COVER SHEET

Nature of Application

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

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 **July 27, 2022 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 July 1, 2022 shall be entitled to notice and to vote at the meeting.

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

Given the current circumstances, the annual stockholders' meeting will be held through remote communication. Stockholders who intend to participate by remote communication should notify the Company by email on or before July 13, 2022 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 Flour Mills, Inc.

RATIONALE AND EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDER APPROVAL

I. Approval of the Minutes of the Annual Stockholders' Meeting held on May 26, 2021

At the meeting, Stockholder approval for the minutes of the May 26, 2021 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 2022 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 May 26, 2021 to July 27, 2022.

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 2021 Annual Stockholders' Meeting until the 2022 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 July 27, 2022 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 2022 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 July 27, 2022 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 2021 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 ________________, 2022 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 1200

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

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

   27 July 2022
   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: July 6, 2022

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

INFORMATION STATEMENT

For the 2022 Annual Stockholders' Meeting

Liberty Building, 835 A. Arnaiz Avenue, Makati City
27 July 2022
4:00 o'clock PM

INFORMATION REQUIRED IN AN INFORMATION STATEMENT

I. GENERAL INFORMATION

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

Date of Meeting	July 27, 2022
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 2021 Annual Report sometime on July 6, 2022. 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 24, 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, 2022, 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 May 31, 2022, 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 July 1, 2022 ("*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 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 Ang	373	Sole Voting	Filipino	Negligible
Common	Lourdes J. Chan	1	Sole Voting	Filipino	Negligible
Common	Jose A. Feria, Jr.*	36	Sole Voting	Filipino	Negligible
Common	David Ng*	377	Sole Voting	Filipino	Negligible
Common	John Carlos Uy	374	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	Chairman	12,561,557	Sole Voting	Filipino	8.37%
Common	Sandra Judy Uy	President	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	14,242,735	Sole Voting	9.46%

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 Directors of the Company are as follows:

Name of Directors	Age	Citizenship	Position
William Carlos Uy	80	Filipino	Chairman of the Board
Sandra Judy Uy	45	Filipino	Director
John Carlos Uy	71	Filipino	Director
Vicente Vargas	65	Filipino	Director
William Ang	71	Filipino	Director
David Ng*	60	Filipino	Director
Jose Ma. S. Lopez	78	Filipino	Director
Loudes J. Chan	62	Filipino	Director
Jose S. Jalandoni	67	Filipino	Director
Daniel Maramba	49	Filipino	Director
Jose A. Feria Jr.*	74	Filipino	Director

* Independent Director

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

Name	Age	Citizenship	Position
William Carlos Uy	80	Filipino	Chairman
Sandra Judy Uy	45	Filipino	President
Vicente Vargas	65	Filipino	Corporate Secretary
Jose Ma. Lopez	78	Filipino	Senior Vice President & Treasurer

Background of the Directors and Senior Management

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

William Carlos Uy serves as the President and Chairman of the Company. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a 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 the President of 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.

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.

Lourdes J. Chan is a Treasurer and Board Member of Kanlaon Development Corporation; Kanlaon Farms, Inc. and Jayjay Realty Corporation; Board Member of JM & Company; Alegria Development Corporation and Valueline Realty & Development Corporation.

Sandra Judy Uy serves as a 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., 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 May 26, 2021 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 Vargas and John Carlos Uy, with Jose A. Feria Jr. presiding as Chairman.

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

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

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

Significant Employees

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.

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

Jose S. Jalandoni and Lourdes J. Chan are siblings.

Jose S. Jalandoni, Lourdes J. Chan, 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.

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 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 2021 are ₱11.65 Million and ₱14.07 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 2022

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman	2022	₱10.49 Million	₱7.23 Million	₱3.26 Million
Sandra Judy Uy	President				
Jose Ma. S. Lopez	SVP-Treasurer				

** The 2022 figures are only estimates of the compensation to be given to the aforementioned Executive Officers. The actual compensation given for 2022 may vary from what is provided above.*

Actual Compensation for 2021

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman	2021	₱14.07 Million	₱7.16 Million	₱6.91 Million
Sandra Judy Uy	President				
Jose Ma. S. Lopez	SVP-Treasurer				

Actual Compensation for 2020

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman & President	2020	₱11.65 Million	₱7.80 Million	₱3.85 Million
Sandra Judy Uy	SVP Manufacturing				
Jose Ma. S. Lopez	SVP-Treasurer				

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	2022*	₱7,258,329.43	₱3,097,001.15	₱130,000.00	₱10,485,330.58
	2021	₱7,162,700.05	₱6,739,196.36	₱165,000.00	₱14,066,896.41
	2020	₱7,804,841.28	₱3,651,834.53	₱195,000.00	₱11,651,675.81
All other officers and directors as a group	2022*	₱1,910,515.51	₱1,474,691.69	₱755,000.00	₱4,140,207.20
	2021	₱1,854,869.43	₱7,131,911.56	₱685,000.00	₱9,671,780.99
	2020	₱1,747,473.70	₱2,949,383.37	₱535,000.00	₱5,231,857.07

** The 2022 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 2021 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 2022 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 May 26, 2021; and
2. The Financial Statements for the fiscal year ended 31 December 2021.

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 May 26, 2021 out of 150,000,000 shares issued and outstanding, 131,653,556 shares were represented either in person or by proxy representing 87.76% 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 July 29, 2020 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 May 26, 2021 to July 27, 2022 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"**.

Liberty Flour Mills, Inc.

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; (5) election of the board of directors; and (6) 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 July 27, 2022.

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 2021 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 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. VINCENTE S. VARGAS

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

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

REVOCABILITY OF PROXY

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

PERSONS MAKING THE SOLICITATION

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

None of the Company's directors have manifested any intention of opposing any action intended to be taken by the Company during the scheduled Annual Stockholders' Meeting.

All costs of solicitation for proxies including the costs of engaging messengerial and courier services shall be borne by the Company. Except for the costs incidental to the preparation and sending out of notices and proxies, the Company has not paid nor engaged any other employee or solicitor to undertake the solicitation of proxies. The cost of solicitation, which is approximately PhP30,000.00 will be borne by the Company.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

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

As of March 31, 2021, the board of directors and senior management, as a group, own 14,242,735 common shares which is approximately 9.46% of the outstanding common stock.

Liberty Flour Mills, Inc.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 22, 2022.

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 2022 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 2022 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 2022 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 2022 Annual Stockholder's Meeting of the Company:

1. Stockholders as of July 1, 2022 are entitled to participate and vote at the 2022 Annual Stockholder's Meeting. If the stockholder intends to participate through such means, he/she **must register and submit the requirements for registration** via electronic mail on or before July 13, 2022 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 July 20, 2022:
   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 July 20, 2022 at 9:00 a.m. and shall close on July 27, 2022 at 3:00 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.**

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	11 Years
Cyan Management Corporation	Chairman	17 Years
Directories of the Philippines Corporation	Vice Chairman	11 Years
Premiere Travel and Tours, Inc.	Chairman	30 Years
Spencer Food Corporation	Chairman	10 Years
Vinnel Belvoir Corporation	Chairman	14 Years
EYP.PH Corporation	Director	20 Years
Assessment Analytics	Director	13 Years
Macawiwili Gold Mining & Development Corporation	Director	21 Years
HL & F Management Corp.	Director	36 Years
Telephilippines, Inc.	Director	25 Years
Aero Asia, Inc.	Corporate Secretary	42 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 JUN 2 0 2022 day of ____, at Makati City.

JOSE A. FERIA JR.
Affiant

SUBSCRIBED AND SWORN to before me this JUN 2 0 2022 day of ____ at Makati City City, affiant personally appeared before me and exhibited to me his/her TIN No. 107-793-449 issued at __________ on __________ as competent evidence of his/her identity.

Doc. No. 444 ;
Page No. 90 ;
Book No. II ;
Series of 2022.

PATRICIA GIANINA C. TUASON
Notary Public for Makati City
Appointment No. M-162
Until December 31, 2022
Roll Number 76061
IBP No. 171766-1.4.22 -PPLM
PTR No. 8853228-1.3.2022- Makati
8 Floor DPC Place
2322 Chino Roces Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTORS

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

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

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

COMPANY/ ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Sandalfold Estate Development Corporation	Corporate Secretary	13 Years
New RTC International Co., Inc.	General Manager	26 Years
Dollkit Trading Corp.	President	10 Years
Mindaire Trading Corp	President	9 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 ___ day of JUN 2 0 2022, at Makati City.

DAVID NG
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of JUN 2 0 2022 at Makati City, affiant personally appeared before me and exhibited to me his/her Driver's License No. N03-86-021266 issued at valid until 2023/09/21 as competent evidence of his/her identity.

Doc. No. 451 ;
Page No. 92 ;
Book No. II ;
Series of 2022.

PATRICIA GIANINA C. TUASON
Notary Public for Makati City
Appointment No. M-162
Until December 31, 2022
Roll Number 76061
IBP No. 171766-1.4.22-PPLM
PTR No. 8853228-1.3.2022- Makati
8- Floor DPC Place
2322 Chino Roces Avenue, Makati City

MANAGEMENT REPORT

OF

LIBERTY FLOUR MILLS, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended December 31, 2021 follows 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 2022 is in the aggregate amount of ₱1,112,000 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 2021:

Income Statement Data

For the Year December 31
(in Thousands of Pesos)

	2021	2020	2019
Income	1,515,241	1,461,398	1,035,224
Expense	(1,343,377)	(1,219,160)	(936,215)
Income Before Tax	171,864	242,239	99,009
Provision for Tax	(33,689)	(49,814)	(13,848)
Net Income	**138,175**	**192,425**	**85,161**

Balance Sheet Data

As of December 31
(in Thousands of Pesos)

	2021	2020	2019
Assets:			
Cash and cash equivalents	194,042	179,719	168,193
Receivables	1,112,182	841,240	724,898
Financial assets at FVPL	194,329	94,377	39,142
Inventories	190,338	356,616	172,846
Accrued rent – current	1,203	4,647	2,313
Prepaid expenses and other current assets	82,464	51,347	77,233
Financial assets at fair value through OCI	631,406	1,044,039	1,177,783
Investment properties	1,371,443	1,223,957	1,167,873
Property, plant and equipment	300,526	104,058	60,268
Accrued rent – noncurrent	77,404	54,399	27,113

Deferred income tax assets	919	18,104	27,742
Net retirement plan asset	13,076	5,257	-
Other noncurrent assets	25,984	150,602	56,980
Total Assets	**4,195,316**	**4,128,362**	**3,702,384**
Liabilities:			
Notes payable	136,656	580,000	632,900
Accounts payable and accrued expenses	488,970	449,671	215,519
Income tax payable	1,164	1,213	-
Deposits on long-term leases – current	12,726	10,377	7,427
Unearned rental income – current	4,654	4,818	2,423
Deposits on long-term leases – noncurrent	18,604	19,975	22,251
Unearned rental income – noncurrent	8,355	9,777	13,293
Notes payable – non-current	443,801		
Net retirement plan liability	5,850	59,373	99,893
Liability to related party – PVI	37,730	89,730	-
Other noncurrent liability	162,176		
Deferred income tax liability	21,914	18,377	6,391
Total Liabilities	**1,342,600**	**1,293,311**	**1,000,097**
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	27,425	49,360	36,231
Fair value changes on financial assets At FVOCI – without recycling	(138,056)	(104,704)	(111,428)
Fair value changes on AFS investments			
Accumulated remeasurement loss on retirement	449	(9,328)	(4,815)
Retained earnings – appropriated			-
Retained earnings – unappropriated	1,462,898	1,399,723	1,282,299
Treasury stock			
Total Stockholders' Equity	**2,852,716**	**2,835,051**	**2,702,287**
Total Liabilities and Stockholders' Equity	**4,195,316**	**4,128,362**	**3,702,384**

Results of Operations

2021

The operations for the year ending December 31, 2021 posted slight increase from previous year 2020 as the total sales volume of Bakery Flour & Mill Feeds made an increase by 8%. In terms of Sales Value, the Company delivered P1,195.55 million vs. P1,088.62 million in 2020 for an increase of 9.8%. However, Cost of Sales had increased by 17% primarily due to increase in US$ cost of wheat and peso depreciation resulting to a lower gross margin. The lease rental from one of the subsidiaries amounting to P223.74 million contributed a lot in generating a Net Income for the year of P138.17 million as compared to P192.42 million in 2020.

As of the year ended December 31, 2021, the total gross income amounted to P378.51 million, as compared to December 31, 2020 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 P4.20 billion in CY2021 compared to P4.13 billion in PY2020 which was an increase by 2%. The total combined liabilities for CY2021 amounted to P1.34 billion which is higher by 4%, vs. P1.29 billion in 2020.

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 2021 there were one-off transactions 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 CY2021 as compared to PY2020:

Financial Assets at FVTPL – The significant increase made in 2021 is because of the reclassification on the recognition and acquisition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant decrease of 46.60% in inventory is due to timing difference as the usual order quantity for the wheat requirements was delayed for the following month/year.

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– 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.

Other Noncurrent Assets – The decrease for other noncurrent assets pertain to the reclassification of account for the purchase of new machineries, being installed but not yet operational to construction in progress.

Notes payable – Decreased by 76.4% because one of the Company's subsidiaries, LPC paid P443.34 million during the year for the previously availed loans.

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 changes in actuarial valuation.

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.

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, 2021, there was 7.3% slight increase in revenue as compared to previous years' same period performance. The increase is attributed to the 8% in sales volume of flour bags and mill feed with increase in sales value by 9.8% due to product mix sold coupled by the decrease of rental income by 3.4%.

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, 2021, there was a 17% increase in cost of sales primarily due to increase in US$ cost of wheat and peso depreciation resulting to a lower gross margin. However, there was a proportionate decrease in costs related to lease rental which had decreased for the year at 26%.

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 13%for bakery flour and mill feed. There was a decrease compared to 18% in prior year gross profit. The decrease is directly attributable to the increase in US$ cost coupled with higher cost of raw materials. Together with the gross profit contribution from lease rental, the Company generated 66% 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, 2021, the amount of operating expenses were on the same level from previous year. Operating income realized this year is 14% lower 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 2021 with a current ratio at 2.75:1. The working capital requirement of the Company to carry its business is entirely generated internally.

Summary of 2022 and 2023 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2022 and 2023. The Company forecasts its net income to decrease by 10-12% from the preceding year.

The Company has material commitments for capital expenditures for the year 2021. Spending has actually started in 2020 and full spending might be completed by 2nd quarter of 2022.

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 approximately P200 Million in 2022 to purchase land as investment property.

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	80	Filipino	Chairman of the Board
Sandra Judy Uy	45	Filipino	Director
John Carlos Uy	71	Filipino	Director
Vicente S. Vargas	65	Filipino	Director
William L. Ang	71	Filipino	Director
David Ng*	60	Filipino	Director
Jose Ma. S. Lopez	78	Filipino	Director
Lourdes J. Chan	62	Filipino	Director
Jose S. Jalandoni	67	Filipino	Director
Daniel R. Maramba	49	Filipino	Director
Jose A. Feria Jr.*	74	Filipino	Director

* Independent Director

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

Name	Age	Citizenship	Position
William Carlos Uy	80	Filipino	Chairman
Sandra Judy Uy	45	Filipino	President
Jose Ma. S. Lopez	78	Filipino	Senior Vice President & Treasurer
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 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.

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.

Lourdes J. Chan is a Treasurer and Board Member of Kanlaon Development Corporation; Kanlaon Farms, Inc. and Jayjay Realty Corporation; Board Member of JM & Company; Alegria Development Corporation and Valueline Realty & Development Corporation.

Sandra Judy Uy serves as a 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., 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 May 25, 2021 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 Lourdes J. Chan are siblings.

Jose S. Jalandoni, Lourdes J. Chan, 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, 2022, there are 443 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of March 31, 2022 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,521,231	40.35%
2.)	PCD Nominee Corp.	48,620,290	32.41%
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	0.42%
14.)	Jose Maria S. Lopez	624,465	0.42%
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.	487,934	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:

2022	**High**	**Low**	**Close on Last Applicable Trading Day of the Quarter**
First Quarter	28.85	25.80	25.00
2021	**High**	**Low**	
First Quarter	41.00	27.25	32.80
Second Quarter	33.5	27.5	30.60
Third Quarter	31.95	27.2	27.55
Fourth Quarter	29.95	27.20	27.20
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

Market Information (Latest Practicable Trading Date)	
Date	June 20, 2022
Open	17.02
High	17.02
Low	17.00
Close	17.00
Volume	1,500
% Change	Up 11.76%

Dividends

Cash Dividends

The average dividend per share of the Company was ₱0.50 per shares in 2021, ₱0.50 per shares in 2020, and ₱0.30 in 2019.

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.

On August 19, 2021 the Securities and Exchange Commission approved the property dividend declaration of LFM. This is evidenced by a Certificate of Filing the Notice of Property Dividend Declaration dated August 19, 2021 and received by LFM, through counsel, on August 27, 2021.

At a meeting held on May 25, 2022, the Board has approved on or before June 30, 2022, payment date for the property dividend. However, the distribution of the property dividend to each shareholder shall be subject to such shareholder's reimbursing the Corporation for the amounts that the later has advanced for the payment of the corresponding dividend tax which was necessary to secure the Electronic Certificate Authorizing Registration from the BIR to effect the transfer of the LPC shares.

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2021, 2020, and 2019.

	Dividend Type	**Record Date**	**Rate**	**Amount (₱)**
For 2021	Cash	June 11, 2021	5%	75,000,000.00
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

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

Unappropriated retained earnings, beginning	₱1,060,605,804
Less: Impact of rental income straight-lining under PFRS as at December 31,2020	(2,496,065)
Cumulative fair value on financial assets at FVTPL as at December 31, 2020	(4,727,216)
Deferred tax assets	(18,852,597)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,034,529,926
Add: Net income actually earned/realized during the year	
Net income closed to retained earnings	(12,615,277)
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(1,439,276)
Impact of rental income straight-lining under PFRSs	321,861
Movement in deferred tax assets	17,390,145
Net income actually earned/realized during the year	3,657,453
Less: Cash dividend declaration during the year	(75,000,000)

Total retained earnings available for dividend declaration, end	₱1,113,187,379

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 Ms. Maria Elisa G. Ledesma 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.

For the calendar year 2021 the Directors attended a training held on March 16, 2021 by the *Center for Global Best Practices* in their SEC accredited webinar "*Roles, Responsibilities and Liabilities of Board Directors*."

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.

2021 ANNUAL STOCKHOLDER'S MEETING

Quorum for the 2021 Annual Stockholders' Meeting

At the 2021 Annual Stockholders' Meeting of the Corporation, there were the stockholders present through person or proxy represented 131,653,556 shares which corresponds to 87.76% of the issued and outstanding capital stock entitled to vote.

Voting and Vote Tabulation Procedures used in the Meeting

In the 2021 Regular Meeting voting was done during the meeting and was conducted in person (through remote communication), through proxy; and by 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*, show of hands, or by leaving comments in the chat box.

Tabulation and Counting of Results

The Corporate Secretary, Vicente S. Vargas, along with the Assistant Corporate Secretary, Maria Elisa G. Ledesma, counted and tabulated 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.

<u>Opportunity Given to Stockholders to Ask Questions and a Record of Questions Asked and Answers Given</u>

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 2021 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. However, despite being given such opportunities, no questions were raised to the Board of Directors and Management.

<u>Matters Discussed and Resolutions Reached and the Record and Voting Results for Each Agenda Item</u>

Approval of the Minutes of the 2021 Annual Stockholder's Meeting

There was a total of 131,653,556 shares present by person and/or by proxy in the 2021 Annual Shareholders' Meeting, representing 87.76% of the Company's total issued and outstanding capital stock.

For Agenda matter concerning the approval of the Minutes of the 2020 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 2021 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.

Approval of the Extension of the Terms of the Company's Independent Directors

In the agenda item for the election of directors, a motion was made for the extension of the term of the Company's Independent Directors, Jose A. Feria Jr. and David Ng.

For the Agenda matter concerning the extension of the terms of the Independent Directors Jose A Feria Jr. and David Ng, such extension 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

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 2021 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 2021Annual meeting:
1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente Vargas;
6. David Ng;
7. Sandra Judy Uy;
8. Daniel R. Maramba;

9. Jose A. Feria Jr.;
10. Feria Tantoco Daos Law Offices (represented by Michael B. Tantoco);
11. COL Financial (through Ms. Hershey Lagumay); and
12. 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 2021 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 RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (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, 2021 and 2020, 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

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **23rd** day of **March 2022**

LIBERTY FLOUR MILLS INC.
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REPUBLIC OF THE PHILIPPINES)
CITY OF CITY OF MAKATI) S.S.

APR 06 2022

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

Name	Identification Document Presented	Issue/Expiry Date
WILLIAM CARLOS UY	SC ID No. 1734252	May 2002
SANDRA JUDY UY	PASSPORT ID No. P7994347A	July 19,2018 / July 18, 2028
JOSE MA. S. LOPEZ	SC ID No. 2253477	May 2004

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Book No. XI
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 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 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

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **23rd** day of **March 2022**

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

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

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

SUBSCRIBED AND SWORN TO before me this ____ day of APR 06 2022, in CITY OF MAKATI affiants exhibiting to me his/her competent evidence of identity as follows:

Name	Identification Document Presented	Issue/Expiry Date
WILLIAM CARLOS UY	SC ID No. 1734252	May 2002
SANDRA JUDY UY	PASSPORT ID No. P7994347A	July 19,2018 / July 18, 2028
JOSE MA. S. LOPEZ	SC ID No. 2253477	May 2004

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc. No. 377
Page No. 77
Book No. XI
Series of 2022.

COVER SHEET

SEC Registration Number

1	4	7	8	2						

Company Name

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2022**

2. Commission identification number: **14782**

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

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

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. **Liberty Building, A. Arnaiz Avenue, Makati City** **1229**
   Address of issuer's principal office Postal Code

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

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

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

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

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

    Yes [Ĕ] No [ ]

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

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

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [Ĕ] No [ ]

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

    Yes [Ĕ] No [ ]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the unaudited interim financial statement of the Liberty Flour Mills, Inc. (the "Company) and its subsidiary for the three (3) months ended March 31, 2022 which is attached hereto as Annex "A" and which is hereby incorporated by reference to form an integral part of the Report. Likewise, attached as Annex "B" is the Company's Statement of Changes in Stockholder's Equity for the three (3) months ended March 31, 2022 and as compared to same period for the year 2021, and the Company's basis for the computation of Basic Earnings per share.

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

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

The operations for three-month period ended 31 March 2022 posted a net loss of (PhP37.11 million) as compared from previous year's same period net income of PhP30.51 million. There was a decrease of 13% in volume of flour bags sold in the first quarter of 2022. However, despite the negative growth in sales volume, the net sales revenue posted high growth vs. the same period last year due to successive price increases implemented to negate huge increases in cost of raw materials. Cost of sales had increased by 39% compared to same period last year primarily due to very high costs of wheat coupled with high manufacturing costs. Dividend income on shares of stocks on quoted securities had decreased significantly due to early redemptions. Interest income in debt instruments increased by 46% from the previous year's same period basically as there were some acquisitions made this year by one of the subsidiaries and at mid last year.

For the quarter ended 31 March 2022, total gross income amounted to PhP12.45 million, which is 73% lower from the previous year's same period operation which made gross profit amounting to Php45.70 million.

Other operating income represents rental income which had an aggregate amount of Php38.11 million for the first three-month period of 2022 which is higher by 4% compared to previous year's same period of Ph36.71 million. Increase is due to higher rental income by one of the subsidiaries of the Company.

Operating expenses for the three-month period of 2022 amounted Php49.78 million, 12% lower than the previous year's same period operating expense of PhP56.87 million. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

For the three-month period of 2022, the Company had an operating income of PhP7.06 million versus previous year's same period operating income of Php34.15 million. The lower operating income is primarily due to the lower Gross Profit as mentioned above due to higher Costs of Sales.

Other income(charges), net, for the three-month period of 2022 amounted to (Php38.99 million), which is 158% higher than last year's same period amounting to net charges Php2.05 million. The higher charges are mainly due to unrealized loss on FV Changes on FVPL by one of the subsidiaries. The account also consists of net interest income and expense, dividend income and net miscellaneous income from scrap sales

As for the quarter ended, the Company has trust receipt balance amounting to Php445.57million as compared to last year's same period of Php337.74million.

The total combined assets amounted to PhP4.21 billion as of 31 March 2022 which is basically same level vs. 31 December 2021 while total liabilities amounted to PhP1.39 billion which is higher by 4%, from balances as of 31 December 2021.

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

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

Accounts Receivable – The increase in account is due to lower collection during the first quarter of 2022.

Inventories – The increase in account is due to higher costs of importation of raw materials for the period.

Financial Assets at FVPL – The increase is due to the valuation and additional acquisition by one of the subsidiaries.

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

Accounts payable – The increase is due to availment of Trust Receipts payable during the first quarter of 2022.

Income tax payable – The decrease is due to higher recognition of income tax payable by one of the subsidiaries during the first quarter of 2022.

Retained earnings – Balance as of March 31, 2022 is basically on the same level as of previous period last year.

Performance Indicators

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

- Selling Price, Volume and Revenue Growth

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

During the three-month period ended 31 March 2022, there was 18% increase in revenue as compared to previous year's same period performance brought about by selling price increases. Likewise, there was an increase in the Company's rental income by 4%.

- Cost Contribution

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

During the three-month ended 31 March 2022, there was a significant increase of 39% in cost of sales over the previous year's same period performance primarily due to high costs of imported wheat coupled with foreign currency deterioration.

- Gross Profit Contribution

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

During the three-month ended 31 March 2022, the Company generated gross profit of 4%. There was a huge decrease of 73% in gross profit as compared in the prior year's same period performance. The decrease is directly attributable to the high costs of major raw materials.

- Operating margin

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

During the three-month ended 31 March 2022, there was a decrease in operating expenses by 12% over the previous year's same period performance. Operating income was earned this quarter as a result of increase in sales revenue coupled with decrease in operating expenses.

- Plant Capacity Utilization

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

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2021 and as of quarter ended 31 March 2022 with a current ratio at 2.75:1. The working capital requirement of the Company to carry its business is entirely generated internally.

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

MAKETPRICE

The market price of the Company's common shares closed at PhP25.00 on 31 March 2022. For the Company's high and low prices for the first quarter of 2022, please see table below:

Stock	Quarter	High	Low
LFM	1	25.00	24.95

PART II – FINANCIAL DISCLOSURES

Financial Instruments and Financial Risk Disclosure

The Group's financial instruments consist of cash and cash equivalents, trade receivables, financial assets at FVPL, financial assets at FVOCI and notes payable. The main purpose of these financial instrument is to fund the group's operations. The other financial assets and financial arising directly from its operations are 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 BOD reviews and approves policies for managing each of these risks.

a. Credit Risk

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

The Group trade receivables is concentrated with its three distributors which account for 96% of the total trade receivables as of March 31, 2022. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. With respect to credit risk arising from other financial assets of the Group which comprise of cash equivalents, financial assets at FVPL, debt instruments classified as financial asset at FVOCI and debt instruments classified as AFS investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancement held over these assets.

b. Equity Price Risk

Equity price risk is the risk that the fair 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.

The Group's policy is to maintain the risk at an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

c. Foreign Currency Risk

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

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

	2022	2021
Cash in bank	$377,423	$54,100
Total US dollar-denominated assets	$377,423	$54,100

The exchange rate per $1.00 to Philippine peso is P51.74 and P48.53 respectively.

d. Liquidity Risk

Liquidity risk is the risk that the Group will be unable to pay its obligations when they fall due under normal and stress circumstances.

The Group manages risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

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

a. Financial assets at FVPL

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

b. Financial assets at FVOCI

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

c. Deposits on long-term leases

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.

d. Other financial assets and financial liabilities

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

PART III - OTHER INFORMATION

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

SIGNATURE

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

LIBERTY FLOUR MILLS, INC.

By:

WILLIAM CARLOS UY
Chairman of the Board

SANDRA JUDY UY
Chief Executive Officer

JOSE MA. S. LOPEZ
Chief Financial Officer

ANNEX "A"

LIBERTY FLOUR MILLS, INC.

