Manufacturing activities also lead to and create waste.	Customers and Community	The Company's a goal is to create as little waste in the manufacturing process as possible. Less waste does not only help the environment, rather it has a direct correlation to the efficiency that raw materials are used. Furthermore, all by-products that are not usable, are discarded and recycled properly.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
When there is a lapse in production quality, there is a greater possibility of producing rejects. The rejects, which are unfit for human or livestock consumption, are treated as waste and disposed of.	Community	To mitigate the risk of poor production quality, the Company ensures that there is a step by step process in place for the manufacturing of flour. Management also invests in new technologies that aid the manufacturing process by reducing the instances of human error. When the rate of human error has an inverse relation to the amount of production related waste generated by the Company.
Overproduction (i.e. when the Company's production exceeds consumer demand) increases the risk of waste brought about by spoilages.	Company, Customers, and Community	Management monitors market developments and tries to match production volume with the anticipated demand.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has an opportunity to manufacture flour in a more efficient manner with the upgrade of its milling facilities.	Employees and Community	To aid in the efficiency and decrease human error, the Company is in the process of upgrading its milling equipment.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	n/a	
Habitats protected or restored	n/a	Ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	n/a	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	none	kg
Energy indirect (Scope 2) GHG Emissions	none	kg
Emissions of ozone-depleting substances (ODS)	none	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable		

[3] International Union for Conservation of Nature

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable		

Air pollutants

Disclosure	Quantity	Units
NO_x	None	kg
SO_x	None	kg
Persistent organic pollutants (POPs)	None	kg
Volatile organic compounds (VOCs)	None	kg
Hazardous air pollutants (HAPs)	None	kg
Particulate matter (PM)	None	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	12.0	kg
Reusable	NONE	kg
Recyclable	NONE	kg
Composted	NONE	kg
Incinerated	NONE	kg
Residuals/Landfilled	NONE	kg

Note: The Company has no accurate means to determine the exact weight of all its solid waste produced.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Since the company is engaged in manufacturing, there solids wastes are generated that are the byproducts of the manufacturing activities.	Community	As a matter of policy, the Company tries to reduce the amount of waste from its manufacturing activities. Furthermore, there are safeguards and procedures in place to ensure that the solid waste is disposed of properly. There are also some by-products of the milling process which may be used for other purposes. Among this are the use and sale of mill feeds to producers of animal feeds.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No significant risks were reported or identified.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No significant opportunities were reported or identified.		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	12.O	kg
Total weight of hazardous waste transported	NONE	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company, through the course of its manufacturing activities, generates hazardous waste.	Employees and Community	The Company ensures that there are proper measures and safeguards in place for the identification and handling of hazardous waste. These are implemented to ensure the safety of the

		Company's employees, as well as ensuring its proper disposal. In the transportation of hazardous waste, the Company ensures that it handles the hazardous waste properly. If the hazardous waste is beyond the competency of the Company to handle, the services of a duly licensed and accredited third-party provider are secured.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No significant risk reported or identified.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No significant risk reported or identified.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	37	Cubic meters
Percent of wastewater recycled	NONE	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a by-product of manufacturing, toilets, and sanitation facilitates, the Company produces waste water.	Employees and Community	The company does not transport nor handle its own wastewater. However, to ensure that the proper handling of the wastewater, the Company ensures that the necessary facilities are in place to ensure that wastewater reaches the proper sewage.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No significant risk reported or identified.		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
No significant opportunity reported or identified.		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	none	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	none	#
No. of cases resolved through dispute resolution mechanism	none	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	127	
a. Number of female employees	17	#
b. Number of male employees	110	#
Attrition rate[5]	-.11	Rate
Ratio of lowest paid employee against minimum wage	n/a	Ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	5.88	6.36
PhilHealth	Y	5.88	6.36
Pag-ibig	Y	5.88	10.91
Parental leaves	Y	n/a	1.82
Vacation leaves	Y	82.35	57.27
Sick leaves	Y	29.41	43.64
Medical benefits (aside from PhilHealth))	Y	n/a	2.73
Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	Y	5.88	10.91
Further education support	N	n/a	n/a
Company stock options	N	n/a	n/a
Telecommuting	N	n/a	n/a
Flexible-working Hours	N	n/a	n/a
(Others)		n/a	n/a

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Flour milling requires strong technical experience, not typically acquired through vocational nor academic training. Our flour millers have at least 30 years of flour milling experience, generally	Due to the lack of organic expertise that relates to flour milling, the Company invests time and resources to train its employees.