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

UNAUDITED FINANCIAL STATEMENTS
MARCH 31,2022

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
BALANCE SHEET
AS OF MARCH 31,2022
(With comparative figures for year ended Dec. 31, 2021 and three months ended March 31, 2021)

Assets				March 31, 2022				December 31, 2021 Audited				March 31, 2021
Current Assets												
Cash and cash equivalents			P	53,188,078			P	194,041,740			P	161,463,644
Receivables				1,160,413,471				1,112,181,595				894,699,025
Financial assets at fair value through profit or loss				155,254,535				194,328,610				127,982,946
Inventories:												
Finished goods	P	36,967,279			P	41,107,747			P	21,772,768		
Raw materials		248,342,642				149,230,268				233,014,829		
Inventories-in Transit		-				-				-		
Total Inventories				285,309,921				190,338,015				254,787,597
Prepaid expenses & other current assets				128,281,730				83,667,042				70,035,051
Total current assets			P	1,782,447,735			P	1,774,557,002			P	1,508,968,263
Financial assets at fair value through OCI				632,840,275				631,405,777				1,027,210,058
Investment properties				1,364,913,557				1,371,443,195				1,212,884,166
Plant, Property & Equipment, net				300,116,807				300,526,062				103,641,957
Deferred Charges & Other Assets				128,859,158				117,383,614				225,898,070
Total Assets			**P**	**4,209,177,533**			**P**	**4,195,315,650**			**P**	**4,078,602,514**

Liabilities & Stockholders' Equity

Current Liabilities												
Accounts Payable			P	536,283,115			P	488,970,449			P	538,305,855
Income Tax Payable				4,518,637				1,163,501				1,111,844
Other Liabilities				107,436,687				154,036,184				
Total Current Liabilities			P	648,238,439			P	644,170,134			P	539,417,699
Bank Loans				443,800,782				443,800,782				580,000,000
Deposit on long-term lease				31,884,198				18,603,788				29,784,730
Accrued retirement benefits costs				9,297,076				5,849,806				60,085,061
Deferred Income Tax Liability				21,913,988				21,913,988				6,391,057
Other Non-current Liabilities				237,004,918				208,261,340				96,085,155
Total Liabilities			**P**	**1,392,139,401**			**P**	**1,342,599,838**			**P**	**1,311,763,702**
Stockholders' Equity												
Capital Stock, authorized - 200,000,000 shares at P10 par value per share P2,000,000,000.												
Issued and outstanding,150,000,000 shares			P	1,500,000,000			P	1,500,000,000			P	1,500,000,000
Fair value changes on financial assets through OCI				(109,197,139)				(110,631,636)				(1,532,772)
Remeasurement gain (loss) on defined benefit				449,165				449,165				(17,740,901)
Retained earnings												
Appropriated	P	-			P	-				-		
Unappropriated		1,425,786,106				1,462,898,283				1,286,112,485		
Total Retained Earnings				1,425,786,106				1,462,898,283				1,286,112,485
Treasury Stock, at cost				-				-				-
Total Stockholders' Equity			**P**	**2,817,038,132**			**P**	**2,852,715,812**			**P**	**2,766,838,812**
Total Liabilities & Stockholders' Equity			P	**4,209,177,533**			P	**4,195,315,650**			P	**4,078,602,514**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF INCOME AND EXPENSES
For quarter ended March 31,2022
(With comparative figures for the quarter ended March 31,2021)

		March 31, 2022		**March 31, 2021**
Net Sales	P	282,535,092	P	239,325,580
Cost of Sales		(270,084,852)		(193,623,898)
Gross Profit	P	12,450,239	P	45,701,682
Other operating income		44,391,975		45,316,667
Operating Expenses		(49,783,300)		(56,869,863)
Income from operations	P	7,058,914	P	34,148,486
Other Income/Charges, net		(38,987,435)		2,046,118
Income before Income Tax	P	**(31,928,521)**	P	**36,194,604**
Provision for Income Tax, current		(5,183,654)		(5,681,511)
Provision for Income Tax, Deferred				
Net Income for the period	**P**	**(37,112,175)**	**P**	**30,513,093**
Earnings (loss) per share	**P**	**(0.25)**	**P**	**0.20**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For quarter ended March 31,2022
(With comparative figures for the quarter ended March 31,2021)

		January 1 to March 31, 2022		January 1 to March 31, 2021
CASHFLOWS FROM OPERATING ACTIVITIES:				
Income before tax	P	(31,928,521)	P	36,194,604
Adjustment for:				
Depreciation		14,546,350		14,381,740
Fair Value changes of financial assets at FVPL		37,706,860		(17,592,016)
Retirement Benefit Cost		3,447,270		(779,501)
Interest income		(3,893,550)		(2,667,559)
Dividend Income		(2,391,250)		(5,939,460)
Interest expense		10,183,083		8,154,546
Loss (Gain) on the sale of AFS investments		1,480,610		-
Loss on sale of FVPL investments		-		-
Operating Income before working capital changes		**29,150,851**		**31,752,354**
Decrease (Increase) in:				
Receivables		(48,178,581)		(53,990,614)
Inventories		(94,971,906)		101,828,289
Prepayments and other assets		(48,141,954)		(16,505,018)
Increase (Decrease) in:				
Trade Payables and other current liabilities		58,566,685		(57,184,587)
Deposit on long term lease		22,798,473		(2,990,215)
Unearned Rental Income		244,129		(897,342)
Liabilities for Retirement Fund		-		-
Cash generated (used) from operations		**(80,532,303)**		**2,012,867**
Income tax paid		(1,828,518)		(4,569,667)
Interest Received		3,893,550		2,667,559
Net cash provided by (used in) operating activities		**(78,467,270)**		**110,759**
CASHFLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of FVPL		3,572,261		
Dividends received		2,391,250		5,939,460
Proceeds from redemption of FVOCI		-		40,000,000
Acquisition of plant, property and equipment		(12,415,241)		(2,795,753)
Acquistion of Investments-FVPL		(3,685,658)		(16,013,514)
Acquistion of Investments-FVOCI		-		(9,900,000)
Decrease(increase) in other non-current assets		(7,948,275)		(27,209,478)
Net cash used in investing activities		**(18,085,663)**		**(9,979,285)**
CASHFLOW FROM FINANCING ACTIVITIES				
Availment of Loans		3,000,000		-
Loan Payments		(37,117,647)		-
Interest paid		(10,183,083)		(8,154,546)
Payments of cash dividends		-		-
Net cash generated from financing activities		**(44,300,730)**		**(8,154,546)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(140,853,663)**		**(18,023,072)**
Add: Cash and cash equivalents:				
January 1		194,041,740		179,486,716
April 1				
CASH AND CASH EQUIVALENTS, END	**P**	**53,188,077**	**P**	**161,463,644**

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2022

1. Basis of Financial Statement Preparation

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31, 2022.

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

2. Significant Accounting Policies

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Adoption of Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A 2018-12-H
- Amendments to PFRS 16, *COVID-19 related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PFRS 7, PFRS 4, and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

Effective beginning on or after January 1, 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 – Cost of Fulfilling a Contract*
- *Annual Improvements* to PFRSs 2018-2020 Cycle

- Amendments to PRFS 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 instruments*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- 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*

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective 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

3. Others

1. The same accounting policies and methods of computation are followed in the interim financial statements as of March 31, 2022 as compared with the audited financial statements as of December 31, 2021.

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

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

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

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

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

7. There are no contingent liabilities and contingent assets.

ANNEX "B"

LIBERTY FLOUR MILLS, INC.

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

STATEMENT OF CHANGES
IN STOCKHOLDER'S EQUITY
MARCH 31, 2022

LIBERTY FLOUR MILLS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For three months ended March 31, 2022 and 2021

		2022		**2021**
CAPITAL STOCK				
Authorized - 200 million shares				
at P10 par value per share P2 billion				
Issued and outstanding -150 million shares	P	1,500,000,000	P	1,500,000,000
Fair value changes on financial assets through OCI		(109,197,139)		(1,532,772)
Accumulated Remeasurement on Retirement Benefits		449,165		(17,740,901)
RETAINED EARNINGS				
January `1		1,462,898,281		1,255,599,392
Net income for the period		(37,112,175)		30,513,093
Cash dividends declared and paid		-		-
		1,425,786,106		1,286,112,485
		2,817,038,132		**2,766,838,812**

BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE

		2022		2021
NUMERATOR:				
Net income for the first quarter	P	(37,112,175)	P	30,513,093
DENOMINATOR:				
Outstanding shares		150,000,000		150,000,000
Treasury Stock		0		0
TOTAL WEIGHTED AVERAGE SHARES		150,000,000		150,000,000

LIBERTY FLOUR MILLS, INC. and Subsidiaries
Aging of Accounts Receivable
As of March 31,2022

Type of Accounts Receivable		Total		Current		1 Month		2-3 Months		Over 3 Mos.
a) Trade Receivables										
Flour and Millfeed customers	P	1,119,289,442	P	477,074,232	P	136,539,977	P	174,058,762	P	331,616,471
Building Tenants		19,915,671		1,010,307		572,929		1,944,740		16,387,694
b) Non-Trade Receivables:										
Others		21,208,359		-		-		-		21,208,359
Total	**P**	**1,160,413,472**	**P**	**478,084,539**	**P**	**137,112,906**	**P**	**176,003,502**	**P**	**369,212,524**

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.

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
AAFS		

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) 8892-5011	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
439	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) 8892-5011	–

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Liberty Flour Mills, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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.

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

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

In preparing the parent company 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.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Liberty Flour Mills, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

LIBERTY FLOUR MILLS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱144,331,932**	₱128,032,207
Receivables (Note 5)	**1,106,467,560**	819,360,005
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**13,879,619**	12,440,343
Inventories (Note 7)	**190,338,015**	356,615,886
Prepaid expenses and other current assets (Note 8)	**76,360,941**	49,875,315
Total Current Assets	**1,531,378,067**	1,366,323,756
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**446,670,932**	833,447,994
Investment properties (Note 11)	**514,850,547**	516,849,120
Investment in subsidiaries (Note 9)	**242,184,450**	242,184,450
Property, plant and equipment (Note 12)	**298,414,001**	103,607,745
Deferred tax assets - net (Note 23)	**918,902**	18,103,777
Other noncurrent assets (Note 13)	**3,409,650**	147,397,311
Total Noncurrent Assets	**1,506,448,482**	1,861,590,397
TOTAL ASSETS	**₱3,037,826,549**	₱3,227,914,153
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 7 and 14)	**₱541,808,739**	₱574,161,360
Noncurrent Liability		
Net retirement plan liability (Note 21)	**5,849,806**	59,372,880
Total Liabilities	**547,658,545**	633,534,240
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 10)	**30,299,837**	49,830,981
Accumulated remeasurement losses on retirement benefits (Note 21)	**(13,122,360)**	(16,056,872)
Retained earnings (Note 15)	**972,990,527**	1,060,605,804
Total Equity	**2,490,168,004**	2,594,379,913
TOTAL LIABILITIES AND EQUITY	**₱3,037,826,549**	₱3,227,914,153

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR M ILLS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 16)	**₱1,195,546,511**	₱1,088,619,014
COST OF SALES (Note 17)	**1,043,012,020**	891,750,107
GROSS PROFIT	**152,534,491**	196,868,907
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	**(108,946,234)**	(107,366,456)
SELLING EXPENSES (Note 18)	**(37,284,219)**	(37,830,583)
OTHER INCOME (CHARGES)		
Dividend income (Notes 6 and 10)	**21,140,737**	26,219,978
Interest income (Notes 4 and 10)	**18,370,531**	22,455,934
Rental income - net (Notes 11, 24 and 25)	**22,123,024**	23,403,439
Interest expense (Note 7)	**(10,832,430)**	(3,826,720)
Other income (charges) - net (Notes 6, 10 and 20)	**(54,639,793)**	1,386,010
INCOME BEFORE INCOME TAX	**2,466,107**	121,310,509
PROVISION FOR INCOME TAX (Note 23)		
Current	**403,906**	11,781,860
Deferred	**14,677,478**	15,178,164
	15,081,384	26,960,024
NET INCOME (LOSS)	**(12,615,277)**	94,350,485
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 10)	**(16,330,766)**	6,620,711
Fair value gain on financial assets at FVOCI realized through sale (Note 10)	**(1,800,000)**	(52,938)
	(18,130,766)	6,567,773
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on retirement benefits (Note 21)	**5,441,909**	(18,465,990)
Fair value gain (loss) on equity investments at FVOCI (Note 10)	**(1,400,378)**	6,140,563
Income tax effect	**(2,507,397)**	5,539,797
	1,534,134	(6,785,630)
TOTAL OTHER COMPREHENSIVE LOSS	**(16,596,632)**	(217,857)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱29,211,909)**	₱94,132,628
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 15)	**(₱0.08)**	₱0.63

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR MILLS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		Other Components of Equity			
	Capital Stock (Note 15)	**Fair Value Changes on Financial Assets at FVOCI** (Note 10)	**Accumulated Remeasurement Losses on Retirement Benefits** (Note 21)	**Retained Earnings** (Note 15)	**Total**
BALANCES AT JANUARY 1, 2021	**₱1,500,000,000**	**₱49,830,981**	**(₱16,056,872)**	**₱1,060,605,804**	**₱2,594,379,913**
Net loss	**–**	**–**	**–**	**(12,615,277)**	**(12,615,277)**
Other comprehensive income (loss)	**–**	**(19,531,144)**	**2,934,512**	**–**	**(16,596,632)**
Total comprehensive income (loss)	**–**	**(19,531,144)**	**2,934,512**	**(12,615,277)**	**(29,211,909)**
Cash dividends declared (Note 15)	**–**	**–**	**–**	**(75,000,000)**	**(75,000,000)**
BALANCES AT DECEMBER 31, 2021	**₱1,500,000,000**	**₱30,299,837**	**(₱13,122,360)**	**₱972,990,527**	**₱2,490,168,004**
BALANCES AT JANUARY 1, 2020	₱1,500,000,000	₱37,122,645	(₱3,130,679)	₱1,129,257,199	₱2,663,249,165
Net income	–	–	–	94,350,485	94,350,485
Other comprehensive income (loss)	–	12,708,336	(12,926,193)	–	(217,857)
Total comprehensive income (loss)	–	12,708,336	(12,926,193)	94,350,485	94,132,628
Cash dividends declared (Note 15)	–	–	–	(75,000,000)	(75,000,000)
Property dividends declared (Note 15)	–	–	–	(88,001,880)	(88,001,880)
BALANCES AT DECEMBER 31, 2020	₱1,500,000,000	₱49,830,981	(₱16,056,872)	₱1,060,605,804	₱2,594,379,913

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR MILLS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,466,107**	₱121,310,509
Adjustments to reconcile profit before income tax to net cash flows:		
Change in net retirement liability (Note 21)	**(48,081,165)**	(53,224,471)
Dividend income (Notes 6 and 10)	**(21,140,737)**	(26,219,978)
Interest income (Notes 4 and 10)	**(18,370,531)**	(22,455,934)
Depreciation and amortization (Notes 11 and 12)	**14,947,363**	14,427,364
Interest expense (Notes 7)	**10,832,430**	3,826,720
Unrealized foreign currency exchange loss	**9,060,857**	3,941,890
Gain on sale of debt securities at FVOCI	**(1,800,000)**	(52,938)
Fair value loss (gain) on financial assets at FVTPL (Notes 6 and 20)	**(1,439,276)**	510,677
Operating income (loss) before working capital changes	**(53,524,952)**	42,063,839
Decrease (increase) in:		
Receivables	**(287,107,555)**	(111,012,087)
Inventories	**166,277,871**	(183,770,072)
Prepaid expenses and other current assets	**(26,485,626)**	5,025,999
Increase (decrease) in accounts payables and other current liabilities	**(44,614,700)**	280,604,163
Cash generated from (used for) operations	**(245,454,962)**	32,911,842
Interest received	**18,370,531**	22,455,934
Income taxes paid	**(403,906)**	(11,781,860)
Net cash provided by (used in) operating activities	**(227,488,337)**	43,585,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of financial assets at FVOCI (Note 10)	**391,457,500**	153,650,000
Acquisition of:		
Property, plant and equipment (Note 12)	**(207,687,206)**	(56,177,231)
Financial assets at FVOCI (Note 10)	**(22,411,582)**	–
Investment properties (Note 11)	**(67,840)**	–
Dividends received (Notes 6 and 10)	**21,140,737**	26,219,978
Decrease (increase) in other noncurrent assets (Note 13)	**143,987,661**	(93,699,992)
Net cash provided by investing activities	**326,419,270**	29,992,755
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Notes 15 and 28)	**(62,737,921)**	(74,480,800)
Interest paid (Note 7)	**(10,832,430)**	(3,826,720)
Cash used in financing activities	**(73,570,351)**	(78,307,520)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(9,060,857)**	(3,941,890)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**16,299,725**	(8,670,739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**128,032,207**	136,702,946
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱144,331,932**	₱128,032,207

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR MILLS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Liberty Flour Mills, Inc. (the Company) was 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 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. The Company's registered office is at 7F Liberty Building, 835 A. Arnaiz Avenue, Makati City.

The accompanying parent company financial statements were authorized and approved for issue by the Board of Directors (BOD) on March 23, 2022.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation
The parent company financial statements that are prepared for submission to the Philippine SEC and the Bureau of Internal Revenue (BIR) have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The parent company 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 parent company financial statements are presented in Philippine peso (peso), which is the Company's functional and presentation currency, and rounded to the nearest peso, except when otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements and in accordance with PFRSs. The consolidated financial statements may be obtained at the Company's registered office address (see Note 1).

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 in 2021. The Company 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 parent company financial statements.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  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, 2022; 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 April 1, 2021. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2021. The amendments did not have an impact to the parent company financial statements as the Company is not a party to lease agreements as a lessee. The amendments do not have an impact for leases where the Company is the lessor.

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

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

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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after January 1, 2025
- 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 Company presents assets and liabilities in the parent company 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 reporting period, 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 period.

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 reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

The Company 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 either:

- 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 Company.

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 Company 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 parent company 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 parent company financial statements on a recurring basis, the Company 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.

The Company determines the policies and procedures for both recurring fair value measurement, such as quoted financial assets, and for non-recurring measurement.

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

The Company 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 Company 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 Company recognizes the difference between the transaction price and the fair value (a “Day 1” difference) in the parent company statements 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 parent company statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company 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 Company’s business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company'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 Company 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 Company. The Company 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 (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 Company's cash and cash equivalents, receivables and refundable deposits recorded under "Other noncurrent assets" are included in this category as at December 31, 2021 and 2020.

- *Financial assets at FVOCI (debt instruments).* The Company measures debt instruments at FVOCI 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 profit or loss in the parent company 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 Company's debt instruments at FVOCI includes government and corporate bonds as at December 31, 2021 and 2020.

- *Financial assets designated at FVOCI (equity instruments)*. Upon initial recognition, the Company 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 profit or loss in the parent company statement of comprehensive income when the right of payment has been established, except when the Company 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 Company's financial asset designated at FVOCI includes quoted and unquoted equity investments as at December 31, 2021 and 2020.

- *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 fair value through profit or loss, 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 fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

  This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the parent company 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 Company has no derivative asset as at December 31, 2021 and 2020.

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

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90-180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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, payables, 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 and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist only of loans and borrowings. As at December 31, 2021 and 2020, the Company's loans and borrowings consist of accounts payable and other current liabilities. The Company has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding embedded derivatives as at December 31, 2021 and 2020.

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 Company; 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company 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 parent company 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 moving-average for finished goods) and net realizable value (NRV). Cost of finished goods such as flour and mill feeds and work in process 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 estimated costs of completion and the estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets
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.

Creditable withholding taxes ("CWT"). CWT represents the amount of tax withheld by counterparties from the Company. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the "Prepayments and other current assets" account in the parent company statement of financial position.

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 parent company 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 parent company statement of financial position to the extent of the recoverable amount.

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 in Subsidiaries
A subsidiary is an entity controlled by the Company. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries is carried in the parent company statement of financial position at cost, less any impairment in value. The Company recognizes income from the investment only to the extent that it receives distributions from accumulated income of the subsidiary arising after the date of acquisition. Distributions received in excess of the accumulated income of the subsidiary are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

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

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

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

Depreciation is computed on a straight-line basis over the estimated useful lives of building and building improvements ranging from 10 to 20 years.

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 parent company 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 Company 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 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

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

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

Capital Stock
Capital stock is measured at par value for all shares issued and outstanding. When the 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 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 Company, except for stock dividends, which also require the approval for issuance of shares by the SEC. Cash dividends are recognized as a liability while stock dividends are recognized as additional issued shares. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

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

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

Diluted earnings per share is calculated by dividing the income for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The 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 Company 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 Company 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 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 accrues.

Dividend Income
Dividend income is recognized when the Company's right to receive the payment is established.

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, netted against rental income in the parent company statement of comprehensive income, 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 Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Retirement Benefit Costs
The Company 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 parent company 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 Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Company recognizes the following changes in the net defined benefit obligation under "Administrative expenses" in the parent company 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 parent company 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 parent company 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 Company 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 expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of 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 Company 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 presented in profit or loss, net of reimbursement.

Contingencies

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

Segment Reporting

The Company'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 30 to the parent company financial statements. The Company's 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 Company's financial position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

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

In the opinion of management, the parent company 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 Company 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 parent company statements of financial position.

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

Estimates

Definition of Default and Credit-Impaired Financial Assets. The Company 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 Company, 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 Company 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 model the probability of default, loss given default and exposure at default throughout the Company's expected credit loss (ECL) calculation.

Simplified Approach for Trade Receivables. The Company 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 Company's historical observed default rates. The Company 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.

Macro-economic Forecasts and Forward-looking Information. Macro-economic forecasts are 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 Company 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, 2021 and 2020. The carrying value of receivables amounted to ₱1,106.47 million and ₱819.36 million as at December 31, 2021 and 2020 (see Note 5).

Evaluation of Net Realizable Value of Inventories. The Company 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.

The Company has allowance for inventory obsolescence amounting to ₱15.56 million as at December 31, 2020 (nil in 2021). The carrying value of inventories amounted to ₱190.34 million and ₱356.62 million as at December 31, 2021 and 2020, respectively (see Note 7).

Impairment of financial assets at FVOCI (debt instruments). The Company recognizes 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 Company 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. 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 Company applies the low credit risk simplification. At every reporting date, the Company 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 Company reassesses the internal credit rating of the debt instrument. In addition, the Company 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 ₱256.38 million and ₱453.40 million as at December 31, 2021 and 2020, respectively (see Note 10).

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, 2021 and 2020, the carrying value of unquoted financial assets at FVOCI approximate their fair value.

As at December 31, 2021 and 2020, the carrying value of unquoted equity securities amounted to ₱12.31 million and ₱12.11 million, respectively (see Notes 10 and 26).

Estimation of Retirement Benefits Obligation 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.

The Company 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 Company 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 Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of retirement benefits and related obligation.

The carrying value of net retirement plan liability amounted to ₱5.85 million and ₱59.37 million as at December 31, 2021 and 2020, respectively (see Note 21).

Recognition of Deferred Tax Assets. The Company reviews the carrying amounts at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer 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, 2021 and 2020, the Company recognized deferred tax assets on deductible temporary differences amounting to ₱1.46 million and ₱18.85 million, respectively (see Note 23).

As at December 31, 2021 and 2020, the Company did not recognize deferred tax assets amounting to ₱39.72 million and ₱23.65 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).

Provisions and Contingencies. The Company is involved in certain tax assessments and claims. The estimation of the potential liability resulting from these tax assessments and claims requires significant judgment and estimate by management. The inherent uncertainty over the outcome of these tax examinations is brought about by the differences in the interpretation and implementation of the laws and tax rulings. The Company 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 judgement and estimate or in the effectiveness of strategies relating to these tax assessments and claims (see Note 22).

4. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱144,331,932**	₱102,758,178
Cash equivalents	–	25,274,029
	₱144,331,932	₱128,032,207

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 Company and earn interest at the respective short-term investment rates.

Interest income earned on cash in banks and cash equivalents amounted to ₱0.39 million and ₱1.63 million in 2021 and 2020, respectively.

5. Receivables

	2021	2020
Trade receivables from related parties (see Notes 16 and 24)	**₱1,072,015,004**	₱798,602,374
Rent receivables from:		
Third parties	**4,411,341**	6,594,338
Related parties (see Note 24)	**309,025**	399,729
Advances to officers and employees	**3,788,279**	4,397,534
Others (see Note 24)	**27,536,537**	10,958,656
	1,108,060,186	820,952,631
Less allowance for expected credit losses	**1,592,626**	1,592,626
	₱1,106,467,560	₱819,360,005

Trade receivables arise from sale of flour and mill feeds. These are noninterest-bearing with average credit terms of 180 days.

Rent receivables arise from leasing the Company's investment properties. These are interest-bearing with average credit term of 30 days. In 2021 and 2020, no interests have been charged to tenants as the Company's rent receivables were normally collected within the credit term.

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

Others include the Company's receivable from its retirement plan (see Note 24).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL pertain to quoted equity securities held for trading purposes and are composed of the following:

	2021	2020
Balance at beginning of year	**₱12,440,343**	₱12,951,020
Fair value gain (loss) recognized in profit or loss (see Note 20)	**1,439,276**	(510,677)
	₱13,879,619	₱12,440,343

Realized gain on sale of financial assets at FVTPL amounted to nil in 2021 and ₱0.10 million in 2020.

Dividend income earned on financial assets at FVTPL amounted to ₱0.63 million in 2021 and ₱0.54 million in 2020.

7. Inventories

	2021	2020
At NRV -		
Mill feeds	**₱–**	₱13,804,331
At cost:		
Wheat grains	**143,036,659**	315,452,028
Flour	**40,208,914**	15,556,355
Supplies	**6,193,609**	11,803,172
Mill feeds	**898,833**	–
	₱190,338,015	₱356,615,886

Cost of mill feeds carried at NRV amounted to nil and ₱29,361,214 as at December 31, 2021 and 2020, respectively.

Costs of inventories recognized under "Cost of sales" in the parent company statements of comprehensive income amounted to ₱1,043.01 million in 2021 and ₱891.75 million in 2020 (see Note 17).

Under the terms of agreements covering trust receipts, certain inventories have been released to the Company during the year in trust for the banks. The outstanding liabilities under such trust receipts amounted to ₱304.14 million and ₱245.03 million as at December 31, 2021 and 2020, respectively. Interest expense recognized on liabilities under trust receipts amounted to ₱10.83 million in 2021 (based on annual interest of 2.63% to 3.50%) and ₱3.83 million in 2020 (based on annual interest of 2.63% to 5.00%)

Wheat grains inventories in transit amounted to ₱54.24 million and ₱112.30 million as at December 31, 2021 and 2020, respectively (see Note 14).

In 2020, the Company recognized provision for inventory obsolescence and decline in value of inventories amounting to ₱15.56 million. Allowance for inventory obsolescence and decline in value of inventories amounted to nil and ₱15.56 million as at December 31, 2021 and 2020, respectively (see Note 17).

8. Prepaid Expenses and Other Current Assets

	2021	2020
Creditable withholding taxes	**₱25,042,627**	₱12,866,794
Store supplies	**23,340,152**	24,623,117
Advance VAT on importation	**9,455,854**	870,735
Advances to suppliers	**7,759,338**	5,347,454
Prepaid importation cost	**3,351,099**	65,377
Prepaid taxes	**2,664,832**	2,883,253
Prepaid insurance	**1,203,115**	933,320
Others	**3,543,924**	2,285,265
	₱76,360,941	₱49,875,315

9. Investments in Subsidiaries

This account represents the Company's 100% ownership in LFM Properties Corporation (LPC) and Liberty Engineering Corporation (LEC).

LPC is primarily engaged in the business of leasing out real estate properties such as office spaces and condominium units. LEC is primarily engaged in the business of selling, leasing and distribution of cars, trucks, machineries, furniture and appliances. The principal place of business of LPC and LEC is in the Philippines.

The cost of investments in subsidiaries as at December 31 follows:

	2021	2020
LPC (see Note 15)	**₱212,563,900**	₱212,563,900
LEC	**29,620,550**	29,620,550
	₱242,184,450	₱242,184,450

10. Financial Assets at Fair Value through Other Comprehensive Income

	2021	2020
Debt securities	**₱256,380,970**	₱453,400,154
Equity securities:		
Quoted	**177,984,332**	367,935,509
Unquoted	**12,305,630**	12,112,331
	₱446,670,932	₱833,447,994

In 2021, the Company purchased debt and equity securities amounting to ₱14.31 million and ₱8.10 million, respectively.

The Company sold debt securities with a carrying amount of ₱195.00 million and ₱63.65 million in 2021 and 2020, respectively. The Company also sold quoted equity securities with a carrying amount of ₱196.46 million and ₱90.00 million in 2021 and 2020, respectively.

Fair value changes on financial assets at FVOCI follow:

	2021	2020
Balance at the beginning of year	**₱49,830,981**	₱37,122,645
Fair value gain (loss) recognized in other comprehensive income	**(17,731,144)**	12,761,274
Fair value gain realized through sale (see Note 20)	**(1,800,000)**	(52,938)
Balance at the end of year	**₱30,299,837**	₱49,830,981

No impairment loss was recognized on the Company's investment in debt securities in 2021 and 2020.

Interest income earned on debt securities amounted to ₱17.98 million in 2021 and ₱20.83 million in 2020. Dividend income earned on investments in equity securities amounted to ₱20.51 million in 2021 and ₱25.68 million in 2020.

The Company's debt securities in 2021 includes Russian debt securities. In February 2022, a number of countries (including Australia, EU, Japan, Singapore, UK, the US and others) imposed new sanctions against Russian government entities, state-owned enterprises or sanctioned entities and individuals linked to Russia anywhere in the world and announcements of potential additional sanctions following the conflict in Ukraine initiated on February 24, 2022. Subsequently, new sanctions have been imposed. Sanctions have also been imposed on Belarus.

The Company considers the events as non-adjusting subsequent events, which do not impact its financial position and performance as at and for the year ended December 31, 2021. Considering the evolving nature of this event, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

11. **Investment Properties**

	2021		
	Land	**Building and Building Improvements**	**Total**
Cost			
Beginning balances	**₱482,105,340**	**₱71,317,321**	**₱553,422,661**
Additions		**67,840**	**67,840**
Ending balances	**482,105,340**	**71,385,161**	**553,490,501**
Accumulated Depreciation			
Beginning balances	**–**	**36,573,541**	**36,573,541**
Depreciation	**–**	**2,066,413**	**2,066,413**
Ending balances	**–**	**38,639,954**	**38,639,954**
Net book values	**₱482,105,340**	**₱32,745,207**	**₱514,850,547**

	2020		
	Land	Building and Building Improvements	Total
Cost			
Beginning balances	₱482,105,340	₱71,317,321	₱553,422,661
Accumulated Depreciation			
Beginning balances	–	34,501,450	34,501,450
Depreciation	–	2,072,091	2,072,091
Ending balances	–	36,573,541	36,573,541
Net book values	₱482,105,340	₱34,743,780	₱516,849,120

Rental income and the related expenses recognized in profit or loss from various operating leases in the office spaces of its building are as follows:

	2021	2020
Rental income (see Notes 24 and 25)	**₱30,754,792**	₱33,381,437
Direct operating expenses:		
Security services	**3,799,130**	3,806,095
Utilities	**1,187,864**	2,417,869
Depreciation	**2,066,413**	2,072,091
Janitorial services	**717,485**	850,718
Salaries and wages	**214,636**	223,773
Repairs and Maintenance	**189,527**	107,169
Insurance	**43,118**	43,768
Others	**413,595**	456,515
	(8,631,768)	(9,977,998)
	₱22,123,024	₱23,403,439

Direct operating expenses incurred for non-income generating investment properties amounted to ₱2.46 million in 2021 and ₱3.42 million in 2020.

The Company has refundable deposits for utilities installation on its investment properties amounting to ₱0.45 million as at December 31, 2021 and 2020, respectively, presented as part of "Other noncurrent assets" in the parent company statements of financial position (see Note 13).

The aggregate fair value of investment properties amounted to ₱1.57 billion as at December 31, 2021 and 2020. These have been determined based on valuation performed by a qualified and independent appraiser in 2019. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

The Company's management assessed that the fair value of these investment properties as at December 31, 2020 approximates its fair value as at December 31, 2021 as no significant changes on the properties have taken place since the latest appraisal, or will take place in the near future, in the market, economic or legal environment in which the Company operates or in the market to which the investment property is dedicated.

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

	Valuation technique	Significant unobservable input
Land	Sales Comparison Approach	Adjusted sales price of comparable properties
Building	Cost Approach	Current market prices of similar materials, labor, contractors' overhead and manufactured equipment

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

The highest and best use of 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.

12. Property, Plant and Equipment

	2021						
	Mill Machinery and Equipment	**Building and Building Equipment**	**Transportation Equipment**	**Land and Land Improvements**	**Other Equipment**	**Construction In progress**	**Total**
Cost							
Beginning balances	**₱232,722,654**	**₱115,881,489**	**₱48,685,651**	**₱25,335,572**	**₱37,944,947**	**₱42,028,557**	**₱502,598,870**
Additions	**744,583**	**40,179**	**2,123,893**	**–**	**941,459**	**203,837,092**	**207,687,206**
Ending balances	**233,467,237**	**115,921,668**	**50,809,544**	**₱25,335,572**	**38,886,406**	**245,865,649**	**710,286,076**
Accumulated Depreciation and Amortization							
Beginning balances	**215,055,333**	**94,492,716**	**43,540,103**	**16,446,688**	**29,456,285**	**–**	**398,991,125**
Depreciation and amortization (see Notes 17 and 18)	**5,426,835**	**2,682,092**	**1,457,910**	**978,535**	**2,335,578**	**–**	**12,880,950**
Ending balances	**220,482,168**	**97,174,808**	**44,998,013**	**17,425,223**	**31,791,863**	**–**	**411,872,075**
Net Book Values	**₱12,985,069**	**₱18,746,860**	**₱5,811,531**	**₱7,910,349**	**₱7,094,543**	**₱245,865,649**	**₱298,414,001**

	2020						
	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Land and Land Improvements	Other Equipment	Construction In progress	Total
Cost							
Beginning balances	₱223,976,426	₱115,310,950	₱45,376,253	₱25,335,572	₱36,422,438	₱–	₱446,421,639
Additions	8,746,228	570,539	3,309,398	–	1,522,509	42,028,557	56,177,231
Ending balances	232,722,654	115,881,489	48,685,651	₱25,335,572	37,944,947	42,028,557	502,598,870
Accumulated Depreciation and Amortization							
Beginning balances	209,095,420	91,686,766	42,750,550	15,468,154	27,634,962	–	386,635,852
Depreciation and amortization (see Notes 17 and 18)	5,959,913	2,805,950	789,553	978,534	1,821,323	–	12,355,273
Ending balances	215,055,333	94,492,716	43,540,103	16,446,688	29,456,285	–	398,991,125
Net Book Values	₱17,667,321	₱21,388,773	₱5,145,548	₱8,888,884	₱8,488,662	₱42,028,557	₱103,607,745

As at December 31, 2021, construction in progress pertains to costs incurred for the renovation of the Company's manufacturing facility. The renovation is expected to be completed in 2022.

13. Other Noncurrent Assets

	2021	2020
Advances to suppliers	**₱1,941,963**	₱143,770,516
Refundable deposits (see Note 11)	**445,687**	2,604,795
Others	**1,022,000**	1,022,000
	₱3,409,650	₱147,397,311

As at December 31, 2020, advances to suppliers mainly pertain to advance payments to suppliers for the purchase of machineries which have been delivered in 2021.

14. Accounts Payable and Other Current Liabilities

	2021	2020
Liabilities under trust receipts (see Note 7)	**₱304,142,352**	₱245,025,907
Dividends payable	**132,834,571**	120,572,492
Accrued liability for inventories in transit (see Note 7)	**54,237,448**	112,300,525
Trade payables	**17,301,792**	58,315,982
Customers and tenants' deposits	**12,701,186**	12,442,924
Accrued selling, freight and outside services	**5,641,584**	5,176,117
Output VAT - net	**4,370,872**	4,203,765
Withholding tax, HDMF and SSS payable	**1,503,839**	1,423,255
Accrued other expenses	**9,075,095**	14,700,393
	₱541,808,739	₱574,161,360

Liabilities under trust receipts are short-term loan with the banks for importation of wheat grains, with terms of 90 days at 2.625% to 3.50% interest per annum for 2021 and 2.625% to 5.00% interest per annum for 2020.

Dividends payable consist of dividends declared but not yet paid (see Note 15).

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

Customers and tenants' deposits represent advances and deposits that are applied against subsequent deliveries and rentals, thus, are generally outstanding for less than 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 Company's capital stock as at December 31, 2021 and 2020 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, 2021 and 2020 are held by 439 and 441 equity holders, respectively.

The Company's incorporation papers were filed with the SEC on December 18, 1958. The Company 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 Company issued 20% common stock dividend. Consequently, the 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 Company paid out 20% stock dividends and in November 1966, the 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:

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 Company's capitalization was approved by the SEC in November 1968.

In 1970, the Company declared 17.64% stock dividends on common shares amounting to ₱1.50 million (149,833 shares and ₱1,290 in cash for fractional shares).

In 1971, the 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 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 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 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 such stock 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 Philippine Stock Exchange (PSE), issued to the Company a Certificate of permit to sell securities which authorizes the sale of the said capital stock increase of 10.00 million common shares worth ₱100.00 million to the public.

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

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

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

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

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

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

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

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

Retained Earnings

Cash Dividends

Below is the summary of cash dividends declared for the years ended 2021 and 2020:

Date of Declaration	Date of Record	Date of Payment	Dividend per Share	Total Amount
June 11, 2021	May 26, 2021	June 30, 2021	₱0.50	₱75,000,000
June 30, 2020	July 14, 2020	July 28, 2020	₱0.50	₱75,000,000

Property Dividends

On November 25, 2020, the 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 Company, to eligible stockholders of the Company as of record date of December 18, 2020. Accordingly, the Company recognized dividends payable amounting to ₱88.0 million, equivalent to the proportionate carrying value of investment in LPC declared as property dividends representing 41.40% of LPC's outstanding capital stock (see Note 14). In August 2021, the Company secured the SEC approval while in November 2021, the application for Certificate of Registration (CAR) has been approved by the BIR. As at March 23, 2022, the distribution of property dividends has not yet been reflected, pending annotation of the transfer of shares in the corporate books.

Basic/Diluted Earnings Per Share
The computation of basic/diluted earnings per share is as follows:

	2021	2020
Net income (loss)	**(₱12,615,277)**	₱94,350,485
Divided by weighted average number of shares	**150,000,000**	150,000,000
Basic/diluted earnings per share	**(₱0.08)**	₱0.63

The Company does not have potentially dilutive common shares as at December 31, 2021 and 2020.

16. Revenue from Contracts with Customers

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

	2021	2020
Sales of bakery flour	**₱1,095,526,069**	₱967,591,233
Sales of mill feeds	**100,020,442**	121,027,781
	₱1,195,546,511	₱1,088,619,014

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 Company's trade receivables from related parties amounting to ₱1,072.02 million and ₱798.60 million as at December 31, 2021 and 2020, respectively, arise from sale of flour. These are noninterest-bearing with average credit terms of 180 days (see Note 5).

The Company has no contract assets and contract liabilities as at December 31, 2021 and 2020.

17. Cost of Sales

	2021	2020
Materials used	**₱938,510,410**	₱776,556,835
Direct labor (see Note 19)	**55,786,668**	53,076,543
Overhead:		
Utilities	**32,435,238**	30,942,881
Depreciation (see Note 12)	**6,455,658**	7,470,835
Repairs and maintenance	**2,219,411**	2,067,025
Other factory overhead	**7,604,635**	6,079,105
Provision for inventory write-down (see Note 7)	**–**	15,556,883
	₱1,043,012,020	₱891,750,107

18. Operating Expenses

Administrative Expenses

	2021	2020
Employee benefits and bonuses (see Notes 19, 21 and 24)	**₱36,065,982**	₱30,809,395
Outside services	**27,745,288**	30,963,250
Salaries and wages (see Notes 19 and 24)	**20,916,922**	19,892,852
Taxes and licenses	**5,697,149**	4,785,728
Depreciation and amortization (see Note 12)	**5,030,920**	3,471,716
Membership and subscription	**3,319,591**	8,054,114
Insurance	**2,002,963**	2,236,390
Communication, light and water	**1,202,553**	1,150,553
Per diem	**825,000**	715,000
Travel and representation	**317,323**	168,083
Repairs and maintenance	**378,913**	475,337
Office supplies	**320,974**	421,552
Donations and contribution	**142,412**	604,631
Others	**4,980,244**	3,617,855
	₱108,946,234	₱107,366,456

Selling Expenses

	2021	2020
Promotional and marketing expenses (see Note 24)	**₱35,033,335**	₱35,087,784
Depreciation (see Note 12)	**1,394,372**	1,412,722
Freight	**856,512**	1,330,077
	₱37,284,219	₱37,830,583

19. **Personnel Costs**

	2021	2020
Direct labor (see Note 17)	**₱55,786,668**	₱53,076,543
Bonus and allowances (see Note 18)	**23,382,969**	15,962,272
Salaries and wages (see Notes 18 and 24)	**20,916,922**	19,892,852
Retirement benefits costs (see Notes 18, 21 and 24)	**7,122,996**	8,244,734
Other employee benefits (see Notes 18 and 24)	**5,560,017**	6,602,389
	₱112,769,572	₱103,778,790

20. **Other Income (Charges) - Net**

	2021	2020
Fair value gain (loss) on financial assets at FVTPL (see Note 6)	**₱1,439,276**	(₱510,677)
Gain on sale of debt securities at FVOCI (see Note 10)	**1,800,000**	52,938
Unrealized foreign exchange loss	**(9,060,857)**	(3,941,890)
Other income (charges) - net	**(48,818,212)**	5,785,639
	(₱54,639,793)	₱1,386,010

In 2021, other income (charges) - net mainly include provision for losses, realized foreign exchange loss and taxes.

21. **Retirement Benefits Costs**

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

Under the terms of Liberty Flour Mills, Inc. Retirement Plan, the 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 Company.

The Retirement Plan is administered by a Trustee appointed by the 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 Company's appointed Retirement Committee will coordinate closely with the Trustee in the implementation of the Retirement Plan.

Changes in net retirement plan liability as at December 31, 2021 and 2020 follows:

		Net Retirement Cost in Profit or Loss in the Parent Company 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 Company	Benefits Paid from Plan Assets	Contributions to the Plan Asset	Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from Demographic Assumptions	Subtotal	Balance at End of Year
December 31, 2021													
Present value of defined benefit obligation	**₱127,649,590**	**₱5,338,028**	**₱4,863,449**	**₱10,201,477**	**(₱5,204,161)**	**(₱24,853,371)**	**₱–**	**₱–**	**₱12,154,576**	**₱1,664,993**	**(₱15,428)**	**(₱10,505,011)**	**₱97,188,524**
Fair value of plan assets	**(68,276,710)**	**–**	**(3,078,481)**	**(3,078,481)**	**–**	**24,853,371**	**(50,000,000)**	**5,063,102**	**–**	**–**	**–**	**5,063,102**	**(91,338,718)**
Net defined benefit liability	**₱59,372,880**	**₱5,338,028**	**₱1,784,968**	**₱7,122,996**	**(5,204,161)**	**₱–**	**(₱50,000,000)**	**₱5,063,102**	**₱12,154,576**	**₱1,664,993**	**(₱15,428)**	**(₱5,441,909)**	**₱5,849,806**
December 31, 2020													
Present value of defined benefit obligation	₱116,796,904	₱4,436,915	₱6,209,339	₱10,645,534	(₱7,145,939)	(₱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	(54,323,726)	1,794,183	–	–	–	1,793,183	(68,276,710)
Net defined benefit liability	₱94,211,361	₱4,436,915	₱3,808,539	₱8,244,734	(₱7,145,939)	₱–	(₱54,323,726)	₱1,794,183	₱15,478,265	₱1,193,542	₱–	₱18,464,990	₱59,372,880

The Company is expected to contribute ₱50.00 million to its defined benefit pension plan in 2022.

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:

	2021	2020
Cash in banks	**₱14,630,781**	₱13,870,567
Money market placements	**14,239,723**	67,011
Receivables	**779,261**	779,261
Investments in equity securities:		
Industrial	**5,489,157**	9,821,958
Services	**4,022,816**	1,917,026
Financials	**2,813,384**	473,384
Mining and oil	**305,250**	2,836,500
Others	**253,560**	249,080
BPI Philippine Equity Index Fund	**3,904,576**	3,165,198
Investment in bonds	**60,916,364**	45,336,838
Liabilities (see Note 24)	**(16,016,154)**	(10,240,113)
	₱91,338,718	₱68,276,710

The carrying amount of the Company’s plan assets represents their fair value as at December 31, 2021 and 2020.

Investments in equity securities can be transacted through the PSE. The plan assets include shares of stock of the Company with fair value of ₱4.91 million and ₱9.18 million as at December 31, 2021 and 2020, respectively. Fair value loss recognized by the retirement plan assets for the changes in market values of the shares of stock of the Company amounted to ₱4.27 million in 2021 and ₱0.72 million in 2020. With respect to the plan’s investment in the Company’s shares of stock:

a. There are no restrictions or limitations on the shares provided in the plan.
b. The Board of Trustees exercises voting rights over the shares.
c. The gain or loss recognized by the plan over the shares for the years were not material in 2021 and 2020.

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 latest actuarial valuation of the Company’s plan is as at December 31, 2021. The principal actuarial assumptions used to determine retirement benefits costs as at January 1 are as follows:

	2021	2020
Discount rate	**5.08%**	3.81%
Future salary increases	**5.00%**	5.00%

The Retirement Plan Committee has no specific matching strategies 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 movement in the discount and salary increase rates as at December 31:

	2021	
	Increase (Decrease) in Rate	**Increase (Decrease) in DBO**
Discount rate	**9.60%**	**₱9,358,070**
	(8.20%)	**(8,010,569)**
Salary increase rate	**9.50%**	**9,270,194**
	(8.30%)	**(8,087,602)**

	2020	
	Increase (Decrease) in Rate	Increase (Decrease) in DBO
Discount rate	9.80%	₱12,471,903
	(8.30%)	(10,642,962)
Salary increase rate	9.60%	12,193,031
	(8.30%)	(10,624,970)

The average duration of the defined benefit obligation at the end of the period is 8.9 years in 2021 and 9.1 years in 2020.

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:

Year	**2021**	2020
Year 1	**₱13,208,364**	₱21,932,180
Year 2	**5,053,877**	2,999,421
Year 3	**3,588,934**	5,232,581
Year 4	**6,933,608**	5,900,423
Year 5	**7,586,369**	8,993,513
Year 6 - 10	**58,579,260**	62,387,783

Other Comprehensive Income

Movements in accumulated remeasurement losses on retirement benefits recognized in “other components of equity” under the equity section of the parent company statements of financial position follows:

	2021	2020
Beginning balance	**(₱16,056,872)**	(₱3,130,679)
Remeasurement gains (losses) in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	**10,505,011**	(16,671,807)
Remeasurement loss on plan assets	**(5,063,102)**	(1,794,183)
Total	**5,441,909**	(18,465,990)
Income tax effect	**(2,507,397)**	5,539,797
	2,934,512	(12,926,193)
Ending balance	**(₱13,122,360)**	(₱16,056,872)

22. **Provisions and Contingencies**

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

In 2015, the Company 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 Company 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 LFMI has been ordered to comment on the same. Consequently, the Company filed a corresponding comment/opposition to the KMTAI appeal.

As of March 23, 2022, the Company has not yet received any resolution of the Motion for Execution. The case is still pending in the Office of the President.

b. Tax Assessments

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

In consultation with the Company's legal counsels, management believes that the ultimate disposition of the above matters will not have any material adverse effect on the Company'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 Company's position in relation to this ongoing claim and assessments.

23. **Income Taxes**

The Company's provision for current income tax represents MCIT in 2021 and RCIT in 2020.

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 parent company statements of comprehensive income is as follows:

	2021	2020
Income before tax at statutory tax rate	**₱616,527**	₱36,393,153
Additions to (reductions in) income tax resulting from:		
Movement in unrecognized deferred tax asset	**20,011,072**	3,098,558
Dividend income	**(5,285,185)**	(7,865,993)

(Forward)

	2021	2020
Interest income subjected to final tax	**(₱4,592,633)**	(₱6,736,780)
Nondeductible expenses	**4,238,162**	1,917,883
Fair value changes of financial assets at FVTPL	**(359,819)**	153,203
Impact of CREATE Act	**453,260**	–
Provision for income tax	**₱15,081,384**	₱26,960,024

The Company's net deferred tax assets as at December 31 follow:

	2021	2020
Deferred tax assets:		
Net retirement plan liability	**₱1,462,452**	₱17,811,864
Unrealized foreign exchange loss	**–**	1,040,733
	1,462,452	18,852,597
Deferred tax liability -		
Accrued rent	**(543,550)**	(748,820)
Net deferred tax assets	**₱918,902**	₱18,103,777

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 these deferred tax assets to be utilized:

	2021	2020
Unamortized past service cost	**₱85,627,459**	₱52,214,714
NOLCO	**45,610,225**	–
Unrealized foreign exchange loss	**12,545,831**	–
Provision for:		
Probable losses	**6,228,390**	9,480,110
Expected credit loss	**1,592,626**	1,592,626
Inventory write-down	**–**	15,556,883
MCIT	**1,821,023**	–
	₱153,425,554	₱78,844,333

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 state that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2021, the Company'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
2018	2021	₱33,822,567	₱2,320,966
2019	2022	–	2,902,573
2021	2026	45,610,225	1,821,023
		79,432,792	7,044,562
Applied in 2020		33,822,567	5,223,539
		₱45,610,225	₱1,821,023

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- 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 ₱5 million and with total assets not exceeding ₱100 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 Bill 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 at 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.

Applying the provisions of the CREATE Act, the Company was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

As at December 31, 2021, the CREATE Act's retrospective 5% income tax rate reduction resulted in a prorated current income tax (CIT) rate of the Company for CY2020 of 27.50%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱15,588,282 or a reduction of ₱1,417,117 in CIT and income tax payable, and a reduction of ₱3,017,296 in provision for deferred income tax due to remeasurement of net deferred tax assets. The impact of CREATE Act on the CIT and deferred income tax for the year ended December 31, 2020 have been adjusted, for financial reporting purposes, in the 2021 parent company financial statements.

24. 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.

Transactions with related parties for each of the years and their account balance as at December 31 follow:

	Amount/Volume Income (Expense)		Outstanding Balance Receivable (Payable)		
	2021	2020	**2021**	2020	Terms and Conditions
Stockholder					
Parity Values, Inc.					
Sale	**₱809,658,786**	₱700,284,741	**₱802,787,076**	₱558,989,320	120 days; Unsecured, not impaired
Rent income	**2,346,499**	2,346,499	**–**	11,960	30 days; Unsecured, not impaired
Promotional and marketing expenses	**(29,750,000)**	(29,750,000)	**–**	–	On demand
Under Common Control					
Liberty Commodities Corp.					
Sale	**236,749,097**	237,017,234	**104,604,795**	95,525,183	120 days; Unsecured, not impaired
Rent income	**3,060,458**	3,060,458	**255,730**	375,605	30 days; Unsecured, not impaired
Promotional and marketing expenses	**(5,250,000)**	(5,250,000)	**–**	–	On demand
Trade Demands Corp.					
Sale	**149,138,627**	151,317,039	**164,623,133**	144,087,871	120 days; Unsecured, with impairment of ₱1,592,626 as at December 31, 2021 and 2020
Subsidiaries					
LFM Properties Corporation					
Rental income	**503,494**	481,802	**53,295**	12,164	30 days; Unsecured, not impaired
Other Related Parties					
Retirement Plan					
Others	–	–	**7,227,090**	7,227,090	On demand;Unsecured; not impaired
Trade receivables from related parties (see Note 5)			**₱1,072,015,004**	₱798,602,374	
Rent receivables from related parties (see Note 5)			**₱309,025**	₱399,729	
Others (see Note 5)			**₱7,227,090**	₱7,227,090	

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

Outstanding 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. Allowance for expected credit losses on receivables from related parties has been recognized as at December 31, 2021 and 2020.

The Company also has a receivable from its retirement plan amounting to ₱7.23 million as at December 31, 2021 and 2020, which is presented under "Receivables - others" account in the parent company statements of financial position. The members of the Retirement Plan Committee are directors or officers of the Company.

The key management personnel compensation are as follows:

	2021	2020
Short-term employee benefits	**₱16,975,151**	₱14,042,082
Post-employment benefits and others	**7,122,996**	8,244,734
	₱24,098,147	₱22,286,816

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

25. **Leases**

The Company leases out office spaces principally to third parties under various operating lease arrangements. The leases are for a term of one to five years and may be renewed upon mutual agreement of the parties. Rental income amounted to ₱30.75 million and ₱33.38 million in 2021 and 2020, respectively (see Note 11).

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 ₱2.17 million and ₱2.50 million as at December 31, 2021 and 2020, respectively.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments and discounts in 2020. The Company accounted for the deferment of payment and discounts provided as not a lease modification. The rent concessions resulted a reduction in rental income amounting to nil and ₱0.87 million in 2021 and 2020, respectively.

The future minimum lease receivables under non-cancellable leases are as follows:

	2021	2020
Year 1	**₱20,507,837**	₱17,648,403
Year 2	**8,882,299**	7,689,209
Year 3	**7,647,647**	7,913,204
Year 4	**6,070,218**	8,515,325
Year 5	**–**	8,027,623
	₱43,108,001	₱49,793,764

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

The Company's principal financial instruments consist of cash and cash equivalents, trade receivables, financial assets at FVTPL and financial assets at FVOCI. The main purpose of these financial instruments is to fund the Company'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, trade payable and accrued expenses

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

Credit Risk

Credit risk represents the loss that the Company would incur if counterparty failed to perform under its contractual obligations. The Company has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counterparties. The Company 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 Company is potentially subject to concentrations of credit risk in its accounts receivable. Approximately all of the Company's entire trade receivables and revenues are concentrated with its three distributors as at December 31, 2021 and 2020. The Company 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 the Company 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 Company, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, the Company'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 Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at December 31:

	2021	2020
Financial assets at amortized cost:		
Cash and cash equivalents*	**₱144,166,036**	₱127,324,372
Trade and other receivables**	**1,108,060,186**	820,952,631
Other noncurrent assets***	**1,467,687**	3,783,335
Debt securities at FVOCI	**256,380,970**	453,400,154
	₱1,510,074,879	₱1,405,460,492

**excluding cash on hand amounting to ₱165,896 and ₱707,835 as at December 31, 2021 and 2020, respectively.*
*** before considering provision for expected credit loss amounting to ₱1,592,626 as at December 31, 2021 and 2020.*
****excluding advances to suppliers amounting to ₱1,941,964 and ₱143,613,976 as at December 31, 2021 and 2020. respectively*

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

	2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱433,339,509**	**₱912,112,237**	**₱–**	**₱1,345,451,746**
Moderate	**–**	**164,623,133**	**–**	**164,623,133**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**433,339,509**	**1,076,735,370**	**–**	**1,510,074,879**
ECL	**–**	**1,592,626**	**–**	**1,592,626**
Carrying amount	**₱433,339,509**	**₱1,075,142,744**	**₱–**	**₱1,508,482,253**

	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Low	₱599,864,051	₱661,508,570	₱–	₱1,261,372,621
Moderate	–	144,087,871	–	144,087,871
High	–	–	–	–
Gross carrying amount	599,864,051	805,596,441	–	1,405,460,492
ECL	–	1,592,626	–	1,592,626
Carrying amount	₱599,864,051	₱804,003,815	₱–	₱1,403,867,866

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

Low Risk - This includes cash and cash equivalents to 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 counterparties with no history of default on the agreed contract terms. This includes receivable from credit-worthy customers and lessees.

Moderate Risk - This includes financial assets at FVOCI that are not classified as "High Grade". For receivables, this consists of counterparties with little history of default on the agreed contract terms.

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

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

	2021								
	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	**0.34%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.41%**	**1.97%**	
Estimated total gross carrying amount at default	**₱61,677,610**	**₱13,928,472**	**₱13,654,350**	**₱14,782,214**	**₱14,178,710**	**₱12,180,646**	**₱13,968,246**	**₱20,252,885**	**₱164,623,133**
Expected credit loss	**206,958**	**188,826**	**185,110**	**200,401**	**192,219**	**165,131**	**195,893**	**258,088**	**1,592,626**

	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

As at December 31, 2021 and 2020, allowance for expected credit losses are recognized for trade receivables from Trade Demands Corporation, and rent receivables subjected to impairment.

As at December 31, 2021 and 2020, the COVID-19 outbreak has no significant impact to the Company's credit risk.

<u>Equity Price Risk</u>

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

The Company'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 Company 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 Company 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.

The effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities at FVTPL and fair value of quoted financial assets at FVOCI as at December 31, 2021 and 2020 are as follows:

	2021	
	Increase (decrease) in market price	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**24%**	**3,331,108**
	(24%)	**(3,331,108)**
Financial assets at FVOCI	**1%**	**1,779,843**
	(1%)	**(1,779,843)**

	2020	
	Increase (decrease) in market price	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

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to pay its obligations when they fall due under normal and stress circumstances. The Company 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 Company'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 the Company's financial assets and liabilities based on contractual undiscounted payments as at December 31:

	2021			
	Less than 3 months	**3 to 12 Months**	**More than 12 months**	**Total**
Financial Assets				
Loans and receivables:				
Cash and cash equivalents:	**₱144,166,036**	**₱–**	**₱–**	**₱144,166,036**
Trade receivables from related parties	**1,072,015,004**	–	–	**1,072,015,004**
Rent receivables:				
Third parties	**4,411,341**	–	–	**4,411,341**
Related parties	**309,025**	–	–	**309,025**
Advances to officers and employees	**3,788,279**	–	–	**3,788,279**
Other receivables	**27,536,537**	–	-	**27,536,537**
Other noncurrent assets	–	–	**1,467,687**	**1,467,687**
Financial assets at FVTPL	**13,879,619**	–	–	**13,879,619**
Financial assets at FVOCI:				
Equity securities	–	–	**190,289,962**	**190,289,962**
Debt securities	–	**10,236,100**	**246,144,870**	**256,380,970**
Total financial assets	**1,266,105,841**	**10,236,100**	**437,902,519**	**1,714,244,460**
Financial Liabilities				
Liabilities under trust receipts	**304,142,352**	–	–	**304,142,352**
Dividends payable	**132,834,571**	–	–	**132,834,571**
Accrued liability for inventories in transit	**54,237,448**	–	–	**54,237,448**
Trade payables	**17,277,792**	–	–	**17,277,792**
Customers and tenants' deposits	**12,701,186**	–	–	**12,701,186**
Accrued selling, freight expense and outside services	**5,641,584**	–	–	**5,641,584**
Accrued other expenses	**9,075,095**	–	–	**9,075,095**
Total financial liabilities	**535,910,028**	–	–	**535,910,028**
Net financial asset (liabilities)	**₱730,195,813**	**₱10,236,100**	**₱437,902,519**	**₱1,178,334,432**

	2020			
	Less than 3 months	3 to 12 Months	More than 12 months	Total
Financial Assets				
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱102,050,343	₱–	₱–	₱102,050,343
Cash equivalents	25,274,029	–	–	25,274,029
Trade receivables from related parties	798,602,374			798,602,374
Rent receivables:				
Third parties	6,594,338	–	–	6,594,338
Related parties	399,729	–	–	399,729
Advances to officers and employees	4,397,534	–	–	4,397,534
Other receivables	10,958,656	–	-	10,958,656
Other noncurrent assets	–	–	3,783,335	3,783,335
Financial assets at FVTPL	12,440,343	–	–	12,440,343
Financial assets at FVOCI:				
Equity securities	–	–	380,047,840	380,047,840
Debt securities	40,013,480	50,205,271	363,181,404	453,400,155
Total financial assets	1,000,730,826	50,205,271	747,012,579	1,797,948,676
Financial Liabilities				
Liabilities under trust receipts	245,025,907	–	–	245,025,907
Accrued liability for inventories in transit	112,300,525	–	–	112,300,525
Dividends payable	120,572,492	–	–	120,572,492
Trade payables	58,315,982	–	–	58,315,982
Customers and tenants' deposits	12,442,924	–	–	12,442,924
Accrued selling, freight expense and outside services	5,176,117	–	–	5,176,117
Accrued other expenses	14,700,393	–	–	14,700,393
Total financial liabilities	568,534,340	–	–	568,534,340
Net financial asset (liabilities)	₱432,196,486	₱50,205,271	₱747,012,579	₱1,229,414,336

As at December 31, 2021 and 2020, the COVID-19 outbreak has no significant impact to the Company's liquidity risk.

Fair Value

The carrying values of cash and cash equivalents, receivables, 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.

Below are the Company's financial assets measured and carried at fair value as at December 31:

	2021	2020
Financial assets at FVTPL	**₱13,879,619**	₱12,440,343
Financial assets at FVOCI	**446,670,932**	833,447,994

Financial assets at FVTPL and quoted 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 Company's financial assets carried at fair value and nonfinancial assets whose fair values are disclosed as at December 31:

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱13,879,619**	**₱13,879,619**	**₱–**	**₱–**
Financial assets at FVOCI				
Quoted debt securities	**256,380,970**	**256,380,970**	–	–
Quoted equity securities	**177,984,332**	**177,984,332**	–	–
Unquoted equity securities	**12,305,630**	–	–	**12,305,630**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**1,569,331,090**	–	–	**1,569,331,090**

	2020			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱12,440,343	₱12,440,343	₱–	₱–
Financial assets at FVOCI				
Quoted debt securities	453,400,154	453,400,154	–	–
Quoted equity securities	367,935,509	367,935,509	–	–
Unquoted equity securities	12,112,331	–	–	12,112,331
Nonfinancial assets for which fair values are disclosed				
Investment properties	1,569,331,090	–	–	1,569,331,090

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

In 2021 and 2020, there were no transfers among the fair value measurement hierarchy levels.

27. Capital Management Policies

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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, 2021 and 2020.

The Company 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 Company at this point, with its healthy cash flow, is not looking for any bank loans to finance its operations and renovations. The Company strives to earn a minimum return double the annual inflation rate.

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

	2021	2020
Capital stock	**₱1,500,000,000**	₱1,500,000,000
Retained earnings	**972,990,527**	1,060,605,804
	₱2,472,990,527	₱2,560,605,804

28. Note to Parent Company Statements of Cash Flows

The changes in the Company's liability arising from financing activities (dividends payable) in 2021 and 2020 follows:

	2021	2020
Balance at beginning of year	**₱120,572,492**	₱32,051,412
Cash flows	**(62,737,921)**	(74,480,800)
Dividends declared (see Note 15)	**75,000,000**	163,001,880
Balance at end of year	**₱132,834,571**	₱120,572,492

29. **Segment Information**

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

a. Bakery flour - manufacturing of flour and distribution/sales of its produce.
b. Mill feeds - 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 Company has only one geographical segment as its operations are solely located in the Philippines.

The Executive Committee, the Company'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 parent company financial statements.

The following tables on business segments present the segment assets as at December 31, 2021 and 2020 and the revenue and profit information for the period then ended.

	2021			
	Bakery Flour	**Mill Feeds**	**Real Estate and Investment**	**Total**
Revenue				
Sales - related parties	**₱1,095,526,069**	**₱100,020,442**	**₱–**	**₱1,195,546,511**
Dividend income	–	–	**21,140,737**	**21,140,737**
Rental income	–	–	**30,754,792**	**30,754,792**
Interest income	–	–	**18,370,531**	**18,370,531**
	1,095,526,069	**100,020,442**	**70,266,060**	**1,265,812,571**
Cost of sales/services	**887,597,423**	**155,414,597**	**8,631,768**	**1,051,643,788**
Gross profit on sales/income	**207,928,646**	**(55,394,155)**	**61,634,292**	**214,168,783**
Selling and administrative expenses	**(133,996,688)**	**(12,233,765)**	–	**(146,230,453)**
Interest expense	–	–	**(10,832,430)**	**(10,832,430)**
Other income (charges) - net	**(4,804,103)**	**(17,227,231)**	**(32,608,459)**	**(54,639,793)**
Provision for income tax	–	–	–	**(15,081,384)**
Net income	**₱69,127,855**	**(₱84,855,151)**	**₱18,193,403**	**(₱12,615,277)**
Property, plant and equipment	**₱280,969,905**	**₱17,444,096**	**₱–**	**₱298,414,001**
Investment properties	–	–	**₱514,850,547**	**₱514,850,547**
Depreciation and amortization	**₱11,803,319**	**₱1,077,631**	**₱2,066,413**	**₱14,947,363**
Additions to property, plant and equipment and investment properties	**₱195,546,638**	**₱12,140,568**	**₱67,840**	**₱207,755,046**

	2020			
	Bakery Flour	Mill Feed	Real Estate and Investment	Total
Revenue				
Sales - related parties	₱967,591,233	₱121,027,781	₱–	₱1,088,619,014
Dividend income	–	–	26,219,978	26,219,978
Rental income	–	–	33,381,437	33,381,437
Interest income	–	–	22,455,934	22,455,934
	967,591,233	121,027,781	82,057,349	1,170,676,363
Cost of sales/services	709,778,070	181,972,037	9,977,998	901,728,105

(Forward)

	2020			
	Bakery Flour	Mill Feed	Real Estate and Investment	Total
Gross profit on sales/income	₱257,813,163	(₱60,944,256)	₱72,079,351	₱268,948,258
Selling and administrative expenses	(129,101,659)	(16,095,380)	–	(145,197,039)
Interest expense	–	–	(3,826,720)	(3,826,720)
Other income (charges) - net	(2,398,272)	8,815,943	(5,031,661)	1,386,010
Provision for income tax	–	–	–	(26,960,024)
Net income	₱126,313,232	(68,223,693)	₱63,220,970	₱94,350,485
Property, plant and equipment	₱97,551,248	₱6,056,497	₱–	₱103,607,745
Investment properties	–	–	₱516,849,120	₱516,849,120
Depreciation and amortization	₱11,812,242	₱543,031	₱2,072,091	₱14,427,364
Additions to property, plant and equipment and investment properties	₱54,383,550	₱1,793,681	₱–	₱56,177,231

30. **Supplementary Information Required Under Revenue Regulations 15-2010**

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on VAT, duties, taxes and licenses, documentary stamp taxes and withholding taxes paid or accrued during the taxable year.

a. Net Sales/Receipts and Output VAT

The Company is a VAT registered entity with sales and gross receipts subject to and exempt from VAT summarized as follows:

	Net Sales/ Receipt	Output VAT
Goods:		
Sale of goods	₱1,095,526,068	₱131,463,128
VAT-exempt sales	100,020,443	–
Scrap sales	2,262,324	242,392
Services:		
Rental income	31,076,652	3,729,198
Common utilities service area income	6,080,568	729,668
	₱1,234,966,055	₱136,164,386

The output VAT on the Company's rental and common utilities service area income are based on actual collections.

The output VAT from sales of goods and from gross receipts on rentals and common utilities service area income is recorded under output VAT.

Exempt sales consist of sales of mill feeds, the by-product of the manufactured flour pursuant to Revenue Regulation No.16-05.

b. Input VAT

Balance at January 1	₱–
Current year's domestic purchases/payments of importations for:	
Purchase of services	16,746,139
Capital goods subject to amortization	866,093
Goods for resale/manufacture or further processing	3,748,635
Goods other than for resale or manufacture	–
	21,360,867
Application against output VAT	21,360,867
Balance at December 31	₱–

c. Landed Costs and Customs Duties

Landed costs paid in 2021 amounted to ₱935,457,002.

d. Other Taxes and Licenses

Real estate taxes	₱5,603,900
License and permits fees	3,344,890
	₱8,948,790

e. Documentary Stamp Taxes

Documentary stamp taxes paid in 2021 amounting to ₱4,085,304 cover charges from the banks for importation and form part of inventory costs.

f. Excise Tax

The Company has no transactions subject to excise tax in 2021.

g. Withholding Taxes

Withholding taxes on compensation and benefits	₱6,835,178
Expanded withholding taxes	4,940,754
Final withholding taxes on royalties and dividends	4,577,221

h. Tax Assessments/Cases

As at December 31, 2021, the Company has the following outstanding tax assessments/cases:

a. On May 26, 2017, the Company filed an appeal, Petition for Review before the Court of Tax Appeals (CTA Case No. 9603) praying for the cancellation of the deficiency tax assessments in the aggregate amount of ₱204,013,305.81, inclusive of increments, for taxable year ended December 31, 2009. A large amount of the assessment is the alleged Improperly Accumulated Earnings Tax amounting to ₱186,843,462.77.

   In the Decision dated March 2, 2020, the CTA Second Division ruled in favor of the Company rendering the BIR's deficiency tax assessments for the Taxable Year ("TY") 2009 in the amount of ₱204,013,305.81 inclusive of surcharge, interest and compromise penalties, cancelled and set aside. The CTA Second Division based its decision on the defective Letter of Authority issued by the BIR causing the latter's tax assessments to be totally void.

On September 1, 2020 the Commissioner of Internal Revenue (Petitioner) filed an appeal by way of Petition for Review before the Court of Tax Appeals ("CTA") En Banc – CTA EB No. 2321 (CTA Case No. 9603). The Petitioner is praying for the reversal of the Decision dated March 2, 2020 and the Resolution dated July 27, 2020 of the CTA Second Division that held that the Bureau of internal Revenue's taxable year 2009 deficiency tax assessments of Liberty Flour Mills, Inc. ("Respondent") cancelled and set aside. Respondent filed its Comment / Opposition (to the Petition for Review) dated November 9, 2020.

On March 2, 2022, the Petition for Review filed by Petitioner is denied for lack of merit. The decision and resolution of the Court's 2nd Division, which cancelled and set aside the assessments against the Company dated March 2, 2020 and July 27, 2020, respectively, are affirmed. The Petitioner, his representatives, agents, or any person acting on his behalf are enjoined from collecting or taking any further action on the subject deficiency taxes.

b. The Company received a "Formal Letter of Demand ("FLD") from the BIR on December 23, 2019 for alleged deficiency income tax, value-added tax, expanded withholding tax, withholding tax on compensation, fringe benefit tax and documentary stamp tax for the taxable year 2012 in the aggregate amount of ₱117,793,915.24. The Company filed its protest letter on January 16, 2020.

   On April 22, 2021, the Company received a Final Decision on Disputed Assessment from the BIR dated April 14, 2021, which denied the Company's protest letter on the FLD. The Company is liable for alleged deficiency taxes in the total amount of ₱101,649,612.57 for the taxable year 2012.

   On May 24, 2021, the Company filed an appeal, Petition for Review before the Court of Tax Appeals (CTA Case No. 10532) praying for the cancellation of the deficiency tax assessments on income tax, value-added tax, expanded withholding tax and withholding tax on compensation in the aggregate amount of ₱98,294,548.84, inclusive of increments, for taxable year 2012. The Company no longer contested the BIR's findings with respects to the fringe benefits and documentary stamp tax.

Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 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 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

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **23rd** day of **March 2022**

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Mandaluyong City 1550 Philippines
Tel + 63 2 5322001 to 04 Fax + 63 2 5317985

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

SUBSCRIBED AND SWORN TO before me this ____ day of APR 0 6 2022, in CITY OF MAKATI affiants exhibiting to me his/her competent evidence of identity as follows:

Name	Identification Document Presented	Issue/Expiry Date
WILLIAM CARLOS UY	SC ID No. 1734252	May 2002
SANDRA JUDY UY	PASSPORT ID No. P7994347A	July 19,2018 / July 18, 2028
JOSE MA. S. LOPEZ	SC ID No. 2253477	May 2004

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc. No. 377
Page No. 77
Book No. XI
Series of 2022.

Junaila Mendoza <jrmendoza@libertygroup.com.ph>

Fwd: Your BIR AFS eSubmission uploads were received

1 message

Maria Luisa Quizon <mlquizon@libertygroup.com.ph> Thu, May 12, 2022 at 8:26 AM
To: Junaila Mendoza <jrmendoza@libertygroup.com.ph>

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From: <eafs@bir.gov.ph>
Date: Wed, May 11, 2022 at 4:12 PM
Subject: Your BIR AFS eSubmission uploads were received
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Hi LIBERTY FLOUR MILLS, INC.,

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- EAFS000128846RPTTY122021.pdf
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Transaction Code: **AFS-0-2NV1XXXQ08J7H95C7PVXY3YSP0QVYYTMPX**
Submission Date/Time: **May 11, 2022 03:56 PM**
Company TIN: **000-128-846**

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Junaila Mendoza <jrmendoza@libertygroup.com.ph>

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Company Information

SEC Registration No.: 0000014782
Company Name: LIBERTY FLOUR MILLS INC.
Industry Classification: D15432
Company Type: Stock Corporation

Document Information

Document ID: OST10512202283808 36
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Parent
Remarks: None

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. Ar
naiz 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) 8892-5011	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
439	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) 8892-5011	–

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

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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, 2021, 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, 2021 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
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

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

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱194,041,740**	₱179,719,444
Receivables (Note 5)	**1,112,181,595**	841,239,779
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**194,328,610**	94,377,416
Inventories (Note 7)	**190,338,015**	356,615,886
Accrued rent - current portion (Note 26)	**1,202,767**	4,646,857
Prepaid expenses and other current assets (Note 8)	**82,464,275**	51,347,075
Total Current Assets	**1,774,557,002**	1,527,946,457
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	**631,405,777**	1,044,038,905
Investment properties (Notes 10, 13 and 26)	**1,371,443,195**	1,223,957,338
Property, plant and equipment (Note 11)	**300,526,062**	104,058,478
Accrued rent - net of current portion (Note 26)	**77,404,488**	54,399,114
Net retirement plan asset (Note 21)	**13,076,486**	5,256,513
Deferred tax assets - net (Note 23)	**918,902**	18,103,777
Other noncurrent assets (Notes 10 and 12)	**25,983,738**	150,601,151
Total Noncurrent Assets	**2,420,758,648**	2,600,415,276
TOTAL ASSETS	**₱4,195,315,650**	₱4,128,361,733
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 10 and 14)	**₱488,970,449**	₱499,671,046
Current portion of:		
Notes payable (Notes 10 and 13)	**136,655,732**	580,000,000
Deposits on long-term leases (Note 26)	**12,725,979**	10,377,345
Unearned rental income (Note 26)	**4,654,473**	4,817,905
Income tax payable	**1,163,501**	1,212,931
Total Current Liabilities	**644,170,134**	1,096,079,227
Noncurrent Liabilities		
Notes payable – noncurrent portion	**443,800,782**	–
Payable to a related party (Note 10)	**37,730,000**	89,730,000
Deposits on long-term leases - net of current portion (Note 26)	**18,603,788**	19,974,491
Unearned rental income - net of current portion (Note 26)	**8,355,115**	9,777,271
Net retirement plan liability (Note 21)	**5,849,806**	59,372,880
Deferred tax liabilities - net (Note 23)	**21,913,988**	18,377,308
Other noncurrent liability (Note 10)	**162,176,225**	–
Total Noncurrent Liabilities	**698,429,704**	197,231,950
Total Liabilities	**1,342,599,838**	1,293,311,177

(Forward)

	December 31	
	2021	2020
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)	**(110,631,636)**	(55,344,426)
Accumulated remeasurement gains (losses) on retirement benefits (Note 21)	**449,165**	(9,328,350)
Retained earnings (Note 15)	**1,462,898,283**	1,399,723,332
Total Equity	**2,852,715,812**	2,835,050,556
TOTAL LIABILITIES AND EQUITY	**₱4,195,315,650**	₱4,128,361,733

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2021	2020 (As restated - Note 2)	2019 (As restated - Note 2)
REVENUE			
Sales (Notes 16 and 25)	**₱1,195,546,511**	₱1,088,619,014	₱742,466,225
Rental income (Notes 10 and 25)	**253,989,256**	262,842,161	206,586,489
	1,449,535,767	1,351,461,175	949,052,714
COST OF SALES AND SERVICES			
Cost of sales (Note 17)	**1,043,012,020**	891,750,107	619,356,588
Cost of services (Note 10)	**86,332,027**	116,135,568	69,410,591
	1,129,344,047	1,007,885,675	688,767,179
GROSS PROFIT	**320,191,720**	343,575,500	260,285,535
GENERAL AND ADMINSTRATIVE EXPENSES (Note 18)	**(135,231,727)**	(134,867,827)	(140,544,865)
SELLING EXPENSES (Note 18)	**(37,284,219)**	(37,830,583)	(37,578,309)
OTHER INCOME (CHARGES)			
Interest expense (Notes 7, 13 and 26)	**(41,516,974)**	(38,575,445)	(53,203,734)
Dividend income (Notes 6 and 9)	**23,963,824**	28,117,038	37,598,668
Interest income (Notes 4, 5 and 9)	**18,464,200**	22,925,763	25,369,253
Other income - net (Notes 6, 9 and 20)	**23,277,333**	58,894,341	7,082,257
INCOME BEFORE INCOME TAX	**171,864,157**	242,238,787	99,008,805
PROVISION FOR INCOME TAX (Note 23)			
Current	**17,115,237**	26,254,648	5,356,214
Deferred	**16,573,969**	23,559,034	8,491,735
	33,689,206	49,813,682	13,847,949
NET INCOME	**138,174,951**	192,425,105	85,160,856
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)	**(16,330,766)**	6,620,711	53,556,255
Fair value gain on financial assets at FVOCI realized through sale (Note 9)	**(1,800,000)**	(52,938)	(19,640)
	(18,130,766)	6,567,773	53,536,615
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)	**(37,156,444)**	13,284,770	(6,259,282)
Remeasurement gain (loss) on retirement benefits (Note 21)	**13,925,101**	(6,448,057)	(11,049,311)
Income tax effect	**(4,147,586)**	1,934,417	3,314,793
	(27,378,929)	8,771,130	(13,993,800)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(45,509,695)**	15,338,903	39,542,815
TOTAL COMPREHENSIVE INCOME	**₱92,665,256**	₱207,764,008	₱124,703,671
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	**₱0.92**	₱1.28	₱0.57

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, 2021, 2020 AND 2019

	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, 2021	**₱1,500,000,000**	**(₱55,344,426)**	**(₱9,328,350)**	**₱1,399,723,332**	**₱2,835,050,556**
Net income	–	–	–	**138,174,951**	**138,174,951**
Other comprehensive income (loss)	–	**(55,287,210)**	**9,777,515**	–	**(45,509,695)**
Total comprehensive income (loss)	–	**(55,287,210)**	**9,777,515**	**138,174,951**	**92,665,256**
Cash dividends declared (Note 15)	–	–	–	**(75,000,000)**	**(75,000,000)**
BALANCES AT DECEMBER 31, 2021	**₱1,500,000,000**	**(₱110,631,636)**	**₱449,165**	**₱1,462,898,283**	**₱2,852,715,812**
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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱171,864,157**	₱242,238,787	₱99,008,805
Adjustments to reconcile profit before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11, 12, 17 and 18)	**58,015,873**	57,392,470	52,845,710
Fair value gain on financial assets at FVTPL (Notes 6 and 20)	**(83,937,680)**	(56,462,370)	(13,660,256)
Change in net retirement liability (Note 21)	**(48,081,165)**	(53,224,471)	4,154,989
Interest expense (Notes 7, 13, 18 and 26)	**41,516,974**	38,575,445	53,203,734
Dividend income (Notes 6 and 9)	**(23,963,824)**	(28,117,038)	(37,598,668)
Interest income (Notes 4, 5 and 9)	**(18,464,200)**	(22,925,763)	(25,369,253)
Unrealized foreign currency exchange loss (gain)	**9,060,857**	3,941,890	(472,781)
Loss on modification	**4,981,822**	–	–
Gain on sale of debt securities at FVOCI (Note 9)	**(1,800,000)**	(52,938)	(19,640)
Change in net retirement asset (Note 21)	**663,219**	999,467	–
Loss (gain) on sale of financial assets at FVTPL (Notes 6 and 20)	**–**	(100,685)	4,910,880
Working capital changes:			
Decrease (increase) in:			
Receivables	**(270,989,446)**	(116,341,958)	1,658,071
Inventories	**166,277,871**	(183,770,072)	69,177,682
Accrued rent	**(19,561,284)**	(29,620,084)	(22,802,474)
Prepaid expenses and other current assets	**(28,911,377)**	25,885,534	(1,344,335)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(45,249,092)**	284,600,512	9,051,473
Deposits on long-term leases	**(492,032)**	(826,942)	1,676,739
Unearned rental income	**(1,585,588)**	(1,120,387)	(8,294,844)
Cash generated from (used for) operations	**(90,654,915)**	161,071,397	186,125,832
Interest received	**18,464,200**	22,925,763	25,359,066
Income taxes paid	**(17,164,667)**	(25,041,717)	(11,768,348)
Net cash provided by (used in) operating activities	**(89,355,382)**	158,955,443	199,716,550
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property, plant and equipment (Note 11)	**(209,839,382)**	(56,384,458)	(8,648,440)
Financial assets at FVOCI (Note 9)	**(32,311,582)**	–	(56,780,000)
Investment properties (Note 10 and 29)	**(31,623,361)**	(10,901,430)	(14,927,394)
Financial assets at FVTPL (Note 6)	**(16,013,514)**	(6,947,589)	(5,165,984)
Proceeds from:			
Redemption of financial assets at FVOCI (Note 9)	**391,457,500**	153,650,000	95,150,000
Sale of financial assets at FVTPL (Note 6)	**–**	8,275,685	132,226,056
Dividends received	**23,963,824**	28,117,038	37,598,668
Decrease (increase) in other noncurrent assets	**144,260,429**	(93,872,760)	(50,664,978)
Net cash provided by investing activities	**269,893,914**	21,936,486	128,787,928

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (Note 15)	**(₱62,737,921)**	(₱74,480,800)	(₱50,203,060)
Payable to a related party	**(52,000,000)**	–	–
Interest paid	**(38,067,458)**	(38,042,687)	(51,703,944)
Payment of issue cost	**(4,350,000)**	–	–
Loan payments (Note 13)	**–**	(52,900,000)	(165,500,000)
Proceeds from availment of bank loans (Note 13)	**–**	–	28,000,000
Net cash used in financing activities	**(157,155,379)**	(165,423,487)	(239,407,004)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(9,060,857)**	(3,941,890)	472,781
NET INCREASE IN CASH AND CASH EQUIVALENTS	**14,322,296**	11,526,552	89,570,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**179,719,444**	168,192,892	78,622,637
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱194,041,740**	₱179,719,444	₱168,192,892

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

Liberty Flour Mills, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008, the Parent Company extended its corporate life for another 50 years. The Parent Company is engaged primarily in the manufacture of flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded in the Philippine Stock Exchange (PSE) since then. Following are the Parent Company's subsidiaries and the respective ownership as at December 31, 2021 and 2020:

	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 23, 2022, 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 23, 2022.

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.

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Adoption of Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

  SEC Memorandum Circular 3 Series of 2019 provides 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 for a period of 3 years starting from January 1, 2018 to December 31, 2020.

The Group adopted the PIC Q&A effective January 1, 2021. The impact of adoption is applied retrospectively which resulted to the change in presentation for the year ended December 31, 2020 and 2019 as follows:

	December 31, 2020, as previously reported	Adjustment	December 31, 2020, as restated
Direct Costs	₱19,050,600	(₱15,684,365)	₱3,366,235
Other income (charges)	15,684,365	(15,684,365)	–

	December 31, 2019, as previously reported	Adjustment	December 31, 2019, as restated
Direct Costs	₱15,037,899	(₱11,210,646)	₱3,827,253
Other income (charges)	11,210,646	(11,210,646)	–

There is no impact on net income, opening retained earnings, cash flow and the related statement of financial position accounts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  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, 2022; 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 April 1, 2021. Early adoption is permitted.

  The Group adopted the amendments beginning January 1, 2021. The amendments did not have an impact to the Group's 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.

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

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to Conceptual Framework*
- Amendments to PAS 16, *Property, 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- 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*

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 Company's consolidated company financial statements.

<u>Current versus Noncurrent Classification</u>
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.

<u>Fair Value Measurement</u>
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, 2021 and 2020.

- *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, 2021 and 2020.

- *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, 2021 and 2020.

- *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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020.

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.

<u>Classification of Financial Instruments Between Liability and Equity</u>
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 represent the costs of direct materials, direct labor and a proportion of production overhead. Cost of raw materials such as wheat grains represents the cost of purchase and other costs directly attributable to its acquisition. NRV is the selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income (loss) includes gains and losses on changes in fair value of financial assets at FVOCI in 2021 and 2020, 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 30 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.

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 ₱2.64 million and ₱1.59 million as at December 31, 2021 and 2020, respectively. The carrying value of receivables amounted to ₱1,112.18 million and ₱841.24 million as at December 31, 2021 and 2020, 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.

The Group has allowance for inventory obsolescence amounting to nil and ₱15.56 million as at December 31, 2021 and 2020, respectively. The carrying value of inventories amounted to ₱190.34 million and ₱356.62 million as at December 31, 2021 and 2020, respectively (see Note 7).