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

homegrown, and considered pioneers in the flour milling industry since 1958. Valuable time and resources are invested in our employees to ensure that they have the necessary capabilities to perform their jobs. Furthermore, they are considered by the Company as key personnel who have grown with the Company throughout the years	
What are the Risk/s Identified?	**Management Approach**
The aging workforce of the Company and lack of training vocational schools on flour milling for new millers poses the risk of a gap in continuity; especially when older flour millers retire or they develop health issues associated with aging.	Succession planning is slowly being put in place to develop the younger workforce. Additionally, to manage the health risk of aging employees, the Company has secured HMO coverage and other medical benefits to ensure that the health concerns of the Company's older employees are addressed. The Company is also studying various degrees of automation that would reduce reliance on physical labor.
What are the Opportunity/ies Identified?	**Management Approach**
As global flour milling industry moves towards automation, flour millers are slowly being eased out of the industry. This is an opportunity for tapping into the consultancy roles of these experts in the local flour milling industry.	Competitive salary and benefits packages have been designed. Technical training on recent updates in flour milling and baking industry has been offered to the employees.

Employee Training and Development

Disclosure	**Quantity**	**Units**
Total training hours provided to employees	0	Hours
a. Female employees	0	Hours
b. Male employees	0	Hours
Average training hours provided to employees	0	Hours
a. Female employees	0	hours/employee
b. Male employees	0	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**

As mentioned above, the skills required for flour milling are not organic to the Philippines.	The Company invests time and resources to the training of employees to ensure that they possess the necessary expertise for the flour milling functions of the Company.
What are the Risk/s Identified?	**Management Approach**
Flour milling technical courses are not available in the country, thus access to latest trends is limited. Although training provided abroad were done in the previous years, this was limited with travel restrictions imposed by sponsoring countries.	Updates on local flour milling industry experts are instead sought.
What are the Opportunity/ies Identified?	**Management Approach**
As technology advances, the need for digital literacy and skills are needed more than ever. Aside from automation to improve flour milling efficiency, our employees will need quicker and better access to information to keep up with the fast-changing world	Digitalization and automation of the processes is being studied.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	74.80	%
Number of consultations conducted with employees concerning employee-related policies	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has entered into a *Collective Bargaining Agreement (CBA) with its employees' union.*	As part and parcel of recognizing the employee's union, the Company endeavors to always maintain good relationships as well as negotiate in good faith with the union.
What are the Risk/s Identified?	**Management Approach**
No significant risk reported or identified.	
What are the Opportunity/ies Identified?	**Management Approach**
No significant opportunity reported or identified.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	6	%
% of male workers in the workforce	96	%
Number of employees from indigenous communities and/or vulnerable sector*	49	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company supports diversity in employment, where of prime importance is skill and qualification. The Company does not discriminate as to matters such as, race, sex, religion, gender orientation, political opinion, and others.	The Company implements and "*equal employment opportunity for all*" policy, and strays from discriminating against applicants.
What are the Risk/s Identified?	**Management Approach**
No significant risk reported or identified.	
What are the Opportunity/ies Identified?	**Management Approach**
No significant opportunity reported or identified.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1 employee	8 Man-hour/employee
No. of work-related injuries	15	0 man-hour; no sick leave
No. of work-related fatalities	0	0
No. of work related ill-health	0	0
No. of safety drills	0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