Impairment of financial assets at FVOCI (debt instruments). The Group recognizes 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 recognized 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 ₱256.38 million and ₱453.40 million as at December 31, 2021 and 2020, 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, 2021 and 2020, the carrying value of unquoted financial instruments amounting to ₱12.31 million and ₱12.11 million, respectively approximate their fair values (see Notes 9 and 27).

Estimation of useful lives of investment properties. The Company reviews at each reporting date the estimated useful lives of investment properties based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties as at December 31, 2021 and 2020.

The carrying value of investment properties, excluding land, amounted to ₱587.43 million and ₱631.98 million as at December 31, 2021 and 2020, respectively (see Note 10).

Impairment of investment properties. The Company determines whether there are indications of impairment of the Company's investment properties. Indications of impairment include significant change in usage, decline in the asset's fair value or underperformance relative to expected historical or projected future results.

Determining the fair value of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

The Company has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As at December 31, 2021 and 2020, no other impairment indicators were identified for the Company's investment properties.

The aggregate carrying value of these assets amounted to ₱1.37 billion and ₱1.22 billion as at December 31, 2021 and 2020, respectively (see Note 10).

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 ₱13.08 million and ₱5.85 million as at December 31, 2021, respectively; and the Group's net retirement plan liability amounted to ₱5.26 million and ₱59.37 million as at December 31, 2020 (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, 2021 and 2020, the Group recognized deferred tax assets on deductible temporary differences amounting to ₱2.47 million and ₱19.77 million, respectively (see Note 23).

As at December 31, 2021 and 2020, the Group did not recognize deferred tax assets on deductible temporary differences, unused NOLCO and MCIT amounting to ₱40.53 million and ₱27.80 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 FVOCI 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

	2021	2020
Cash on hand and in banks	**₱194,041,740**	₱144,168,181
Cash equivalents	–	35,551,263
	₱194,041,740	₱179,719,444

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

Interest income earned on cash in banks and cash equivalents amounted to ₱0.44 million in 2021, ₱1.88 million in 2020 and ₱0.87 million in 2019.

5. Receivables

	2021	2020
Trade receivables from related parties		
(see Notes 16 and 25)	**₱1,072,015,004**	₱798,602,374
Rent receivables from:		
Third parties	**10,772,756**	14,576,710
Related parties (see Note 25)	**255,730**	387,565
Receivable from a broker	–	13,506,451
Advances to officers and employees (see Note 25)	**3,904,393**	4,461,167
Others (see Note 25)	**27,876,019**	11,298,138
	1,114,823,902	842,832,405
Less allowance for expected credit losses	**2,642,307**	1,592,626
	₱1,112,181,595	₱841,239,779

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 2021, ₱0.04 million in 2020 and ₱0.16 million in 2019.

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 2021 and 2019).

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 ₱1.05 in 2021 and ₱0.49 million in 2019. No provision was recognized in 2020 (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:

	2021	2020
Balance at beginning of year	**₱94,377,416**	₱39,142,457
Acquisitions	**16,013,514**	6,947,589
Disposal	–	(8,175,000)
Changes in fair value of financial assets at FVTPL		
(see Note 20)	**83,937,680**	56,462,370
	₱194,328,610	₱94,377,416

Realized gain on sale of financial assets at FVTPL amounted to nil in 2021 and ₱0.10 million in 2020 while realized loss on sale of financial assets a FVTPL amounted to ₱4.91 million in 2019.

Dividend income earned on financial assets at FVTPL amounted to ₱1.70 million in 2021, ₱1.14 million in 2020 and ₱8.53 million in 2019.

7. Inventories

	2021	2020
At NRV -		
Mill feeds	**₱–**	₱13,804,331
At cost:		
Wheat grains	**143,036,659**	315,452,028
Flour	**40,208,914**	15,556,355
Supplies	**6,193,609**	11,803,172
Mill feeds	**898,833**	–
	₱190,338,015	₱356,615,886

Cost of mill feeds carried at NRV amounted to nil and ₱29,361,214 as at December 31, 2021 and 2020, respectively.

Costs of inventories recognized as expenses, presented under "Cost of sales" in the consolidated statements of comprehensive income, amounted to ₱1,043.01 million in 2021, ₱891.75 million in 2020 and ₱619.36 million in 2019 (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 ₱304.14 million and ₱245.03 million as at December 31, 2021 and 2020, respectively (see Note 14). Interest expense recognized on liabilities under trust receipts amounted to ₱10.83 million in 2021 (based on annual interest of 2.63% to 3.50%), ₱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%).

Wheat grains inventories in-transit amounted to ₱54.24 million and ₱112.3 million as at December 31, 2021 and 2020, respectively (see Note 14).

In 2020, the Group recognized provision for inventory obsolescence and decline in value of inventories amounting to ₱15.56 million. Allowance for inventory obsolescence and decline in value of inventories amounted to nil and ₱15.56 million as at December 31, 2021 and 2021, respectively (see Note 17).

8. Prepaid Expenses and Other Current Assets

	2021	2020
Creditable withholding taxes	**₱25,042,627**	₱12,866,794
Store supplies	**23,340,152**	24,623,117
Advance VAT on importation	**9,455,854**	870,735
Advances to suppliers	**7,759,338**	5,347,454
Prepaid importation cost	**3,351,099**	65,377
Input VAT	**2,790,883**	142,076

(Forward)

	2021	2020
Prepaid taxes	**₱2,664,832**	₱3,227,251
Deferred input VAT (see Note 11)	**2,336,775**	–
Prepaid insurance	**2,178,791**	1,919,006
Others	**3,543,924**	2,285,265
	₱82,464,275	₱51,347,075

9. **Financial Assets at Fair Value through Other Comprehensive Income**

	2021	2020
Debt securities	**₱256,380,970**	₱453,400,154
Equity securities:		
Quoted	**362,719,177**	578,526,420
Unquoted	**12,305,630**	12,112,331
	₱631,405,777	₱1,044,038,905

In 2021, the Group purchased debt and equity securities amounting to ₱14.31 million and ₱18.00 million, respectively.

The Group sold debt securities with a carrying value amounting to ₱195.00 million and ₱63.60 million in 2021 and 2020, respectively. The Group also sold quoted equity securities with a carrying amount of ₱196.46 million and ₱90.00 million in 2021 and 2020, respectively.

Financial assets at FVOCI includes equity securities with a cost and carrying value amounting to ₱40.60 million and nil, respectively, as at December 31, 2021 and 2020.

Fair value changes on financial assets at FVOCI in 2021 and 2020 follow:

	2021	2020
Balance at beginning of year	**(₱55,344,426)**	(₱75,196,969)
Fair value gain (loss) recognized in other comprehensive income	**(53,487,210)**	19,905,481
Fair value gain realized through sale (see Note 20)	**(1,800,000)**	(52,938)
Balance at end of year	**(₱110,631,636)**	(₱55,344,426)

No impairment loss was recognized on the Group's investment in debt securities in 2021, 2020 and 2019.

Interest income earned on debt securities amounted to ₱17.98 million in 2021, ₱20.83 million in 2020 and ₱24.34 million in 2019. Dividend income earned on equity securities amounted to ₱22.23 million in 2021, ₱26.98 million in 2020 and ₱29.07 million in 2019.

The Group debt securities in 2021 includes Russian debt securities. In February 2022, a number of countries (including Australia, EU, Japan, Singapore, UK, the US and others) imposed new sanctions against Russian government entities, state-owned enterprises or sanctioned entities and individuals linked to Russia anywhere in the world and announcements of potential additional sanctions following the conflict in Ukraine initiated on February 24, 2022. Subsequently, new sanctions have been imposed. Sanctions have also been imposed on Belarus.

The Group considers the events as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2021. Considering the evolving nature of this event, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

10. Investment Properties

	2021			
	Land (see Note 13)	**Building and Building Improvements (see Note 13)**	**Condominium Unit**	**Total**
Cost				
Balance at beginning of year	**₱591,977,625**	**₱1,004,652,666**	**₱11,419,656**	**₱1,608,049,947**
Additions	**192,030,833**	**–**	**–**	**192,030,833**
Balance at end of year	**784,008,458**	**1,004,652,666**	**11,419,656**	**1,800,080,780**
Accumulated Depreciation				
Balance at beginning of year	**–**	**373,538,661**	**10,553,948**	**384,092,609**
Depreciation	**–**	**44,467,922**	**77,054**	**44,544,976**
Balance at end of year	**–**	**418,006,583**	**10,631,002**	**428,637,585**
Net book values	**₱784,008,458**	**₱586,646,083**	**₱788,653**	**₱1,371,443,195**

	2020			
	Land (see Note 13)	Building and Building Improvements (see Note 13)	Condominium Unit	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

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:

	2021	2020	2019
Rental income	**₱253,989,256**	₱262,842,161	₱206,586,489
Direct operating expenses:			
Outside services	**11,740,915**	11,524,553	11,035,160
Depreciation and amortization	**44,544,976**	44,547,379	42,139,126
Real estate tax	**20,892,774**	52,402,345	6,924,466
Communication, light and water	**2,708,390**	3,366,235	3,827,253
Repairs and maintenance	**4,402,732**	2,233,895	3,017,135
Insurance and others	**2,042,240**	2,061,161	2,467,451
	86,332,027	116,135,568	69,410,591
	₱167,657,229	₱146,706,593	₱137,175,898

Direct operating expenses incurred for non-income generating properties amounted to ₱2.46 million in 2021, ₱3.42 million in 2020 and ₱2.63 million in 2019.

The Group has refundable deposits for utilities installation on its investment properties amounting to ₱3.16 million and ₱5.32 million as at December 31, 2021 and 2020, 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 ₱5.53 billion and ₱5.31 billion as at December 31, 2021 and 2020, respectively. These have been determined based on valuation performed by a qualified and independent appraiser in 2019. 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:

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

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

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

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

Land and building and building improvements owned by the Group with an aggregate carrying value of ₱57.60 million and ₱71.57 million as at December 31, 2021 and 2020 served as collateral to secure the loans obtain from a bank (see Note 13).

Developmental Rights
LPC entered into an agreement with Parity Values, Inc. (PVI), a related party, for the transfer of developmental 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 amounting to ₱99.70 million and a liability presented as “Payable to a related party” amounting to ₱37.73 million and ₱89.73 million as at December 31, 2021 and 2020, respectively (see Note 25).

Land Acquisition

In December 2021, LPC entered into a Contract to Sell for the purchase of land for a consideration of ₱214.46 million (exclusive of VAT) payable on monthly installment basis until year 2026. Payments made in 2021 amounted to ₱31.56 million (exclusive of VAT). As at December 31, 2021, the corresponding unpaid purchase price, net of VAT, were recorded at present value using the discount rate of 4.25% amounting to ₱160.41 million. Current and noncurrent portion of the liability amounting to ₱20.18 million and ₱162.18 million, respectively, inclusive of VAT, are presented as part of “Trade payables” under "Accounts payable and other current liabilities” and “Other noncurrent liability” accounts, respectively, in the 2021 consolidated statement of financial position (see Note 14). Total discount of liability amounted to ₱22.49 million. Future accretion of interest expense will be capitalized as part of investment property.

The related deferred input VAT amounting to ₱19.74 million, net of current portion of ₱2.21 million as at December 31, 2021, is recognized as part of “Other noncurrent assets” account in the consolidated statements of financial position (see Note 12). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

Schedule of payments of the remaining payable based on undiscounted amounts (exclusive of VAT) is as follows:

Year	Amount
2022	₱18,381,857
2023	18,381,857
2024	26,219,677
2025	65,408,775
2026	54,507,313
	₱182,899,479

11. **Property, Plant and Equipment**

	2021							
	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	₱232,722,654	₱115,881,489	₱48,885,651	₱839,842	₱41,029,942	₱42,028,557	₱506,723,707
Additions	–	744,583	40,179	2,123,893	–	3,093,635	203,837,092	209,839,382
Ending balances	25,335,572	233,467,237	115,921,668	51,009,544	839,842	44,123,577	245,865,649	716,563,089
Accumulated Depreciation								
Beginning balances	16,446,688	215,055,333	94,492,716	43,740,103	839,842	32,090,547	–	402,665,229
Depreciation and amortization (see Notes 17 and 18)	978,535	5,426,835	2,682,092	1,457,910	–	2,826,426	–	13,371,798
Ending balances	17,425,223	220,482,168	97,174,808	45,198,013	839,842	34,916,973	–	416,037,027
Net Book Values	₱7,910,349	₱12,985,069	₱18,746,860	₱5,811,531	₱–	₱9,206,604	₱245,865,649	₱300,526,062

	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

As at December 31, 2021, construction in progress pertains to costs incurred for the renovation of the Group's manufacturing facility. The renovation is expected to be completed in 2022.

12. Other Noncurrent Assets

	2021	2020
Deferred input VAT – net of current portion (see Note 11)	**₱19,742,115**	₱–
Refundable deposits (see Note 10)	**3,157,180**	5,316,288
Advances to suppliers	**2,062,443**	144,163,764
Computer software	**–**	99,099
Others	**1,022,000**	1,022,000
	₱25,983,738	₱150,601,151

As at December 31, 2020, advances to suppliers mainly pertain to advance payments to suppliers for the purchase of machineries which have been delivered in 2021.

Amortization of computer software amounted to ₱0.10 million in 2021, ₱0.25 million in 2020 and ₱0.31 million in 2019 (see Note 18).

13. Notes Payable

Notes payable consists of:

	2021	2020
Principal	**₱580,000,000**	₱580,000,000
Add: unamortized premium, net of debt issue cost	**456,514**	–
	580,456,514	580,000,000
Less current portion	**136,655,732**	580,000,000
Noncurrent portion	**₱443,800,782**	₱–

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 February 18, 2021, the Group converted its ₱580.00 million short-term promissory note to term loans with maturity of 5 years, payable in equal quarterly installments starting on February 19, 2022.

All loans are secured by a real estate mortgage on certain land and building and building improvements owned by the Company (see Note 10).

The details of the term loans follow:

Term Loan	Availment Date	Maturity Date	Interest rate	Condition	Amount
1	February 19, 2021	February 19, 2026	4.25% per annum fixed for 89 days, variable onwards; quarterly	Secured	₱290,000,000
2	February 19, 2021	February 19, 2026	4.875% per annum, fixed up to maturity; quarterly	Secured	290,000,000

Term Loan promissory note (PN) 1 is subject to a variable interest rate based on a three (3)-month BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.25% per annum, whichever is higher.

Term Loan PN 2 is subject to a fixed interest rate based on a five (5)-year BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.875% per annum, whichever is higher.

The Group paid and capitalized documentary stamp tax amounting to ₱4.35 million as debt issue cost to be amortized over the term of the notes payable.

Based on the Group's assessment, the modifications in the contractual cash flows of the loan are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Accordingly, the Group recognized a loss on loan modification amounted to ₱4.98 million under "Other income - net" account in the 2021 consolidated statement of comprehensive income (see Note 20).

The 2021 term loan agreement contains, among others, covenants that require the Group to comply with specified financial ratios such as current ratio, debt to equity ratio and debt service coverage ratio. As at December 31, 2021, the Group has complied with these covenants.

The future expected principal settlements of the Group's notes payable follow:

	2021	2020
Within one year	**₱136,470,588**	₱580,000,000
Beyond one year but less than five years	**443,529,412**	–
	₱580,000,000	₱580,000,000

Total interest expense on notes amounted to ₱29.21 million in 2021 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱0.18 million), ₱33.25 million in 2020 and ₱48.80 million in 2019.

14. **Accounts Payable and Other Current Liabilities**

	2021	2020
Liabilities under trust receipts (see Note 7)	**₱304,142,352**	₱245,025,907
Accrued liability for inventories in transit (see Note 7)	**54,237,448**	112,300,525
Trade payables (see Note 10)	**41,339,772**	61,687,676
Dividends payable	**44,832,691**	32,570,612
Customers and tenants' deposits	**12,701,186**	12,442,924
Output VAT – net	**4,370,872**	4,203,765
Construction bond	**6,432,077**	3,740,497
Withholding tax, HDMF and SSS payable	**1,897,791**	1,907,707
Accrued selling, freight and outside services	**5,641,584**	5,176,117
Accrued other expenses	**13,374,676**	20,615,316
	₱488,970,449	₱499,671,046

Liabilities under trust receipts are short-term loan with the banks, with terms of 90 days at 2.625% to 3.5% interest per annum for 2021 and 2.625% to 5.00% interest per annum for 2020, for importation of wheat grains.

Trade payables are noninterest-bearing and normally with payment terms of 30 to 60 days. Trade payables includes the current portion of the unpaid purchase price of the land acquired in 2021 (see Note 10).

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, 2021 and 2020 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, 2021 and 2020 are held by 439 and 441 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 such stock dividend.

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

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

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

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

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

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

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

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

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

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

Retained Earnings
As at December 31, 2021 and 2020, the consolidated retained earnings include undistributed net accumulated earnings of subsidiaries amounting to ₱323.84 million and ₱173.05 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 2021, 2020 and 2019:

Date of Declaration	Date of Record	Date of payment	Dividend per share	Total amount
June 11, 2021	May 26, 2021	June 30, 2021	₱0.50	75.0 million
June 30, 2020	July 14, 2020	July 28, 2020	₱0.50	75.0 million
April 24, 2019	May 10, 2019	May 17, 2019	₱0.30	45.0 million

Property Dividends

On November 25, 2020, the BOD approved the declaration of property dividend of 10.35 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 at record date of December 18, 2020. In August 2021, the Company secured the SEC approval while in November 2021, the application for Certificate of Registration

(CAR) has been approved by the BIR. As at March 23, 2022, the distribution of property dividends has not yet been reflected, pending annotation of the transfer of shares in the corporate books.

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:

	2021	2020	2019
Sales of bakery flour	**₱1,095,526,069**	₱967,591,233	₱644,023,793
Sales of mill feeds	**100,020,442**	121,027,781	98,442,432
	₱1,195,546,511	₱1,088,619,014	₱742,466,225

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 ₱1,072.02 million and ₱798.60 million as at December 31, 2021 and 2020, 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, 2021 and 2020.

17. Cost of Sales

	2021	2020	2019
Materials used	**₱938,510,410**	₱776,556,835	₱526,683,003
Direct labor (see Note 19)	**55,786,668**	53,076,543	51,280,079
Overhead:			
Utilities	**32,435,238**	30,942,881	25,112,072
Depreciation (see Note 11)	**6,455,658**	7,470,835	6,236,584
Repairs and maintenance	**2,219,411**	2,067,025	4,314,916
Other factory overhead	**7,604,635**	6,079,105	5,729,934
Provision for inventory write-down (see Note 7)	**–**	15,556,883	–
	₱1,043,012,020	₱891,750,107	₱619,356,588

18. Expenses

Administrative Expenses

	2021	2020	2019
Employee benefits and bonuses (see Notes 19, 21 and 25)	**₱37,546,668**	₱32,509,901	₱37,280,764
Salaries and wages (see Notes 19 and 25)	**32,916,428**	32,327,091	34,110,718
Outside services	**31,806,738**	36,102,521	20,120,373
Taxes and licenses	**9,711,155**	10,379,901	16,846,093
Depreciation and amortization (see Notes 11 and 12)	**5,620,867**	3,961,534	2,921,716
Membership and subscription	**4,147,243**	8,675,891	9,890,218
Insurance	**2,002,963**	2,236,390	2,318,692
Communication, light and water	**1,377,795**	1,311,521	1,689,967
Provision for expected credit losses (see Note 5)	**1,049,681**	–	493,705
Repairs and maintenance	**914,956**	475,337	975,926
Per diem	**825,000**	715,000	760,000
Representation	**444,498**	491,910	1,288,669
Office supplies	**320,974**	421,552	446,950
Commission	**250,500**	114,000	4,740,575
Donations and contribution	**142,412**	604,631	749,783
Others	**6,153,849**	4,540,647	5,910,716
	₱135,231,727	₱134,867,827	₱140,544,865

Selling Expenses

	2021	2020	2019
Promotional and marketing expenses (see Note 25)	**₱35,033,335**	₱35,087,784	₱35,046,505
Depreciation and amortization (see Note 11)	**1,394,372**	1,412,722	1,548,284
Freight and handling fees	**856,512**	1,330,077	983,520
	₱37,284,219	₱37,830,583	₱37,578,309

Interest Expense

	2021	2020	2019
Notes payable (see Note 13)	**₱29,214,581**	₱33,247,765	₱48,801,460
Liabilities under trust receipts (see Note 7)	**10,832,430**	3,826,720	2,716,779
Deposits on long-term leases (see Note 26)	**1,469,963**	1,500,960	1,685,495
	₱41,516,974	₱38,575,445	₱53,203,734

19. **Personnel Costs**

	2021	2020	2019
Direct labor (see Note 17)	**₱55,786,668**	₱53,076,543	₱51,280,079
Salaries and wages (see Notes 18 and 25)	**32,916,428**	32,327,091	34,110,718
Bonus and allowances (see Note 18)	**23,382,969**	15,962,272	20,547,689
Retirement benefits costs (see Notes 18, 21 and 25)	**7,786,215**	9,244,201	10,570,847
Other employee benefits (see Notes 18 and 25)	**6,377,484**	7,303,428	6,162,228
	₱126,249,764	₱117,913,535	₱122,671,561

20. **Other Income - Net**

	2021	2020	2019
Fair value gain on financial assets at FVTPL (see Note 6)	**₱83,937,680**	₱56,462,370	₱13,660,256
Unrealized foreign exchange gain (loss)	**(9,060,857)**	(3,941,890)	472,781
Loss on modification of loan	**(4,981,822)**	–	–
Gain on sale of debt securities at FVOCI (see Note 9)	**1,800,000**	52,938	19,640
Gain (loss) on sale of financial assets at FVTPL (see Note 6)	**–**	100,685	(4,910,880)
Other income (charges) - net	**(48,417,668)**	6,220,238	(2,159,540)
	₱23,277,333	₱58,894,341	₱7,082,257

In 2021, other income (charges) - net mainly include provision for losses, realized foreign exchange loss and taxes.

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 covering its regular employees. LPC is required to pay its regular employees retirement benefits equivalent to 22.5 days for ever 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, 2021 and 2020 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	Actuarial Changes Arising from Demographic Assumptions	Effect of Asset Ceiling	Subtotal	Balance at End of Year
December 31, 2021														
Present value of defined benefit obligation	**₱12,832,815**	**₱780,820**	**₱486,364**	**₱1,267,184**	**₱–**	**(₱4,307,168)**	**₱–**	**₱–**	**(₱773,538)**	**(₱13,174)**	**(₱2,168)**	**₱–**	**(₱788,880)**	**₱9,003,951**
Fair value of plan assets	**(18,089,328)**	**–**	**(603,965)**	**(603,965)**	**–**	**4,307,168**	**–**	**(19,416,986)**	**–**	**–**	**–**	**11,722,674**	**(7,694,312)**	**(22,080,437)**
Net defined benefit asset	**(₱5,256,513)**	**₱780,820**	**(₱117,601)**	**₱663,219**	**₱–**	**₱–**	**₱–**	**(₱19,416,986)**	**(₱773,538)**	**(₱13,174)**	**(₱2,168)**	**₱11,722,674**	**(₱8,483,192)**	**(₱13,076,486)**
Present value of defined benefit obligation	**₱127,649,590**	**₱5,338,028**	**₱4,863,449**	**₱10,201,477**	**(₱5,204,161)**	**(₱24,953,371)**	**₱–**	**₱–**	**(₱12,154,576)**	**₱1,664,993**	**(₱15,428)**	**₱–**	**(₱10,505,011)**	**₱97,188,524**
Fair value of plan assets	**(68,276,710)**	**–**	**(3,078,481)**	**(3,078,481)**	**–**	**24,953,371**	**(50,000,000)**	**5,063,102**	**–**	**–**	**–**	**–**	**5,063,102**	**(91,338,718)**
Net defined benefit liability	**₱59,372,880**	**₱5,338,028**	**₱1,784,968**	**₱7,122,996**	**(₱5,204,161)**	**₱–**	**(₱50,000,000)**	**₱5,063,102**	**(₱12,154,576)**	**₱1,664,993**	**(₱15,428)**	**₱–**	**(₱5,441,909)**	**₱5,849,806**
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

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:

	2021	2020
Cash in banks	**₱15,105,392**	₱14,322,316
Receivables	**779,261**	779,261
Money market placements	**14,239,723**	67,011
Investments in equity securities:		
Industrial	**39,694,434**	28,304,298
Services	**4,022,816**	1,917,026
Financials	**2,813,384**	473,384
Mining and oil	**305,250**	2,836,500
Others	**253,560**	249,080
BPI Philippine Equity Index Fund	**3,904,576**	3,165,198
Investment in bonds	**60,916,364**	45,336,838
Liabilities (see Note 25)	**(16,016,154)**	(10,240,113)
Effect of asset ceiling	**(12,599,451)**	(844,761)
	₱113,419,155	₱86,366,038

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 ₱4.91 million and ₱9.18 million as at December 31, 2021 and 2020, respectively. Fair value changes recognized by the retirement plan assets for the changes in market values of the shares of stock of the Parent Company amounted to ₱4.27 million gain in 2021 and ₱0.72 million loss in 2020. 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 2021, 2020 and 2019.

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, 2021 and 2020.

The latest actuarial valuation of the Group's plan is as at December 31, 2021. The principal actuarial assumptions used to determine retirement benefits costs as at January 1 are as follows:

	2021	2020
Discount rate	**5.02%-5.08%**	3.79%–3.81%
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:

		2021		2020	
		Increase (decrease) in rate	Increase (decrease) in DBO	Increase (decrease) in rate	Increase (decrease) in DBO
Discount rate	**+100 bps**	**9.60%**	**₱9,358,070**	9.80%	(₱12,471,903)
	- 100 bps	**(8.20%)**	**(8,010,569)**	(8.30%)	10,642,962
Salary increase rate	**+100 bps**	**9.50%**	**9,270,194**	9.60%	12,193,031
	-100 bps	**(8.30%)**	**(8,087,602)**	(8.30%)	(10,624,970)

In 2021, the average duration of the defined benefit obligation at the end of the period is 8.9 years for the Parent Company and 6.4 years for LPC. 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 4.9 years for LPC.

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

	2021	2020
Year 1	**₱16,421,270**	₱29,125,311
Year 2	**5,133,501**	3,058,455
Year 3	**3,684,026**	5,304,300
Year 4	**9,952,029**	5,986,808
Year 5	**8,340,493**	11,982,510
Year 6- 10	**60,677,805**	63,404,067

Other Comprehensive Income

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

	2021	2020
Beginning balance	**(₱9,328,350)**	(₱4,814,710)
Remeasurement gains (losses) on retirement benefits in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	**11,293,891**	(17,357,987)
Remeasurement gain on plan assets	**2,631,210**	10,909,930
Total	**13,925,101**	(6,448,057)
Income tax effect	**(4,147,586)**	1,934,417
	9,777,515	(4,513,640)
Ending balance	**₱449,165**	(₱9,328,350)

In 2019, remeasurement gains (losses) on retirement benefits in other comprehensive income amounted to ₱11.05 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 at March 24, 2021, KMTAI has since appealed the denial of its Motion for Reconsideration to the Office of the President, in which LFMI has been ordered to comment on the same. Consequently, the Company filed a corresponding comment/opposition to the KMTAI appeal.

As at March 23, 2022, the Company has not yet received any resolution of the Motion for Execution. 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 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

Provision for current income tax represents RCIT, except for the Parent Company's provision which represents MCIT in 2021 and 2019.

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:

	2021	2020	2019
Income tax at statutory income tax rate	**₱42,966,040**	₱72,671,637	₱29,702,641
Additions to (reductions in) income tax resulting from:			
Loss on sale and fair value changes on financial assets at FVTPL	**(20,984,420)**	(16,968,917)	(2,624,812)
Movement in unrecognized deferred tax assets	**17,362,991**	2,983,613	2,653,899
Dividend income exempt from tax	**(5,990,955)**	(8,435,111)	(11,279,601)
Nondeductible expenses	**5,950,002**	2,033,776	2,152,705
Interest income subjected to final tax	**(4,604,838)**	(2,142,583)	(7,564,083)
Impact of CREATE Act	**(3,336,096)**	–	–
Expired NOLCO	**2,769,809**	246,509	807,200
Rental income from deposits on long-term leases	**(443,327)**	(575,242)	–
	₱33,689,206	₱49,813,682	₱13,847,949

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

	2021	2020
Deferred tax assets:		
Net retirement plan liability	**₱1,462,452**	₱17,811,864
Unrealized foreign exchange loss	**–**	1,040,733
Deferred tax liability:		
Accrued rent	**(543,550)**	(748,820)
Net deferred tax assets	**₱918,902**	18,103,777
Deferred tax liabilities:		
Accrued rent	**(₱19,651,813)**	(₱17,713,791)
Net retirement plan liability	**(3,269,122)**	(1,576,954)
Deferred tax assets:		
Advance rental	**744,527**	913,437
Expected credit losses	**262,420**	–
Net deferred tax liabilities	**(₱21,913,988)**	(₱18,377,308)

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:

	2021	2020
Unamortized past service cost	**₱85,627,459**	₱52,214,714
NOLCO	**48,826,684**	13,808,775
Provision for:		
Probable losses	**6,228,390**	9,480,110
Expected credit losses	**1,592,626**	1,592,626
Inventory write-down	**–**	15,556,883
Unrealized foreign exchange loss	**12,545,831**	–
MCIT	**1,821,023**	–
	₱156,642,013	₱92,653,108

As at December 31, 2021 and 2020, 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 state that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2021, 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
2018	2021	₱11,079,235	₱–
2019	2022	2,290,993	–
2020	2025	438,547	–
2021	2026	46,097,144	1,821,023
		59,905,919	1,821,023
Less: Expired in 2021		11,079,235	–
		₱48,826,684	₱1,821,023

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- 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 ₱5 million and with total assets not exceeding ₱100 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 Bill 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 at 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.

Applying the provisions of the CREATE Act, the Group was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

As at December 31, 2021, the CREATE Act's retrospective 5% income tax rate reduction resulted in a prorated current income tax (CIT) rate of the Group for CY2020 of 27.50%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱15.59 million or a reduction of ₱1.42 million in CIT and income tax payable of Parent Company, and a reduction of ₱3.02 million in provision for deferred income tax due to remeasurement of net deferred tax assets. While LPC resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱13.27 million or a reduction of ₱1.21 million in CIT and income tax payable, and a reduction of ₱3.06 million in provision for deferred income tax due to remeasurement of net deferred tax liabilities. The impact of CREATE Act on the CIT and deferred income tax for the year ended December 31, 2020 have been adjusted, for financial reporting purposes, in the 2021 consolidated financial statements.

24. Basic/Diluted Earnings Per Share

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

	2021	2020	2019
Consolidated net income	**₱138,174,951**	**₱192,425,105**	₱85,160,856
Divided by weighted average number of shares (see Note 15)	**150,000,000**	**150,000,000**	150,000,000
Basic/diluted earnings per share	**₱0.92**	**₱1.28**	₱0.57

The Group does not have potentially dilutive common shares as at December 31, 2021, 2020 and 2019. 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.

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			
	2021	2020	2019	**2021**	2020	Terms	Conditions
Stockholder							
Parity Values, Inc.							
Sales	**₱809,658,786**	₱700,284,741	₱408,876,372	**₱802,787,076**	₱558,989,320	120 days	Unsecured, not impaired
Developmental Rights	**52,000,000**	(99,700,000)	–	**(37,730,000)**	(89,730,000)	5 years; 5.25% interest per annum	Unsecured, not impaired
Rent income	**2,346,499**	2,346,499	2,116,940		11,960	30 days	Unsecured, not impaired
Promotional and marketing expenses	**(29,750,000)**	(29,750,000)	(29,750,000)	**–**	–	On demand	–
Others	**93,004**	(99,700)	6,696	**–**	(93,004)	30 days	Unsecured, not impaired
Under Common Control							
Liberty Commodities Corporation							
Sales	**236,749,097**	237,017,234	171,250,718	**104,691,752**	95,525,183	120 days	Unsecured, not impaired
Rent income	**3,060,458**	3,060,458	2,752,984	**255,730**	375,605	30 days	Unsecured, not impaired
Promotional and marketing expenses	**(5,250,000)**	(5,250,000)	(5,250,000)	**–**	–	On demand	–
Sale of land	**–**	–	–	**–**	–	On demand	–
Trade Demands Corporation							
Sales	**149,138,627**	151,317,039	162,339,135	**164,623,133**	144,087,871	120 days	Unsecured; with impairment of ₱1,592,626 as at December 31, 2021 and 2020
Other related parties							
Officers and employees							
Advances	**–**	–	1,047,238	**–**	–	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)				**₱1,072,015,004**	₱798,602,374		
Rent receivables from related parties (see Note 5)				**₱255,730**	₱387,565		
Payable to a related party (see Note 10)				**(₱37,730,000)**	(₱89,730,000)		
Others (see Note 5)				**₱7,227,090**	₱7,134,086		

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. Allowance for expected credit losses on receivables from related parties has been recognized as at December 31, 2021 and 2020.

b. The Parent Company also has a receivable from its retirement plan amounting to ₱7.23 million as at December 31, 2021 and 2020 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:

	2021	2020	2019
Short-term employee benefits	**₱19,945,876**	**₱18,112,090**	₱17,316,738
Post-employment benefits and others	**7,330,962**	**8,797,885**	10,244,242
	₱27,276,838	**₱26,909,975**	₱27,560,980

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 ₱31.33 million and ₱30.35 million as at December 31, 2021 and 2020, respectively. Accretion of interest, included in interest expense in profit or loss, amounted to ₱1.47 million in 2021, ₱1.50 million in 2020 and ₱1.69 million in 2019.

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 ₱13.01 million and ₱14.60 million as at December 31, 2021 and 2020, 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 ₱78.61 million and ₱59.05 million as at December 31, 2021 and 2020, 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 since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱5.48 million and ₱4.96 million in 2021 and 2020, respectively. Lease termination resulted in a decrease in accrued rent amounting to ₱2.93 million and ₱0.29 million in 2021 and 2020, respectively, and rental income amounting to ₱2.38 million and ₱0.97 million in 2021 and 2020, respectively.

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

	2021	2020
Year 1	**₱178,827,580**	₱188,843,979
Year 2	**153,271,093**	137,727,932
Year 3	**149,167,755**	135,290,640
Year 4	**149,775,751**	137,682,419
Year 5	**147,580,396**	140,745,976
More than 5 years	**379,604,597**	521,443,148
	₱1,158,227,172	₱1,261,734,094

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, 2021 and 2020. 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:

	2021	2020
Financial assets at amortized cost		
Cash and cash equivalents*	**₱193,862,344**	₱178,998,109
Trade and other receivables**	**1,114,823,902**	842,832,405
Other noncurrent assets***	**4,179,180**	6,338,288
Debt securities at FVOCI	**256,380,970**	453,400,154
	₱1,569,246,396	₱1,481,568,956

**excluding cash on hand, amounting to ₱179,396 and ₱721,335 as at December 31, 2021 and 2020, respectively.*
*** before considering provision for expected credit losses ₱2,642,307 and ₱1,592,626 for past due and impaired accounts as at December 31, 2021 and 2020, respectively.*
****excluding deferred input VAT amounting to 19.742,155 as at December 31, 2021 (nil in 2020), advances to suppliers amounting to ₱1,941,964 and ₱143,613,976 and computer software amounting to ₱99,099 as at December 31, 2020 (nil in 2021).*

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

	2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱486,202,906**	**₱916,949,076**	**₱–**	**₱1,403,151,982**
Moderate	**–**	**166,094,414**	**–**	**166,094,414**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**486,202,906**	**1,083,043,490**	**–**	**1,569,246,396**
ECL	**–**	**2,642,307**	**–**	**2,642,307**
Carrying amount	**₱486,202,906**	**₱1,080,401,183**	**₱–**	**₱1,566,604,089**

	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

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, 2021 and 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:

	2021								
	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	**0.34%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.41%**	**6.02%**	
Estimated total gross carrying amount at default	**₱61,677,610**	**₱13,928,472**	**₱13,654,350**	**₱14,782,214**	**₱14,178,710**	**₱12,180,646**	**₱13,968,246**	**₱21,724,166**	**₱166,094,414**
Expected credit loss	**206,958**	**188,826**	**185,110**	**200,401**	**192,219**	**165,131**	**195,893**	**1,307,769**	**2,642,307**

	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

As at December 31, 2021 and 2020, allowance for expected credit losses are recognized for trade receivables from Trade Demands Corporation, and rent receivables subjected to impairment.

As at December 31, 2021, 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, 2021 and 2020, 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:

	2021	
	Increase (decrease) in rate	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**24%**	**3,331,108**
	(24%)	**(3,331,108)**
Financial assets at FVOCI	**(1%)**	**(1,779,843)**
	1%	**1,779,843**

	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)

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:

	2021			
	Less than 3 Months	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:	**₱193,862,344**	**₱–**	**₱–**	**₱193,862,344**
Trade receivables from related parties	**1,072,015,004**	–	–	**1,072,015,004**
Rent receivables:				
Third parties	**10,772,756**	–	–	**10,772,756**
Related parties	**255,730**	–	–	**255,730**
Advances to a broker	–	–	–	
Advances to officers and employees	**3,904,393**	–	–	**3,904,393**
Other receivables	**27,876,019**	–	–	**27,876,019**
Other noncurrent assets	–	–	**4,179,180**	**4,179,180**
Financial assets at FVTPL	**194,328,610**	–	–	**194,328,610**
Financial assets at FVOCI:				
Equity securities	–	–	**375,024,807**	**375,024,807**
Debt securities	–	**10,236,100**	**246,144,870**	**256,380,970**
Total financial assets	**1,503,014,856**	**10,236,100**	**625,348,857**	**2,138,599,813**

(Forward)

	2021			
	Less than 3 Months	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Liabilities				
Notes payable, including interest	**₱–**	**₱139,700,732**	**₱443,800,782**	**583,501,514**
Accounts payable and other current liabilities:				
Liabilities under trust receipts	**304,142,352**	**–**	**–**	**304,142,352**
Accrued liabilities – inventory in transit	**54,237,448**	**–**	**–**	**54,237,448**
Dividends payable	**44,832,691**	**–**	**–**	**44,832,691**
Trade payables	**20,752,092**	**20,587,680**	**–**	**41,339,772**
Customers and tenants' deposits	**12,701,186**	**–**		**12,701,186**
Construction bond	**6,432,077**	**–**	**–**	**6,432,077**
Accrued selling, freight, outside services and other expenses	**15,971,260**	**–**	**–**	**15,971,260**
Payable to a related party	**–**	**–**	**37,730,000**	**37,730,000**
Deposits on long-term leases	**–**	**12,920,071**	**29,012,790**	**41,932,861**
Other noncurrent liability	**–**	**–**	**162,176,225**	**162,176,225**
Total financial liabilities	**459,069,106**	**173,208,483**	**672,719,797**	**1,304,997,386**
Net financial asset (liabilities)	**₱1,043,945,750**	**(₱162,972,383)**	**(₱47,370,940)**	**₱833,602,427**

	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 in banks	₱143,446,846	₱–	₱–	₱143,446,846
Cash equivalents	35,551,263	–	–	35,551,263
Trade receivables from related parties	798,602,374	–	–	798,602,374
Rent receivables:				
Third parties	14,576,281	–	–	14,576,281
Related parties	387,994	–	–	387,994
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	–	–	6,494,828	6,494,828
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	1,156,221,410	50,205,271	960,314,983	2,166,741,664
Financial Liabilities				
Notes payable, including interest	–	606,879,982	–	606,879,982
Accounts payable and other current liabilities:				
Liabilities under trust receipts	245,025,907	–	–	245,025,907
Accrued liabilities – inventory in transit	112,300,525	–	–	112,300,525
Trade payables	61,649,966	–	–	61,649,966
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	24,176,510	–	–	24,176,510
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	491,906,941	617,397,300	121,384,427	1,230,688,668
Net financial asset (liabilities)	₱664,314,469	(₱567,192,029)	₱838,930,556	₱936,052,996

As at December 31, 2021 and 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, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Financial Assets				
Financial assets at FVTPL	**₱194,328,610**	₱94,377,416	**₱194,328,610**	₱94,377,416
Financial assets at FVOCI	**631,405,777**	1,044,038,905	**631,405,777**	1,044,038,905

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:

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱194,328,610**	**₱194,328,610**	**₱–**	**₱–**
Financial assets at FVOCI:				
Quoted debt securities	**256,380,970**	**256,380,970**	**–**	**–**
Quoted equity securities	**362,719,177**	**362,719,177**	**–**	**–**
Unquoted equity securities	**12,305,630**	**–**	**–**	**12,305,630**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**5,528,591,669**	**–**	**–**	**5,528,591,669**

	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	5,314,136,669	–	–	5,314,136,669

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

In 2021 and 2020, 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, 2021 and 2020.

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:

	2021	2020
Capital stock	**₱1,500,000,000**	₱1,500,000,000
Retained earnings	**1,462,898,283**	1,399,723,332
	₱2,962,898,283	₱2,899,723,332

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 for the purchase of land and development rights in 2021 and 2020, respectively, with unpaid consideration totaling ₱198.14 million and ₱89.73 million as at December 31, 2021 and 2020, respectively (see Note 10).

b. Changes in liabilities arising from financing activities

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

	2021			
	January 1	**Cash flows**	**Noncash charges***	**December 31**
Notes payable	**₱580,000,000**	**(₱4,350,000)**	**₱4,806,514**	**₱580,456,514**
Payable to related party	**89,730,000**	**(52,000,000)**	**–**	**37,730,000**
Interest payable	**890,139**	**(27,235,028)**	**29,389,889**	**3,045,000**
Dividends payable (see Note 14)	**32,570,612**	**(62,737,921)**	**75,000,000**	**44,832,691**
Total liabilities	**₱703,190,751**	**(₱146,322,949)**	**₱109,196,403**	**₱666,064,205**

	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

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

30. **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 feeds - 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, 2021 and the segment assets as at December 31:

	2021			
	Bakery Flour	**Mill Feeds**	**Real Estate and Investment**	**Consolidated**
Revenue				
Sales – related parties	**₱1,095,526,069**	**₱100,020,442**	**₱–**	**₱1,195,546,511**
Rental income	**–**	**–**	**253,989,256**	**253,989,256**
Interest income	**–**	**–**	**18,464,200**	**18,464,200**
Dividend income	**–**	**–**	**23,963,824**	**23,963,824**
	1,095,526,069	**100,020,442**	**296,417,280**	**1,491,963,791**
Cost of sales/services	**887,597,423**	**155,414,597**	**86,332,027**	**1,129,344,047**
Gross profit on sales/income	**207,928,646**	**(55,394,155)**	**210,085,253**	**362,619,744**
Selling and administrative expenses	**(133,996,688)**	**(12,233,765)**	**(26,285,493)**	**(172,515,946)**
Interest expense	**–**	**–**	**(41,516,974)**	**(41,516,974)**
Other charges – net	**(4,804,103)**	**(17,227,231)**	**45,308,667**	**23,277,333**
Provision for income tax	**–**	**–**	**–**	**(33,689,206)**
Net income	**₱69,127,855**	**(84,855,151)**	**₱187,591,453**	**₱138,174,951**
Property, plant and equipment	**₱280,969,905**	**₱17,444,096**	**₱2,112,061**	**₱300,526,062**
Investment properties	**–**	**–**	**₱1,371,443,195**	**₱1,371,443,195**
Depreciation and amortization	**₱11,803,319**	**₱1,077,631**	**₱45,134,923**	**₱58,015,873**
Additions to property, plant and equipment and investment properties	**₱195,546,638**	**₱12,140,568**	**₱194,183,009**	**₱401,870,215**

	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

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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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. and its subsidiaries (the Group), as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group'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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2021

In compliance with Revised Securities Regulation Code Rule 68, the Company has prepared the following schedules:

- 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 and 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

**Not Applicable*

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

FINANCIAL ASSETS (Annex 68-J: Schedule A)

DECEMBER 31, 2021

	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 Amortized Cost					
Cash in banks	N/A	N/A	₱194,041,740	N/A	₱441,261
Receivables:					
Trade receivables from related parties, net of allowance	N/A	N/A	1,069,372,697	N/A	–
Rent receivables:					
Third parties	N/A	N/A	10,772,756	N/A	44,851
Related parties	N/A	N/A	255,730	N/A	–
Advances to officers and employees	N/A	N/A	3,904,393	N/A	–
Other receivables	N/A	N/A	27,876,019	N/A	–
Other noncurrent assets*	N/A	N/A	4,179,180	N/A	–
			1,310,402,515		486,112

(Forward)

	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	AC Energy Philippines Inc.	14,256,757	₱156,824,327	₱156,824,327	₱855,406
Equity investments.	ACE Enexor, Inc	300,000	12,000,000	12,000,000	–
Equity investments	Aboitiz Power Corporation.	212,000	6,296,400	6,296,400	180,200
Equity investments	Philex Mining Corporation	1,000,000	5,450,000	5,450,000	59,000
Equity investments	PLDT, Inc.	2,000	3,624,000	3,624,000	164,000
Equity investments	Nickel Asia Corporation	584,208	3,125,513	3,125,513	262,894
Equity investments	Union Bank of the Philippines	25,807	2,567,797	2,567,797	90,324
Equity investments	GMA Holdings Inc.	74,000	972,360	972,360	99,900
Equity investments	PXP Energy CorporationAce Enexor Inc.	150,000	922,500	922,500	–
Equity investments	Philippine National Bank	27,531	553,373	553,373	–
Equity investments	Cebu Air, Inc	8,640	364,176	364,176	–
Equity investments	Cebu Landmasters, Inc.	223,000	669,000	669,000	25,000
Equity investments	Lepanto Consolidated Mining Company	3,545,455	496,364	496,364	–
Equity investments	SFA Semicon Philippines Corporation	400,000	440,000	440,000	–
Equity investments	Universal Rightfield Property Holdings, Inc.	600,000	22,800	22,800	–
		21,409,398	194,328,610	194,328,610	1,736,724
Financial Assets at FVOCI					
Debt instruments	Deutsche Bank	600,000	72,724,200	72,724,200	4,140,000
Debt instruments	PLDT, Inc.	500,000	30,953,700	30,953,700	1,476,512
Debt instruments	SM Prime Holdings, Inc.	250,000	25,842,750	25,842,750	1,148,340
Debt instruments	San Miguel Brewery, Inc.	500,000	25,300,250	25,300,250	1,750,000
Debt instruments	Ayala Land, Inc.	1,040,000	24,494,880	24,494,880	4,945,000
Debt instruments	Philippine National Bank	200,000	22,456,600	22,456,600	980,000
Debt instruments	Ayala Corporation	200,000	20,218,400	20,218,400	771,200
Debt instruments	Gaz Finance PLC	3,000	13,921,790	13,921,790	242,478
Debt instruments	Metropolitan Bank & Trust Company	100,000	10,232,300	10,232,300	360,000
Debt instruments	Government bonds	100,000	10,236,100	10,236,100	370,000
Debt instruments	SM Investments Corporation	500,000	–	–	1,590,830
Debt instruments	Rockwell Land Corporation	200,000	–	–	203,728
		4,193,000	256,380,970	256,380,970	17,978,088

(Forward)

	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	Philippine Bank of Communication	8,965,609	₱156,718,845	₱156,718,845	₱–
Equity investments	Ayala Corporation	138,060	70,842,840	70,842,840	3,456,792
Equity investments	San Miguel Corporation	934,100	31,320,000	31,320,000	4,135,201
Equity investments	GT Capital Holdings, Inc.	30,000	29,992,000	29,992,000	1,509,871
Equity investments	8990 Holdings, Inc.	200,000	20,200,000	20,200,000	1,205,260
Equity investments	Double Dragon Corporation	200,000	20,140,000	20,140,000	1,295,560
Equity investments	Monde Nissin Corporation	600,000	9,720,000	9,720,000	–
Equity investments	DDMP REIT, Inc.	4,400,000	7,876,000	7,876,000	424,121
Equity investments	First Gen Corporation	70,000	7,210,000	7,210,000	544,656
Equity investments	Asian Terminal, Inc.	392,133	5,489,862	5,489,862	275,669
Equity investments	Manila Bulletin Publishing Corporation	5,789,685	2,402,719	2,402,719	–
Equity investments	BDO Unibank, Inc.	4,730	570,911	570,911	5,676
Equity investments	Arthaland Corporation	426,250	208,800	208,800	708,495
Equity investments	Global-Estate Resorts, Inc.	20,000	20,200	20,200	–
Equity investments	PLDT, Inc.	7,000	7,000	7,000	–
Equity investments	Petron Corporation	38,650	–	–	2,650,734
Equity investments	First Philippine Holdings Corporation	50,000	–	–	3,287,800
Equity investments	Megawide Corporation	250,000	–	–	1,756,250
Equity investments	Phoenix Petroleum Philippines	7,750	–	–	586,520
Equity investments	Globe Telecom, Inc.	100,000	–	–	–
Equity investments	BDO Leasing and Finance, Inc.	25,000	–	–	–
Equity investments	Liberty Commodities Corporation	17,733	7,525,170	7,525,170	384,495
Equity investments	UPCC Securities Corporation	35,907	4,780,460	4,780,460	–
Equity investments	UPCC Holdings Corporation	40,396	–	–	–
		22,743,003	375,024,807	375,024,807	22,227,100
Total Financial Assets			₱2,136,136,902	₱825,734,387	₱42,428,024

**Excluding deferred input VAT – noncurrent portion amounting to ₱19,742,155 and advances to suppliers amounting to ₱2,062,444 as at December 31, 2021.*

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, 2021

			Deductions				
Name and Designation of Debtor	**Balance at Beginning of Period**	**Additions**	**Amounts Collected**	**Amounts Written off**	**Current**	**Non-Current**	**Balance at End of Period**
LFM Properties Corporation	₱12,164	₱503,494	₱462,363	₱–	₱53,295	₱–	₱53,295
	₱12,164	₱503,494	₱462,363	₱–	₱53,295	₱–	₱53,295

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

LONG - TERM DEBT (Annex 68-J: Schedule D)

DECEMBER 31, 2021

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current portion of notes payable" in related Statement of Financial Position	Amount shown under Caption "Notes payable – net of current portion" in related Statement of Financial Position
Five-year secured term loan	₱290,000,000	₱67,591,446	₱220,820,976
Five-year secured term loan	290,000,000	69,064,286	222,979,806
Total	₱580,000,000	₱136,655,732	₱443,800,782

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEBTEDNESS TO RELATED PARTIES (Annex 68-J: Schedule E)

DECEMBER 31, 2021

			Deductions				
Name and Designation of Debtor	**Balance at Beginning of Period**	**Additions**	**Amounts Collected**	**Amounts Written off**	**Current**	**Non-Current**	**Balance at End of Period**
Affiliate							
Parity Values, Inc	₱89,730,000	₱–	(₱52,000,000)	₱–	₱–	₱37,730,000	₱37,730,000

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

CAPITAL STOCK (Annex 68-J: Schedule G)

DECEMBER 31, 2021

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	–	–	14,242,735	135,757,265
	200,000,000	150,000,000	–	–	14,242,735	135,757,265

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2021

Unappropriated retained earnings, beginning	₱1,060,605,804
Less: Impact of rental income straight-lining under PFRS as at December 31, 2020	(2,496,065)
Cumulative fair value on financial assets at FVTPL as at December 31, 2020	(4,727,216)
Deferred tax assets	(18,852,597)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,034,529,926
Add: Net income actually earned/realized during the year	
Net loss closed to retained earnings	(12,615,277)
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(1,439,276)
Impact of rental income straight-lining under PFRSs	321,861
Movement in deferred tax assets	17,390,145
Net income actually earned/realized during the year	3,657,453
Less: Cash dividend declaration during the year	75,000,000
Total retained earnings available for dividend declaration, end	₱1,113,187,379

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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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. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group'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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)

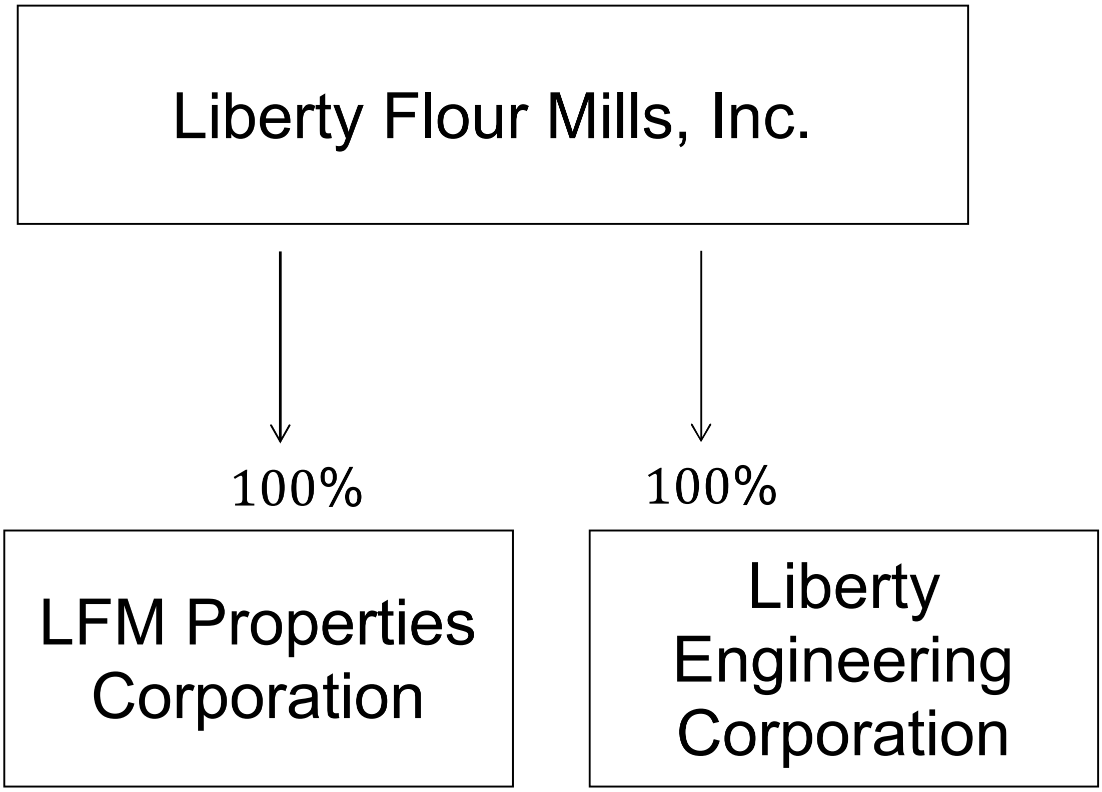
DECEMBER 31, 2021

		December 31	
	Formula	**2021**	2020
Current Ratio	Total current assets/Total current liabilities	**2.75**	1.39
Acid Test Ratio	(Cash and cash equivalents + Receivable) / Total current liabilities	**2.03**	0.93
Solvency Ratio	(Net income + Depreciation)/ Total liabilities	**0.15**	0.19
Debt-to-Equity Ratio	Total liabilities/Total equity	**0.47**	0.46
Asset-to-Equity Ratio	Total assets/Total equity	**1.47**	1.46
Interest Rate Coverage Ratio	Earnings before interest and tax/Interest expense	**5.14**	7.28
Return on Equity	Net income/Total equity	**0.05**	0.07
Return on Assets	Net income/Total assets	**0.03**	0.05
Net Profit Margin	Net income/Revenue	**0.10**	0.14
Debt Service Coverage Ratio	Income before interest expense, tax, depreciation and amortization/Total debt service (interest expense + principal payments)	**6.54**	8.77

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2021



Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (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, 2021 and 2020, 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

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **23rd** day of **March 2022**

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

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

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

APR 06 2022

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

Name	Identification Document Presented	Issue/Expiry Date
WILLIAM CARLOS UY	SC ID No. 1734252	May 2002
SANDRA JUDY UY	PASSPORT ID No. P7994347A	July 19,2018 / July 18, 2028
JOSE MA. S. LOPEZ	SC ID No. 2253477	May 2004

Doc. No. 376
Page No. 77
Book No. XI
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET

SEC Registration Number

1	4	7	8	2						

Company Name

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

Liberty BuiLding, 835 A. Arnaiz Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-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
439	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, 2021**

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 FLOUR MILLS, INC.

2021
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.

Products

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.