The Company values the health, safety, and wellbeing of its employees. In furtherance of such, the company implements and complies with safety, health and welfare standards, and policies.	In the interest of the health of the Company's employees the former has implemented the following, among others: • Annual physical check-up. • HMO benefits for all employees. • On-site medical assistance for any work-related accidents. Our Company employs an occupational health doctor and an occupational health nurse at the Mandaluyong plant and another at the Makati office. • Hospitalization plan contract with Insular Life • Memorandum of Agreement with VRP Medical Center.
What are the Risk/s Identified?	**Management Approach**
One risk that faces the Company is the aging workforce, which comes with the corresponding health issues	As mentioned above, to try and mitigate these risks the Company has secured a Hospitalization Plan, HMO Benefits, among others, to ensure that Company employees have health security.
What are the Opportunity/ies Identified?	**Management Approach**
No significant opportunity reported or identified.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	None

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For 2019 there were no incidents related to human rights abuse.	Employees are given an avenue through which they could voice out any complaints and concerns, including human rights violations.

	Under the Code of Corporate Governance, the employees have a grievance mechanism where they can submit complaints to the internal auditor, the audit committee, or any responsible officer of the Company. The choice of which avenue to course complaints is at the reporting employee's discretion.
What are the Risk/s Identified?	**Management Approach**
If the Company does not respect and honor human rights, these will have massive negative impacts on the morale of the employees which may lead to strikes, lockouts, work stoppages, pickets, mass resignations and the like.	The Company undertakes and ensures that it respects and values human rights. Furthermore, as part of the Company's Code of Corporate Governance, employees are treated as partners in value growth and creation.
What are the Opportunity/ies Identified?	**Management Approach**
No significant opportunity reported or identified.	

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	The Company does not have a specific policy for suppliers, rather there is a general Anti-Corruption Policy in the Code of Corporate Governance. It is available through this link: http://www.libertygroup.com.ph/pdf/LFM_Revised_Code_of_Corporate%20Governance_2019.pdf

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Suppliers and service providers are selected based on their ability to fulfill the needs and requirements of the Corporation.	Before a supplier is selected, the company does a background check of the following, among others: historical performance with the company; historical performance with other companies or businesses; and reputation for fair and good dealing.

What are the Risk/s Identified?	Management Approach
As mentioned previously, wheat, which is the most essential ingredient of flour manufacturing, is sourced from abroad. Furthermore, the Philippine climate is not suitable for wheat related agriculture. The lack of local sourcing places great reliance on importations of this essential raw material.	To mitigate this risk, the company ensures that it has a sufficient amount of raw materials to maintain production.
What are the Opportunity/ies Identified?	**Management Approach**
No significant opportunity reported or identified.	

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
DepEd	NCR	Youth	N	Food	Aside from baking skills training, the end product (bread), it also provides nutrition to these youth

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

Certificates	Quantity	Units
FPIC process is still undergoing	n/a	#
CP secured	n/a	#

What are the Risk/s Identified?	Management Approach
Not applicable	
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No data available.	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer satisfaction is essential to the Company, because it leads to repeat purchases and brand loyalty.	The Company does extensive research and development to try and modify its goods to fit consumer preferences and anticipate future demand.
What are the Risk/s Identified?	**Management Approach**
The Company is engaged in the manufacturing of goods meant for human consumption. This being the case, a decrease in customer satisfaction would have a direct negative impact on the goodwill and sales of the Company.	There are stringent quality control measures in place to ensure that the goods produced would be to the satisfaction of our customers.
What are the Opportunity/ies Identified?	**Management Approach**
The Company sees opportunity in developing new recipes and types of flour that would suit consumer preferences.	The Company tries to keep abreast of the changing consumer demands and preferences for the goods that it currently produces, as well as anticipate what consumers may demand in the future.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	5	#
No. of complaints addressed	5	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The complaints that the Company receive primarily concern the products produced by the Company.	To ensure that the customer concerns are addressed the company immediately escalates this to the relevant officer for rectification.
What are the Risk/s Identified?	**Management Approach**
The Company is exposed to health risks that may arise from products that are not manufactured according to the standards of the Food and Drug Administration, as well as best practices.	The Company implements stringent quality control as well as maintenance of its manufacturing equipment to ensure that goods are produced according to the aforementioned standards.
What are the Opportunity/ies Identified?	**Management Approach**
No significant opportunity reported or identified.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	None	#
No. of complaints addressed	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Being engaged in the sale of consumer goods, brand recognition is an essential aspect of the Company's business.	The Company engages in marketing activities to promote its products. Furthermore, the company also designs and creates packaging that would appeal to the consumer and create a natural draw to the Company's products.
What are the Risk/s Identified?	**Management Approach**
No significant risk reported or identified.	
What are the Opportunity/ies Identified?	**Management Approach**