Services

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 21-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 21-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	70%
Soft Flour	20%
Mill Feed	8%
Rental Income	2%

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.	68%
Trade Demands, Corp.	12%
Liberty Commodities Corp.	20%

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, 2021, the Company has 117 regular and probationary employees as follows:

Type of Employee	Number of Employees
Managerial	13
Administrative	10
Clerical	5
Operations	89
Total	117

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	5
Administrative	2
Clerical	0
Operations	7
Total	14

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:

2021	**High**	**Low**
First Quarter	33.00	32.00
Second Quarter	30.60	30.40
Third Quarter	27.55	27.35
Fourth Quarter	27.25	27.20
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

Holders

As of December 31, 2021, there are 439 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of December 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.(F)	48,623,332	32.42%
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 2021, P0.50 in 2020 and ₱0.30 in 2019.

Property Dividends

On November 25, 2020, the Parent Company's BOD approved the declaration of property dividends 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.
In August 2021, LPC secured the SEC approval while in November 2021, the application for Certificate of Registration has been approved by the BIR. As at March 23, 2022, the distribution of property dividends has not yet been reflected, pending annotation of the transfer of shares in the corporate books.

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2021, 2020 and 2019.

	Dividend Type	Record Date	Rate	Amount
For 2021	Cash	June 11, 2021	5%	P75,000,000.00
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

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

Unappropriated retained earnings, beginning	₱1,060,605,804
Less: Impact of rental income straight-lining under PFRS as at December 31,2020	(2,496,065)
Cumulative fair value on financial assets at FVTPL as at December 31, 2020	(4,727,216)
Deferred tax assets	(18,852,597)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,034,529,926
Add: Net income actually earned/realized during the year	
Net loss closed to retained earnings	(12,615,277)
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(1,439,276)
Impact of rental income straight-lining under PFRSs	321,861
Movement in deferred tax assets	17,390,145
Net income actually earned/realized during the year	3,657,453
Less: Cash dividend declaration during the year	(75,000,000)
Total retained earnings available for dividend declaration, end	₱1,113,187,379

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 2021:

Income Statement Data

For the Year December 31
(in Thousands of Pesos)

	2021	2020	2019
Income	1,515,241	1,461,398	1,035,224
Expense	(1,343,377)	(1,219,160)	(936,215)
Income Before Tax	171,864	242,239	99,009
Provision for Tax	(33,689)	(49,814)	(13,848)
Net Income	138,175	192,425	85,161

Balance Sheet Data

	As of December 31 (in Thousands of Pesos)		
	2021	**2020**	**2019**
Assets:			
Cash and cash equivalents	194,042	179,719	168,193
Receivables	1,112,182	841,240	724,898
Financial assets at FVPL	194,329	94,377	39,142
Inventories	190,338	356,616	172,846
Accrued rent – current	1,203	4,647	2,313
Prepaid expenses and other current assets	82,464	51,347	77,233
Financial assets at fair value through OCI	631,406	1,044,039	1,177,783
Investment properties	1,371,443	1,223,957	1,167,873
Property, plant and equipment	300,526	104,058	60,268
Accrued rent – noncurrent	77,404	54,399	27,113
Deferred income tax assets	919	18,104	27,742
Net retirement plan asset	13,076	5,257	-
Other noncurrent assets	25,984	150,601	56,980
Total Assets	**4,195,316**	**4,128,362**	**3,702,384**
Liabilities:			
Notes payable	136,656	580,000	632,900
Accounts payable and accrued expenses	488,970	499,671	215,519
Income tax payable	1,164	1,213	-
Deposits on long-term leases – current	12,726	10,377	7,427
Unearned rental income – current	4,654	4,818	2,423
Deposits on long-term leases – noncurrent	18,604	19,974	22,251
Unearned rental income – noncurrent	8,355	9,777	13,293
Notes payable – non-current	443,801		
Net retirement plan liability	5,850	59,373	99,893
Liability to related party	37,730	89,730	-
Other noncurrent liability	162,176		
Deferred income tax liability	21,914	18,377	6,391
Total Liabilities	**1,342,600**	**1,293,311**	**1,000,097**
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	27,425	49,360	36,231
Fair value changes on financial assets at FVOCI – without recycling	(138,056)	(104,704)	(111,428)
Accumulated remeasurement gains (losses) on retirement benefits	449	(9,328)	(4,815)
Retained earnings – unappropriated	1,462,898	1,399,723	1,282,299
Total Stockholders' Equity	**2,852,716**	**2,835,051**	**2,702,287**
Total Liabilities and Stockholders' Equity	**4,195,316**	**4,128,362**	**3,702,384**

Results of Operations

2021

The operations for the year ending December 31, 2021 posted slight increase from previous year 2020 as the total sales volume of Bakery Flour & Mill Feeds made an increase by 8%. In terms of Sales Value, the Company delivered P1,195.55 million vs. P1,088.62 million in 2020 for an increase of 9.8%. However, Cost of Sales had increased by 17% primarily due to increase in US$ cost of wheat and peso depreciation resulting to a lower gross margin. The lease rental from one of the subsidiaries amounting to P223.74 million contributed a lot in generating a Net Income for the year of P138.17 million as compared to P192.42 million in 2020.

As of the year ended December 31, 2021, the total gross income amounted to P378.51 million, as compared to December 31, 2020 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 P4.20 billion in CY2021 compared to P4.13 billion in PY2020 which was an increase by 2%. The total combined liabilities for CY2021 amounted to P1.34 billion which is higher by 4%, vs. P1.29 billion in 2020.

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 2021 there were one-off transactions 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 CY2021 as compared to PY2020:

Financial Assets at FVTPL – The significant increase made in 2021 is because of the reclassification on the recognition and acquisition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant decrease of 46.60% in inventory is due to timing difference as the usual order quantity for the wheat requirements was delayed for the following month/year.

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– 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.

Other Noncurrent Assets – The decrease for other noncurrent assets pertain to the reclassification of account for the purchase of new machineries, being installed but not yet operational to construction in progress.

Notes payable – Decreased by 76.4% because one of the Company's subsidiaries, LPC paid P443.34 million during the year for the previously availed loans.

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 changes in actuarial valuation.

<u>2020</u>

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.

<u>2019</u>

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.

Summary of 2022 and 2023 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2022 and 2023. The Company forecasts its net income to decrease by 10-12% from its preceding year.

The Company has material commitments for capital expenditures for the year 2021. Spending has actually started in 2020 and full spending might be completed by 2nd quarter of 2022.

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 2022 to purchase land as investment property.

7. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended 31 December 2021 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 P1,112,000 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	79	Filipino	Chairman of the Board
Sandra Judy Uy	44	Filipino	Director
John Carlos Uy	71	Filipino	Director
Vicente S. Vargas	65	Filipino	Director
William L. Ang	70	Filipino	Director
David Ng*	60	Filipino	Director
Jose Ma. S. Lopez	77	Filipino	Director
Jose S. Jalandoni	66	Filipino	Director
Lourdes Chan	61	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
Sandra Judy Uy	44	Filipino	President
Jose Ma. S. Lopez	77	Filipino	Senior Vice President & Treasurer
Vicente S. Vargas	65	Filipino	Corporate Secretary

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

William Carlos Uy. 79 years old. He serves as the Chairman of the Board of Directors. 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. 71 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. 65 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. 70 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. 77 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. 66 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, 60 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.

Lourdes Chan, 61 years old. She is the Treasurer & Board Member of Kanlaon Development Corporation; Kanlaon Farms, Inc. and Jayjay Realty Corporation; Board Member of JM & Company; Alegria Development Corporation and Valueline Realty & Development Corporation.

Sandra Judy Uy. 44 years old. She serves as a President of the Company. She is also a director of Uniguarantee Insurance Brokerage, Inc.

Daniel R. Maramba. 48 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., 73 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 2021 and 2020 are P14.07million and P11.65million 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:

In Million Pesos

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman	2022	10.49	7.23	3.26
Sandra Judy Uy	President				
Jose Ma. S. Lopez	SVP-Treasurer				

In Million Pesos

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman	2021	14.07	7.16	6.91
Sandra Judy Uy	President				
Jose Ma. S. Lopez	SVP-Treasurer				

In Million Pesos

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman & President	2020	11.65	7.80	3.85
Sandra Judy Uy	SVP Manufacturing				
Jose Ma. S. Lopez	SVP-Treasurer				

11. Security Holders

As of December 31, 2021, there are 439 holders of **common shares** of stocks of the Company.

The top 20 stockholders of the Company as of December 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.(F)	48,623,332	32.42%
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 Lourdes Jalandoni Chan are siblings. Jose S. Jalandoni, Lourdes Jalandoni Chan, 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
Annex C – Parent Audited Financial Statement

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 13th of May, 2022.

By:

SANDRA JUDY 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 13 MAY 2022 affiant(s) exhibiting to me his/their Social Security System IDs, as follows:

Name	SSS
Sandra Judy Uy	33-5986681-1
Jose Ma. S. Lopez	03-1212721-5
Vicente S. Vargas	03-5142687-0
Maria Luisa L. Quizon	03-3938582-3

Doc No. 333
Page No. 68
Book No. 21
Series of 2022.

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

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. Ar
naiz 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) 8892-5011	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
439	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) 8892-5011	–

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

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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, 2021, 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, 2021 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
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

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

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱194,041,740**	₱179,719,444
Receivables (Note 5)	**1,112,181,595**	841,239,779
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**194,328,610**	94,377,416
Inventories (Note 7)	**190,338,015**	356,615,886
Accrued rent - current portion (Note 26)	**1,202,767**	4,646,857
Prepaid expenses and other current assets (Note 8)	**82,464,275**	51,347,075
Total Current Assets	**1,774,557,002**	1,527,946,457
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 9)	**631,405,777**	1,044,038,905
Investment properties (Notes 10, 13 and 26)	**1,371,443,195**	1,223,957,338
Property, plant and equipment (Note 11)	**300,526,062**	104,058,478
Accrued rent - net of current portion (Note 26)	**77,404,488**	54,399,114
Net retirement plan asset (Note 21)	**13,076,486**	5,256,513
Deferred tax assets - net (Note 23)	**918,902**	18,103,777
Other noncurrent assets (Notes 10 and 12)	**25,983,738**	150,601,151
Total Noncurrent Assets	**2,420,758,648**	2,600,415,276
TOTAL ASSETS	**₱4,195,315,650**	₱4,128,361,733

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 10 and 14)	**₱488,970,449**	₱499,671,046
Current portion of:		
Notes payable (Notes 10 and 13)	**136,655,732**	580,000,000
Deposits on long-term leases (Note 26)	**12,725,979**	10,377,345
Unearned rental income (Note 26)	**4,654,473**	4,817,905
Income tax payable	**1,163,501**	1,212,931
Total Current Liabilities	**644,170,134**	1,096,079,227
Noncurrent Liabilities		
Notes payable – noncurrent portion	**443,800,782**	–
Payable to a related party (Note 10)	**37,730,000**	89,730,000
Deposits on long-term leases - net of current portion (Note 26)	**18,603,788**	19,974,491
Unearned rental income - net of current portion (Note 26)	**8,355,115**	9,777,271
Net retirement plan liability (Note 21)	**5,849,806**	59,372,880
Deferred tax liabilities - net (Note 23)	**21,913,988**	18,377,308
Other noncurrent liability (Note 10)	**162,176,225**	–
Total Noncurrent Liabilities	**698,429,704**	197,231,950
Total Liabilities	**1,342,599,838**	1,293,311,177

(Forward)

	December 31	
	2021	2020
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)	**(110,631,636)**	(55,344,426)
Accumulated remeasurement gains (losses) on retirement benefits (Note 21)	**449,165**	(9,328,350)
Retained earnings (Note 15)	**1,462,898,283**	1,399,723,332
Total Equity	**2,852,715,812**	2,835,050,556
TOTAL LIABILITIES AND EQUITY	**₱4,195,315,650**	₱4,128,361,733

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2021	2020 (As restated - Note 2)	2019 (As restated - Note 2)
REVENUE			
Sales (Notes 16 and 25)	**₱1,195,546,511**	₱1,088,619,014	₱742,466,225
Rental income (Notes 10 and 25)	**253,989,256**	262,842,161	206,586,489
	1,449,535,767	1,351,461,175	949,052,714
COST OF SALES AND SERVICES			
Cost of sales (Note 17)	**1,043,012,020**	891,750,107	619,356,588
Cost of services (Note 10)	**86,332,027**	116,135,568	69,410,591
	1,129,344,047	1,007,885,675	688,767,179
GROSS PROFIT	**320,191,720**	343,575,500	260,285,535
GENERAL AND ADMINSTRATIVE EXPENSES (Note 18)	**(135,231,727)**	(134,867,827)	(140,544,865)
SELLING EXPENSES (Note 18)	**(37,284,219)**	(37,830,583)	(37,578,309)
OTHER INCOME (CHARGES)			
Interest expense (Notes 7, 13 and 26)	**(41,516,974)**	(38,575,445)	(53,203,734)
Dividend income (Notes 6 and 9)	**23,963,824**	28,117,038	37,598,668
Interest income (Notes 4, 5 and 9)	**18,464,200**	22,925,763	25,369,253
Other income - net (Notes 6, 9 and 20)	**23,277,333**	58,894,341	7,082,257
INCOME BEFORE INCOME TAX	**171,864,157**	242,238,787	99,008,805
PROVISION FOR INCOME TAX (Note 23)			
Current	**17,115,237**	26,254,648	5,356,214
Deferred	**16,573,969**	23,559,034	8,491,735
	33,689,206	49,813,682	13,847,949
NET INCOME	**138,174,951**	192,425,105	85,160,856
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)	**(16,330,766)**	6,620,711	53,556,255
Fair value gain on financial assets at FVOCI realized through sale (Note 9)	**(1,800,000)**	(52,938)	(19,640)
	(18,130,766)	6,567,773	53,536,615
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)	**(37,156,444)**	13,284,770	(6,259,282)
Remeasurement gain (loss) on retirement benefits (Note 21)	**13,925,101**	(6,448,057)	(11,049,311)
Income tax effect	**(4,147,586)**	1,934,417	3,314,793
	(27,378,929)	8,771,130	(13,993,800)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(45,509,695)**	15,338,903	39,542,815
TOTAL COMPREHENSIVE INCOME	**₱92,665,256**	₱207,764,008	₱124,703,671
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	**₱0.92**	₱1.28	₱0.57

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, 2021, 2020 AND 2019

		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, 2021	**₱1,500,000,000**	**(₱55,344,426)**	**(₱9,328,350)**	**₱1,399,723,332**	**₱2,835,050,556**
Net income	–	–	–	**138,174,951**	**138,174,951**
Other comprehensive income (loss)	–	**(55,287,210)**	**9,777,515**	–	**(45,509,695)**
Total comprehensive income (loss)	–	**(55,287,210)**	**9,777,515**	**138,174,951**	**92,665,256**
Cash dividends declared (Note 15)	–	–	–	**(75,000,000)**	**(75,000,000)**
BALANCES AT DECEMBER 31, 2021	**₱1,500,000,000**	**(₱110,631,636)**	**₱449,165**	**₱1,462,898,283**	**₱2,852,715,812**
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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱171,864,157**	₱242,238,787	₱99,008,805
Adjustments to reconcile profit before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11, 12, 17 and 18)	**58,015,873**	57,392,470	52,845,710
Fair value gain on financial assets at FVTPL (Notes 6 and 20)	**(83,937,680)**	(56,462,370)	(13,660,256)
Change in net retirement liability (Note 21)	**(48,081,165)**	(53,224,471)	4,154,989
Interest expense (Notes 7, 13, 18 and 26)	**41,516,974**	38,575,445	53,203,734
Dividend income (Notes 6 and 9)	**(23,963,824)**	(28,117,038)	(37,598,668)
Interest income (Notes 4, 5 and 9)	**(18,464,200)**	(22,925,763)	(25,369,253)
Unrealized foreign currency exchange loss (gain)	**9,060,857**	3,941,890	(472,781)
Loss on modification	**4,981,822**	–	–
Gain on sale of debt securities at FVOCI (Note 9)	**(1,800,000)**	(52,938)	(19,640)
Change in net retirement asset (Note 21)	**663,219**	999,467	–
Loss (gain) on sale of financial assets at FVTPL (Notes 6 and 20)	**–**	(100,685)	4,910,880
Working capital changes:			
Decrease (increase) in:			
Receivables	**(270,989,446)**	(116,341,958)	1,658,071
Inventories	**166,277,871**	(183,770,072)	69,177,682
Accrued rent	**(19,561,284)**	(29,620,084)	(22,802,474)
Prepaid expenses and other current assets	**(28,911,377)**	25,885,534	(1,344,335)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(45,249,092)**	284,600,512	9,051,473
Deposits on long-term leases	**(492,032)**	(826,942)	1,676,739
Unearned rental income	**(1,585,588)**	(1,120,387)	(8,294,844)
Cash generated from (used for) operations	**(90,654,915)**	161,071,397	186,125,832
Interest received	**18,464,200**	22,925,763	25,359,066
Income taxes paid	**(17,164,667)**	(25,041,717)	(11,768,348)
Net cash provided by (used in) operating activities	**(89,355,382)**	158,955,443	199,716,550
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property, plant and equipment (Note 11)	**(209,839,382)**	(56,384,458)	(8,648,440)
Financial assets at FVOCI (Note 9)	**(32,311,582)**	–	(56,780,000)
Investment properties (Note 10 and 29)	**(31,623,361)**	(10,901,430)	(14,927,394)
Financial assets at FVTPL (Note 6)	**(16,013,514)**	(6,947,589)	(5,165,984)
Proceeds from:			
Redemption of financial assets at FVOCI (Note 9)	**391,457,500**	153,650,000	95,150,000
Sale of financial assets at FVTPL (Note 6)	**–**	8,275,685	132,226,056
Dividends received	**23,963,824**	28,117,038	37,598,668
Decrease (increase) in other noncurrent assets	**144,260,429**	(93,872,760)	(50,664,978)
Net cash provided by investing activities	**269,893,914**	21,936,486	128,787,928

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (Note 15)	**(₱62,737,921)**	(₱74,480,800)	(₱50,203,060)
Payable to a related party	**(52,000,000)**	–	–
Interest paid	**(38,067,458)**	(38,042,687)	(51,703,944)
Payment of issue cost	**(4,350,000)**	–	–
Loan payments (Note 13)	**–**	(52,900,000)	(165,500,000)
Proceeds from availment of bank loans (Note 13)	**–**	–	28,000,000
Net cash used in financing activities	**(157,155,379)**	(165,423,487)	(239,407,004)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(9,060,857)**	(3,941,890)	472,781
NET INCREASE IN CASH AND CASH EQUIVALENTS	**14,322,296**	11,526,552	89,570,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**179,719,444**	168,192,892	78,622,637
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱194,041,740**	₱179,719,444	₱168,192,892

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

Liberty Flour Mills, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008, the Parent Company extended its corporate life for another 50 years. The Parent Company is engaged primarily in the manufacture of flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded in the Philippine Stock Exchange (PSE) since then. Following are the Parent Company's subsidiaries and the respective ownership as at December 31, 2021 and 2020:

	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 23, 2022, 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 23, 2022.

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.

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Adoption of Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

  SEC Memorandum Circular 3 Series of 2019 provides 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 for a period of 3 years starting from January 1, 2018 to December 31, 2020.

The Group adopted the PIC Q&A effective January 1, 2021. The impact of adoption is applied retrospectively which resulted to the change in presentation for the year ended December 31, 2020 and 2019 as follows:

	December 31, 2020, as previously reported	Adjustment	December 31, 2020, as restated
Direct Costs	₱19,050,600	(₱15,684,365)	₱3,366,235
Other income (charges)	15,684,365	(15,684,365)	–

	December 31, 2019, as previously reported	Adjustment	December 31, 2019, as restated
Direct Costs	₱15,037,899	(₱11,210,646)	₱3,827,253
Other income (charges)	11,210,646	(11,210,646)	–

There is no impact on net income, opening retained earnings, cash flow and the related statement of financial position accounts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  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, 2022; 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 April 1, 2021. Early adoption is permitted.

  The Group adopted the amendments beginning January 1, 2021. The amendments did not have an impact to the Group's 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.

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

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to Conceptual Framework*
- Amendments to PAS 16, *Property, 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- 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*

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 Company's consolidated company financial statements.

<u>Current versus Noncurrent Classification</u>
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, 2021 and 2020.

- *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, 2021 and 2020.

- *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, 2021 and 2020.

- *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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020.

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.

<u>Classification of Financial Instruments Between Liability and Equity</u>
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 represent the costs of direct materials, direct labor and a proportion of production overhead. Cost of raw materials such as wheat grains represents the cost of purchase and other costs directly attributable to its acquisition. NRV is the selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income (loss) includes gains and losses on changes in fair value of financial assets at FVOCI in 2021 and 2020, 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 30 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.

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 ₱2.64 million and ₱1.59 million as at December 31, 2021 and 2020, respectively. The carrying value of receivables amounted to ₱1,112.18 million and ₱841.24 million as at December 31, 2021 and 2020, 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.

The Group has allowance for inventory obsolescence amounting to nil and ₱15.56 million as at December 31, 2021 and 2020, respectively. The carrying value of inventories amounted to ₱190.34 million and ₱356.62 million as at December 31, 2021 and 2020, respectively (see Note 7).

Impairment of financial assets at FVOCI (debt instruments). The Group recognizes 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 recognized 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 ₱256.38 million and ₱453.40 million as at December 31, 2021 and 2020, 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, 2021 and 2020, the carrying value of unquoted financial instruments amounting to ₱12.31 million and ₱12.11 million, respectively approximate their fair values (see Notes 9 and 27).

Estimation of useful lives of investment properties. The Company reviews at each reporting date the estimated useful lives of investment properties based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties as at December 31, 2021 and 2020.

The carrying value of investment properties, excluding land, amounted to ₱587.43 million and ₱631.98 million as at December 31, 2021 and 2020, respectively (see Note 10).

Impairment of investment properties. The Company determines whether there are indications of impairment of the Company's investment properties. Indications of impairment include significant change in usage, decline in the asset's fair value or underperformance relative to expected historical or projected future results.

Determining the fair value of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

The Company has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As at December 31, 2021 and 2020, no other impairment indicators were identified for the Company's investment properties.

The aggregate carrying value of these assets amounted to ₱1.37 billion and ₱1.22 billion as at December 31, 2021 and 2020, respectively (see Note 10).

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 ₱13.08 million and ₱5.85 million as at December 31, 2021, respectively; and the Group's net retirement plan liability amounted to ₱5.26 million and ₱59.37 million as at December 31, 2020 (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, 2021 and 2020, the Group recognized deferred tax assets on deductible temporary differences amounting to ₱2.47 million and ₱19.77 million, respectively (see Note 23).

As at December 31, 2021 and 2020, the Group did not recognize deferred tax assets on deductible temporary differences, unused NOLCO and MCIT amounting to ₱40.53 million and ₱27.80 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 FVOCI 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

	2021	2020
Cash on hand and in banks	**₱194,041,740**	₱144,168,181
Cash equivalents	–	35,551,263
	₱194,041,740	₱179,719,444

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

Interest income earned on cash in banks and cash equivalents amounted to ₱0.44 million in 2021, ₱1.88 million in 2020 and ₱0.87 million in 2019.

5. Receivables

	2021	2020
Trade receivables from related parties (see Notes 16 and 25)	**₱1,072,015,004**	₱798,602,374
Rent receivables from:		
Third parties	**10,772,756**	14,576,710
Related parties (see Note 25)	**255,730**	387,565
Receivable from a broker	–	13,506,451
Advances to officers and employees (see Note 25)	**3,904,393**	4,461,167
Others (see Note 25)	**27,876,019**	11,298,138
	1,114,823,902	842,832,405
Less allowance for expected credit losses	**2,642,307**	1,592,626
	₱1,112,181,595	₱841,239,779

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 2021, ₱0.04 million in 2020 and ₱0.16 million in 2019.

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 2021 and 2019).

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 ₱1.05 in 2021 and ₱0.49 million in 2019. No provision was recognized in 2020 (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:

	2021	2020
Balance at beginning of year	**₱94,377,416**	₱39,142,457
Acquisitions	**16,013,514**	6,947,589
Disposal	–	(8,175,000)
Changes in fair value of financial assets at FVTPL (see Note 20)	**83,937,680**	56,462,370
	₱194,328,610	₱94,377,416

Realized gain on sale of financial assets at FVTPL amounted to nil in 2021 and ₱0.10 million in 2020 while realized loss on sale of financial assets a FVTPL amounted to ₱4.91 million in 2019.

Dividend income earned on financial assets at FVTPL amounted to ₱1.70 million in 2021, ₱1.14 million in 2020 and ₱8.53 million in 2019.

7. Inventories

	2021	2020
At NRV -		
Mill feeds	**₱–**	₱13,804,331
At cost:		
Wheat grains	**143,036,659**	315,452,028
Flour	**40,208,914**	15,556,355
Supplies	**6,193,609**	11,803,172
Mill feeds	**898,833**	–
	₱190,338,015	₱356,615,886

Cost of mill feeds carried at NRV amounted to nil and ₱29,361,214 as at December 31, 2021 and 2020, respectively.

Costs of inventories recognized as expenses, presented under "Cost of sales" in the consolidated statements of comprehensive income, amounted to ₱1,043.01 million in 2021, ₱891.75 million in 2020 and ₱619.36 million in 2019 (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 ₱304.14 million and ₱245.03 million as at December 31, 2021 and 2020, respectively (see Note 14). Interest expense recognized on liabilities under trust receipts amounted to ₱10.83 million in 2021 (based on annual interest of 2.63% to 3.50%), ₱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%).

Wheat grains inventories in-transit amounted to ₱54.24 million and ₱112.3 million as at December 31, 2021 and 2020, respectively (see Note 14).

In 2020, the Group recognized provision for inventory obsolescence and decline in value of inventories amounting to ₱15.56 million. Allowance for inventory obsolescence and decline in value of inventories amounted to nil and ₱15.56 million as at December 31, 2021 and 2021, respectively (see Note 17).

8. Prepaid Expenses and Other Current Assets

	2021	2020
Creditable withholding taxes	**₱25,042,627**	₱12,866,794
Store supplies	**23,340,152**	24,623,117
Advance VAT on importation	**9,455,854**	870,735
Advances to suppliers	**7,759,338**	5,347,454
Prepaid importation cost	**3,351,099**	65,377
Input VAT	**2,790,883**	142,076

(Forward)

	2021	2020
Prepaid taxes	**₱2,664,832**	₱3,227,251
Deferred input VAT (see Note 11)	**2,336,775**	–
Prepaid insurance	**2,178,791**	1,919,006
Others	**3,543,924**	2,285,265
	₱82,464,275	₱51,347,075

9. Financial Assets at Fair Value through Other Comprehensive Income

	2021	2020
Debt securities	**₱256,380,970**	₱453,400,154
Equity securities:		
Quoted	**362,719,177**	578,526,420
Unquoted	**12,305,630**	12,112,331
	₱631,405,777	₱1,044,038,905

In 2021, the Group purchased debt and equity securities amounting to ₱14.31 million and ₱18.00 million, respectively.

The Group sold debt securities with a carrying value amounting to ₱195.00 million and ₱63.60 million in 2021 and 2020, respectively. The Group also sold quoted equity securities with a carrying amount of ₱196.46 million and ₱90.00 million in 2021 and 2020, respectively.

Financial assets at FVOCI includes equity securities with a cost and carrying value amounting to ₱40.60 million and nil, respectively, as at December 31, 2021 and 2020.

Fair value changes on financial assets at FVOCI in 2021 and 2020 follow:

	2021	2020
Balance at beginning of year	**(₱55,344,426)**	(₱75,196,969)
Fair value gain (loss) recognized in other comprehensive income	**(53,487,210)**	19,905,481
Fair value gain realized through sale (see Note 20)	**(1,800,000)**	(52,938)
Balance at end of year	**(₱110,631,636)**	(₱55,344,426)

No impairment loss was recognized on the Group's investment in debt securities in 2021, 2020 and 2019.

Interest income earned on debt securities amounted to ₱17.98 million in 2021, ₱20.83 million in 2020 and ₱24.34 million in 2019. Dividend income earned on equity securities amounted to ₱22.23 million in 2021, ₱26.98 million in 2020 and ₱29.07 million in 2019.

The Group debt securities in 2021 includes Russian debt securities. In February 2022, a number of countries (including Australia, EU, Japan, Singapore, UK, the US and others) imposed new sanctions against Russian government entities, state-owned enterprises or sanctioned entities and individuals linked to Russia anywhere in the world and announcements of potential additional sanctions following the conflict in Ukraine initiated on February 24, 2022. Subsequently, new sanctions have been imposed. Sanctions have also been imposed on Belarus.