The company, using online platforms both for purchase and delivery, may make its products available to a wider segment of the population.	The Company studies how it can create and/ or increase engagement with untapped customers through digital means.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
During its operations, the Company does not, as a practice, store the information of the consumers that purchase its goods - hence, this topic is immaterial.	
What are the Risk/s Identified?	**Management Approach**
Not applicable, please see explanation above.	
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable, please see explanation above.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	None

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For the year 2020 there were no data breaches or security incidents.	The Company values information security, especially in these evolving times. To ensure that the Company is insulated from cyber threats, it has implemented the necessary safety and security measures as well as hired the services of a third-party contractor with more expertise on the subject to handle the matter.

What are the Risk/s Identified?	**Management Approach**
The increasing reliance on information technology infrastructure makes the Company susceptible to cyber-attacks, data breaches, security incidents, and the like.	As mentioned above, the company has in place security measures which would address these concerns. However, to not compromise the security systems of the company, the specifics of such shall be left out.
What are the Opportunity/ies Identified?	**Management Approach**
No significant opportunity reported or identified.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

<u>Contribution to UN SDG's:</u>

The Company is engaged in the production and manufacturing of affordable flour, which is an integral component and raw of Filipino food staples such as bread. By manufacturing and offering affordable flour, consumer goods which are produced using the Company's products may now be offered to the consuming public at lower prices.

Mill feeds, which is a by-product of flour manufacturing, is used as an essential component for animal feeds. By providing a component of animal feeds at an affordable price, this in turn helps lower the cost of raising livestock and poultry, which leads to lower prices offered to consumers.

The ability to offer various raw materials for the manufacturing and production of consumer goods, livestock, and poultry leads to the Company's products helping vulnerable segments of the population gain access to means which they daily sustenance needs may be met.

<u>Negative Impacts and mitigation measures:</u>

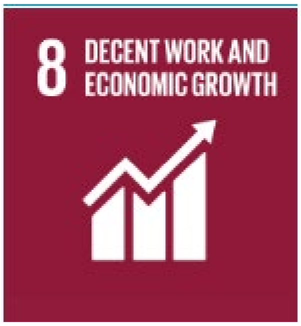
Being engaged in manufacturing of consumer goods, the Company has a large carbon footprint in terms of the use of fossil fuels. It imports wheat, which is transported through barges and ships, and transports raw materials through the use of trucks and vans.

To mitigate the fossil fuel impact, the Company tries to minimize its carbon footprint by making sure that the logistics of the company are conducted at an optimal manner.

Another negative impact that may result from the operations of the company is a large amount of solid waste that may result from spoilages and/or goods not manufactured according to standards.

To mitigate this risk, the company has in place strict quality control mechanisms to ensure that goods are produced in compliance with regulations and best practices.

A common mitigation measure to the above would be the modernization and use of information technology which would be leveraged in such a way that it would help create efficiency as well as control systems in all aspects of the Company's operations.



<u>Contribution to UN SDG's:</u>

Through its operations, the Company creates employment opportunity for the community. However, the company is not content with just providing employment, rather such employment should be able to sustain. In furtherance of this, the Company's goal is to pay all its employees a living wage and not just minimum wage.

<u>Negative Impacts and mitigation measures:</u>

A negative impact of job creation would be the Company's indirect contribution to the increase in fossil fuel usage, arising from the fossil fuels consumed by employees going to and from work.

To mitigate these risks, the Company tries to encourage employees to use alternative modes of transportation that would not require the use of fossil fuels.