The Group considers the events as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2021. Considering the evolving nature of this event, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

10. Investment Properties

	2021			
	Land (see Note 13)	**Building and Building Improvements (see Note 13)**	**Condominium Unit**	**Total**
Cost				
Balance at beginning of year	**₱591,977,625**	**₱1,004,652,666**	**₱11,419,656**	**₱1,608,049,947**
Additions	**192,030,833**	**–**	**–**	**192,030,833**
Balance at end of year	**784,008,458**	**1,004,652,666**	**11,419,656**	**1,800,080,780**
Accumulated Depreciation				
Balance at beginning of year	**–**	**373,538,661**	**10,553,948**	**384,092,609**
Depreciation	**–**	**44,467,922**	**77,054**	**44,544,976**
Balance at end of year	**–**	**418,006,583**	**10,631,002**	**428,637,585**
Net book values	**₱784,008,458**	**₱586,646,083**	**₱788,653**	**₱1,371,443,195**

	2020			
	Land (see Note 13)	Building and Building Improvements (see Note 13)	Condominium Unit	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

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:

	2021	2020	2019
Rental income	**₱253,989,256**	₱262,842,161	₱206,586,489
Direct operating expenses:			
Outside services	**11,740,915**	11,524,553	11,035,160
Depreciation and amortization	**44,544,976**	44,547,379	42,139,126
Real estate tax	**20,892,774**	52,402,345	6,924,466
Communication, light and water	**2,708,390**	3,366,235	3,827,253
Repairs and maintenance	**4,402,732**	2,233,895	3,017,135
Insurance and others	**2,042,240**	2,061,161	2,467,451
	86,332,027	116,135,568	69,410,591
	₱167,657,229	₱146,706,593	₱137,175,898

Direct operating expenses incurred for non-income generating properties amounted to ₱2.46 million in 2021, ₱3.42 million in 2020 and ₱2.63 million in 2019.

The Group has refundable deposits for utilities installation on its investment properties amounting to ₱3.16 million and ₱5.32 million as at December 31, 2021 and 2020, 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 ₱5.53 billion and ₱5.31 billion as at December 31, 2021 and 2020, respectively. These have been determined based on valuation performed by a qualified and independent appraiser in 2019. 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:

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

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

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

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

Land and building and building improvements owned by the Group with an aggregate carrying value of ₱57.60 million and ₱71.57 million as at December 31, 2021 and 2020 served as collateral to secure the loans obtain from a bank (see Note 13).

Developmental Rights
LPC entered into an agreement with Parity Values, Inc. (PVI), a related party, for the transfer of developmental 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 amounting to ₱99.70 million and a liability presented as "Payable to a related party" amounting to ₱37.73 million and ₱89.73 million as at December 31, 2021 and 2020, respectively (see Note 25).

Land Acquisition

In December 2021, LPC entered into a Contract to Sell for the purchase of land for a consideration of ₱214.46 million (exclusive of VAT) payable on monthly installment basis until year 2026. Payments made in 2021 amounted to ₱31.56 million (exclusive of VAT). As at December 31, 2021, the corresponding unpaid purchase price, net of VAT, were recorded at present value using the discount rate of 4.25% amounting to ₱160.41 million. Current and noncurrent portion of the liability amounting to ₱20.18 million and ₱162.18 million, respectively, inclusive of VAT, are presented as part of "Trade payables" under "Accounts payable and other current liabilities" and "Other noncurrent liability" accounts, respectively, in the 2021 consolidated statement of financial position (see Note 14). Total discount of liability amounted to ₱22.49 million. Future accretion of interest expense will be capitalized as part of investment property.

The related deferred input VAT amounting to ₱19.74 million, net of current portion of ₱2.21 million as at December 31, 2021, is recognized as part of "Other noncurrent assets" account in the consolidated statements of financial position (see Note 12). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

Schedule of payments of the remaining payable based on undiscounted amounts (exclusive of VAT) is as follows:

Year	Amount
2022	₱18,381,857
2023	18,381,857
2024	26,219,677
2025	65,408,775
2026	54,507,313
	₱182,899,479

11. Property, Plant and Equipment

	2021							
	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	₱232,722,654	₱115,881,489	₱48,885,651	₱839,842	₱41,029,942	₱42,028,557	₱506,723,707
Additions	–	744,583	40,179	2,123,893	–	3,093,635	203,837,092	209,839,382
Ending balances	25,335,572	233,467,237	115,921,668	51,009,544	839,842	44,123,577	245,865,649	716,563,089
Accumulated Depreciation								
Beginning balances	16,446,688	215,055,333	94,492,716	43,740,103	839,842	32,090,547	–	402,665,229
Depreciation and amortization (see Notes 17 and 18)	978,535	5,426,835	2,682,092	1,457,910	–	2,826,426	–	13,371,798
Ending balances	17,425,223	220,482,168	97,174,808	45,198,013	839,842	34,916,973	–	416,037,027
Net Book Values	₱7,910,349	₱12,985,069	₱18,746,860	₱5,811,531	₱–	₱9,206,604	₱245,865,649	₱300,526,062

	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

As at December 31, 2021, construction in progress pertains to costs incurred for the renovation of the Group's manufacturing facility. The renovation is expected to be completed in 2022.

12. Other Noncurrent Assets

	2021	2020
Deferred input VAT – net of current portion (see Note 11)	**₱19,742,115**	₱–
Refundable deposits (see Note 10)	**3,157,180**	5,316,288
Advances to suppliers	**2,062,443**	144,163,764
Computer software	**–**	99,099
Others	**1,022,000**	1,022,000
	₱25,983,738	₱150,601,151

As at December 31, 2020, advances to suppliers mainly pertain to advance payments to suppliers for the purchase of machineries which have been delivered in 2021.

Amortization of computer software amounted to ₱0.10 million in 2021, ₱0.25 million in 2020 and ₱0.31 million in 2019 (see Note 18).

13. Notes Payable

Notes payable consists of:

	2021	2020
Principal	**₱580,000,000**	₱580,000,000
Add: unamortized premium, net of debt issue cost	**456,514**	–
	580,456,514	580,000,000
Less current portion	**136,655,732**	580,000,000
Noncurrent portion	**₱443,800,782**	₱–

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 February 18, 2021, the Group converted its ₱580.00 million short-term promissory note to term loans with maturity of 5 years, payable in equal quarterly installments starting on February 19, 2022.

All loans are secured by a real estate mortgage on certain land and building and building improvements owned by the Company (see Note 10).

The details of the term loans follow:

Term Loan	Availment Date	Maturity Date	Interest rate	Condition	Amount
1	February 19, 2021	February 19, 2026	4.25% per annum fixed for 89 days, variable onwards; quarterly	Secured	₱290,000,000
2	February 19, 2021	February 19, 2026	4.875% per annum, fixed up to maturity; quarterly	Secured	290,000,000

Term Loan promissory note (PN) 1 is subject to a variable interest rate based on a three (3)-month BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.25% per annum, whichever is higher.

Term Loan PN 2 is subject to a fixed interest rate based on a five (5)-year BVAL plus a margin of one hundred twenty points (1.20%) divided by the Applicable Premium Factor (0.95) and 4.875% per annum, whichever is higher.

The Group paid and capitalized documentary stamp tax amounting to ₱4.35 million as debt issue cost to be amortized over the term of the notes payable.

Based on the Group's assessment, the modifications in the contractual cash flows of the loan are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Accordingly, the Group recognized a loss on loan modification amounted to ₱4.98 million under "Other income - net" account in the 2021 consolidated statement of comprehensive income (see Note 20).

The 2021 term loan agreement contains, among others, covenants that require the Group to comply with specified financial ratios such as current ratio, debt to equity ratio and debt service coverage ratio. As at December 31, 2021, the Group has complied with these covenants.

The future expected principal settlements of the Group's notes payable follow:

	2021	2020
Within one year	**₱136,470,588**	₱580,000,000
Beyond one year but less than five years	**443,529,412**	–
	₱580,000,000	₱580,000,000

Total interest expense on notes amounted to ₱29.21 million in 2021 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱0.18 million), ₱33.25 million in 2020 and ₱48.80 million in 2019.

14. Accounts Payable and Other Current Liabilities

	2021	2020
Liabilities under trust receipts (see Note 7)	**₱304,142,352**	₱245,025,907
Accrued liability for inventories in transit (see Note 7)	**54,237,448**	112,300,525
Trade payables (see Note 10)	**41,339,772**	61,687,676
Dividends payable	**44,832,691**	32,570,612
Customers and tenants' deposits	**12,701,186**	12,442,924
Output VAT – net	**4,370,872**	4,203,765
Construction bond	**6,432,077**	3,740,497
Withholding tax, HDMF and SSS payable	**1,897,791**	1,907,707
Accrued selling, freight and outside services	**5,641,584**	5,176,117
Accrued other expenses	**13,374,676**	20,615,316
	₱488,970,449	₱499,671,046

Liabilities under trust receipts are short-term loan with the banks, with terms of 90 days at 2.625% to 3.5% interest per annum for 2021 and 2.625% to 5.00% interest per annum for 2020, for importation of wheat grains.

Trade payables are noninterest-bearing and normally with payment terms of 30 to 60 days. Trade payables includes the current portion of the unpaid purchase price of the land acquired in 2021 (see Note 10).

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, 2021 and 2020 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, 2021 and 2020 are held by 439 and 441 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 such stock dividend.

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

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

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

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

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

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

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

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

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

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

Retained Earnings

As at December 31, 2021 and 2020, the consolidated retained earnings include undistributed net accumulated earnings of subsidiaries amounting to ₱323.84 million and ₱173.05 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 2021, 2020 and 2019:

Date of Declaration	Date of Record	Date of payment	Dividend per share	Total amount
June 11, 2021	May 26, 2021	June 30, 2021	₱0.50	75.0 million
June 30, 2020	July 14, 2020	July 28, 2020	₱0.50	75.0 million
April 24, 2019	May 10, 2019	May 17, 2019	₱0.30	45.0 million

Property Dividends

On November 25, 2020, the BOD approved the declaration of property dividend of 10.35 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 at record date of December 18, 2020. In August 2021, the Company secured the SEC approval while in November 2021, the application for Certificate of Registration

(CAR) has been approved by the BIR. As at March 23, 2022, the distribution of property dividends has not yet been reflected, pending annotation of the transfer of shares in the corporate books.

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:

	2021	2020	2019
Sales of bakery flour	**₱1,095,526,069**	₱967,591,233	₱644,023,793
Sales of mill feeds	**100,020,442**	121,027,781	98,442,432
	₱1,195,546,511	₱1,088,619,014	₱742,466,225

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 ₱1,072.02 million and ₱798.60 million as at December 31, 2021 and 2020, 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, 2021 and 2020.

17. Cost of Sales

	2021	2020	2019
Materials used	**₱938,510,410**	₱776,556,835	₱526,683,003
Direct labor (see Note 19)	**55,786,668**	53,076,543	51,280,079
Overhead:			
Utilities	**32,435,238**	30,942,881	25,112,072
Depreciation (see Note 11)	**6,455,658**	7,470,835	6,236,584
Repairs and maintenance	**2,219,411**	2,067,025	4,314,916
Other factory overhead	**7,604,635**	6,079,105	5,729,934
Provision for inventory write-down (see Note 7)	**–**	15,556,883	–
	₱1,043,012,020	₱891,750,107	₱619,356,588

18. **Expenses**

Administrative Expenses

	2021	2020	2019
Employee benefits and bonuses (see Notes 19, 21 and 25)	**₱37,546,668**	₱32,509,901	₱37,280,764
Salaries and wages (see Notes 19 and 25)	**32,916,428**	32,327,091	34,110,718
Outside services	**31,806,738**	36,102,521	20,120,373
Taxes and licenses	**9,711,155**	10,379,901	16,846,093
Depreciation and amortization (see Notes 11 and 12)	**5,620,867**	3,961,534	2,921,716
Membership and subscription	**4,147,243**	8,675,891	9,890,218
Insurance	**2,002,963**	2,236,390	2,318,692
Communication, light and water	**1,377,795**	1,311,521	1,689,967
Provision for expected credit losses (see Note 5)	**1,049,681**	–	493,705
Repairs and maintenance	**914,956**	475,337	975,926
Per diem	**825,000**	715,000	760,000
Representation	**444,498**	491,910	1,288,669
Office supplies	**320,974**	421,552	446,950
Commission	**250,500**	114,000	4,740,575
Donations and contribution	**142,412**	604,631	749,783
Others	**6,153,849**	4,540,647	5,910,716
	₱135,231,727	₱134,867,827	₱140,544,865

Selling Expenses

	2021	2020	2019
Promotional and marketing expenses (see Note 25)	**₱35,033,335**	₱35,087,784	₱35,046,505
Depreciation and amortization (see Note 11)	**1,394,372**	1,412,722	1,548,284
Freight and handling fees	**856,512**	1,330,077	983,520
	₱37,284,219	₱37,830,583	₱37,578,309

Interest Expense

	2021	2020	2019
Notes payable (see Note 13)	**₱29,214,581**	₱33,247,765	₱48,801,460
Liabilities under trust receipts (see Note 7)	**10,832,430**	3,826,720	2,716,779
Deposits on long-term leases (see Note 26)	**1,469,963**	1,500,960	1,685,495
	₱41,516,974	₱38,575,445	₱53,203,734

19. **Personnel Costs**

	2021	2020	2019
Direct labor (see Note 17)	**₱55,786,668**	₱53,076,543	₱51,280,079
Salaries and wages (see Notes 18 and 25)	**32,916,428**	32,327,091	34,110,718
Bonus and allowances (see Note 18)	**23,382,969**	15,962,272	20,547,689
Retirement benefits costs (see Notes 18, 21 and 25)	**7,786,215**	9,244,201	10,570,847
Other employee benefits (see Notes 18 and 25)	**6,377,484**	7,303,428	6,162,228
	₱126,249,764	₱117,913,535	₱122,671,561

20. **Other Income - Net**

	2021	2020	2019
Fair value gain on financial assets at FVTPL (see Note 6)	**₱83,937,680**	₱56,462,370	₱13,660,256
Unrealized foreign exchange gain (loss)	**(9,060,857)**	(3,941,890)	472,781
Loss on modification of loan	**(4,981,822)**	–	–
Gain on sale of debt securities at FVOCI (see Note 9)	**1,800,000**	52,938	19,640
Gain (loss) on sale of financial assets at FVTPL (see Note 6)	**–**	100,685	(4,910,880)
Other income (charges) - net	**(48,417,668)**	6,220,238	(2,159,540)
	₱23,277,333	₱58,894,341	₱7,082,257

In 2021, other income (charges) - net mainly include provision for losses, realized foreign exchange loss and taxes.

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 covering its regular employees. LPC is required to pay its regular employees retirement benefits equivalent to 22.5 days for ever 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, 2021 and 2020 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	Actuarial Changes Arising from Demographic Assumptions	Effect of Asset Ceiling	Subtotal	Balance at End of Year
December 31, 2021														
Present value of defined benefit obligation	**₱12,832,815**	**₱780,820**	**₱486,364**	**₱1,267,184**	**₱–**	**(₱4,307,168)**	**₱–**	**₱–**	**(₱773,538)**	**(₱13,174)**	**(₱2,168)**	**₱–**	**(₱788,880)**	**₱9,003,951**
Fair value of plan assets	**(18,089,328)**	**–**	**(603,965)**	**(603,965)**	**–**	**4,307,168**	**–**	**(19,416,986)**	**–**	**–**	**–**	**11,722,674**	**(7,694,312)**	**(22,080,437)**
Net defined benefit asset	**(₱5,256,513)**	**₱780,820**	**(₱117,601)**	**₱663,219**	**₱–**	**₱–**	**₱–**	**(₱19,416,986)**	**(₱773,538)**	**(₱13,174)**	**(₱2,168)**	**₱11,722,674**	**(₱8,483,192)**	**(₱13,076,486)**
Present value of defined benefit obligation	**₱127,649,590**	**₱5,338,028**	**₱4,863,449**	**₱10,201,477**	**(₱5,204,161)**	**(₱24,953,371)**	**₱–**	**₱–**	**(₱12,154,576)**	**₱1,664,993**	**(₱15,428)**	**₱–**	**(₱10,505,011)**	**₱97,188,524**
Fair value of plan assets	**(68,276,710)**	**–**	**(3,078,481)**	**(3,078,481)**	**–**	**24,953,371**	**(50,000,000)**	**5,063,102**	**–**	**–**	**–**	**–**	**5,063,102**	**(91,338,718)**
Net defined benefit liability	**₱59,372,880**	**₱5,338,028**	**₱1,784,968**	**₱7,122,996**	**(₱5,204,161)**	**₱–**	**(₱50,000,000)**	**₱5,063,102**	**(₱12,154,576)**	**₱1,664,993**	**(₱15,428)**	**₱–**	**(₱5,441,909)**	**₱5,849,806**
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

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:

	2021	2020
Cash in banks	**₱15,105,392**	₱14,322,316
Receivables	**779,261**	779,261
Money market placements	**14,239,723**	67,011
Investments in equity securities:		
Industrial	**39,694,434**	28,304,298
Services	**4,022,816**	1,917,026
Financials	**2,813,384**	473,384
Mining and oil	**305,250**	2,836,500
Others	**253,560**	249,080
BPI Philippine Equity Index Fund	**3,904,576**	3,165,198
Investment in bonds	**60,916,364**	45,336,838
Liabilities (see Note 25)	**(16,016,154)**	(10,240,113)
Effect of asset ceiling	**(12,599,451)**	(844,761)
	₱113,419,155	₱86,366,038

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 ₱4.91 million and ₱9.18 million as at December 31, 2021 and 2020, respectively. Fair value changes recognized by the retirement plan assets for the changes in market values of the shares of stock of the Parent Company amounted to ₱4.27 million gain in 2021 and ₱0.72 million loss in 2020. 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 2021, 2020 and 2019.

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, 2021 and 2020.

The latest actuarial valuation of the Group's plan is as at December 31, 2021. The principal actuarial assumptions used to determine retirement benefits costs as at January 1 are as follows:

	2021	2020
Discount rate	**5.02%-5.08%**	3.79%–3.81%
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:

		2021		2020	
		Increase (decrease) in rate	Increase (decrease) in DBO	Increase (decrease) in rate	Increase (decrease) in DBO
Discount rate	**+100 bps**	**9.60%**	**₱9,358,070**	9.80%	(₱12,471,903)
	- 100 bps	**(8.20%)**	**(8,010,569)**	(8.30%)	10,642,962
Salary increase rate	**+100 bps**	**9.50%**	**9,270,194**	9.60%	12,193,031
	-100 bps	**(8.30%)**	**(8,087,602)**	(8.30%)	(10,624,970)

In 2021, the average duration of the defined benefit obligation at the end of the period is 8.9 years for the Parent Company and 6.4 years for LPC. 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 4.9 years for LPC.

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

	2021	2020
Year 1	**₱16,421,270**	₱29,125,311
Year 2	**5,133,501**	3,058,455
Year 3	**3,684,026**	5,304,300
Year 4	**9,952,029**	5,986,808
Year 5	**8,340,493**	11,982,510
Year 6- 10	**60,677,805**	63,404,067

<u>Other Comprehensive Income</u>
Movements in accumulated remeasurement losses on retirement benefits recognized in “other components of equity” under the equity section of the consolidated statements of financial position follows:

	2021	2020
Beginning balance	**(₱9,328,350)**	(₱4,814,710)
Remeasurement gains (losses) on retirement benefits in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	**11,293,891**	(17,357,987)
Remeasurement gain on plan assets	**2,631,210**	10,909,930
Total	**13,925,101**	(6,448,057)
Income tax effect	**(4,147,586)**	1,934,417
	9,777,515	(4,513,640)
Ending balance	**₱449,165**	(₱9,328,350)

In 2019, remeasurement gains (losses) on retirement benefits in other comprehensive income amounted to ₱11.05 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 at March 24, 2021, KMTAI has since appealed the denial of its Motion for Reconsideration to the Office of the President, in which LFMI has been ordered to comment on the same. Consequently, the Company filed a corresponding comment/opposition to the KMTAI appeal.

As at March 23, 2022, the Company has not yet received any resolution of the Motion for Execution. 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 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**

Provision for current income tax represents RCIT, except for the Parent Company’s provision which represents MCIT in 2021 and 2019.

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:

	2021	2020	2019
Income tax at statutory income tax rate	**₱42,966,040**	₱72,671,637	₱29,702,641
Additions to (reductions in) income tax resulting from:			
Loss on sale and fair value changes on financial assets at FVTPL	**(20,984,420)**	(16,968,917)	(2,624,812)
Movement in unrecognized deferred tax assets	**17,362,991**	2,983,613	2,653,899
Dividend income exempt from tax	**(5,990,955)**	(8,435,111)	(11,279,601)
Nondeductible expenses	**5,950,002**	2,033,776	2,152,705
Interest income subjected to final tax	**(4,604,838)**	(2,142,583)	(7,564,083)
Impact of CREATE Act	**(3,336,096)**	–	–
Expired NOLCO	**2,769,809**	246,509	807,200
Rental income from deposits on long-term leases	**(443,327)**	(575,242)	–
	₱33,689,206	₱49,813,682	₱13,847,949

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

	2021	2020
Deferred tax assets:		
Net retirement plan liability	**₱1,462,452**	₱17,811,864
Unrealized foreign exchange loss	**–**	1,040,733
Deferred tax liability:		
Accrued rent	**(543,550)**	(748,820)
Net deferred tax assets	**₱918,902**	18,103,777
Deferred tax liabilities:		
Accrued rent	**(₱19,651,813)**	(₱17,713,791)
Net retirement plan liability	**(3,269,122)**	(1,576,954)
Deferred tax assets:		
Advance rental	**744,527**	913,437
Expected credit losses	**262,420**	–
Net deferred tax liabilities	**(₱21,913,988)**	(₱18,377,308)

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:

	2021	2020
Unamortized past service cost	**₱85,627,459**	₱52,214,714
NOLCO	**48,826,684**	13,808,775
Provision for:		
Probable losses	**6,228,390**	9,480,110
Expected credit losses	**1,592,626**	1,592,626
Inventory write-down	**–**	15,556,883
Unrealized foreign exchange loss	**12,545,831**	–
MCIT	**1,821,023**	–
	₱156,642,013	₱92,653,108

As at December 31, 2021 and 2020, 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 state that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2021, 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
2018	2021	₱11,079,235	₱–
2019	2022	2,290,993	–
2020	2025	438,547	–
2021	2026	46,097,144	1,821,023
		59,905,919	1,821,023
Less: Expired in 2021		11,079,235	–
		₱48,826,684	₱1,821,023

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- 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 ₱5 million and with total assets not exceeding ₱100 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 Bill 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 at 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.

Applying the provisions of the CREATE Act, the Group was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

As at December 31, 2021, the CREATE Act's retrospective 5% income tax rate reduction resulted in a prorated current income tax (CIT) rate of the Group for CY2020 of 27.50%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱15.59 million or a reduction of ₱1.42 million in CIT and income tax payable of Parent Company, and a reduction of ₱3.02 million in provision for deferred income tax due to remeasurement of net deferred tax assets. While LPC resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱13.27 million or a reduction of ₱1.21 million in CIT and income tax payable, and a reduction of ₱3.06 million in provision for deferred income tax due to remeasurement of net deferred tax liabilities. The impact of CREATE Act on the CIT and deferred income tax for the year ended December 31, 2020 have been adjusted, for financial reporting purposes, in the 2021 consolidated financial statements.

24. Basic/Diluted Earnings Per Share

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

	2021	2020	2019
Consolidated net income	**₱138,174,951**	**₱192,425,105**	₱85,160,856
Divided by weighted average number of shares (see Note 15)	**150,000,000**	**150,000,000**	150,000,000
Basic/diluted earnings per share	**₱0.92**	**₱1.28**	₱0.57

The Group does not have potentially dilutive common shares as at December 31, 2021, 2020 and 2019. 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.

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			
	2021	2020	2019	**2021**	2020	Terms	Conditions
Stockholder							
Parity Values, Inc.							
Sales	**₱809,658,786**	₱700,284,741	₱408,876,372	**₱802,787,076**	₱558,989,320	120 days	Unsecured, not impaired
Developmental Rights	**52,000,000**	(99,700,000)	–	**(37,730,000)**	(89,730,000)	5 years; 5.25% interest per annum	Unsecured, not impaired
Rent income	**2,346,499**	2,346,499	2,116,940		11,960	30 days	Unsecured, not impaired
Promotional and marketing expenses	**(29,750,000)**	(29,750,000)	(29,750,000)	**–**	–	On demand	–
Others	**93,004**	(99,700)	6,696	**–**	(93,004)	30 days	Unsecured, not impaired
Under Common Control							
Liberty Commodities Corporation							
Sales	**236,749,097**	237,017,234	171,250,718	**104,691,752**	95,525,183	120 days	Unsecured, not impaired
Rent income	**3,060,458**	3,060,458	2,752,984	**255,730**	375,605	30 days	Unsecured, not impaired
Promotional and marketing expenses	**(5,250,000)**	(5,250,000)	(5,250,000)	**–**	–	On demand	–
Sale of land	**–**	–	–	**–**	–	On demand	–
Trade Demands Corporation							
Sales	**149,138,627**	151,317,039	162,339,135	**164,623,133**	144,087,871	120 days	Unsecured; with impairment of ₱1,592,626 as at December 31, 2021 and 2020
Other related parties							
Officers and employees							
Advances	**–**	–	1,047,238	**–**	–	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)				**₱1,072,015,004**	₱798,602,374		
Rent receivables from related parties (see Note 5)				**₱255,730**	₱387,565		
Payable to a related party (see Note 10)				**(₱37,730,000)**	(₱89,730,000)		
Others (see Note 5)				**₱7,227,090**	₱7,134,086		

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. Allowance for expected credit losses on receivables from related parties has been recognized as at December 31, 2021 and 2020.

b. The Parent Company also has a receivable from its retirement plan amounting to ₱7.23 million as at December 31, 2021 and 2020 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:

	2021	2020	2019
Short-term employee benefits	**₱19,945,876**	**₱18,112,090**	₱17,316,738
Post-employment benefits and others	**7,330,962**	**8,797,885**	10,244,242
	₱27,276,838	**₱26,909,975**	₱27,560,980

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 ₱31.33 million and ₱30.35 million as at December 31, 2021 and 2020, respectively. Accretion of interest, included in interest expense in profit or loss, amounted to ₱1.47 million in 2021, ₱1.50 million in 2020 and ₱1.69 million in 2019.

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 ₱13.01 million and ₱14.60 million as at December 31, 2021 and 2020, 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 ₱78.61 million and ₱59.05 million as at December 31, 2021 and 2020, 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 since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱5.48 million and ₱4.96 million in 2021 and 2020, respectively. Lease termination resulted in a decrease in accrued rent amounting to ₱2.93 million and ₱0.29 million in 2021 and 2020, respectively, and rental income amounting to ₱2.38 million and ₱0.97 million in 2021 and 2020, respectively.

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

	2021	2020
Year 1	**₱178,827,580**	₱188,843,979
Year 2	**153,271,093**	137,727,932
Year 3	**149,167,755**	135,290,640
Year 4	**149,775,751**	137,682,419
Year 5	**147,580,396**	140,745,976
More than 5 years	**379,604,597**	521,443,148
	₱1,158,227,172	₱1,261,734,094

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, 2021 and 2020. 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:

	2021	2020
Financial assets at amortized cost		
Cash and cash equivalents*	**₱193,862,344**	₱178,998,109
Trade and other receivables**	**1,114,823,902**	842,832,405
Other noncurrent assets***	**4,179,180**	6,338,288
Debt securities at FVOCI	**256,380,970**	453,400,154
	₱1,569,246,396	₱1,481,568,956

**excluding cash on hand, amounting to ₱179,396 and ₱721,335 as at December 31, 2021 and 2020, respectively.*
*** before considering provision for expected credit losses ₱2,642,307 and ₱1,592,626 for past due and impaired accounts as at December 31, 2021 and 2020, respectively.*
****excluding deferred input VAT amounting to 19.742,155 as at December 31, 2021 (nil in 2020), advances to suppliers amounting to ₱1,941,964 and ₱143,613,976 and computer software amounting to ₱99,099 as at December 31, 2020 (nil in 2021).*

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

	2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱486,202,906**	**₱916,949,076**	**₱–**	**₱1,403,151,982**
Moderate	**–**	**166,094,414**	**–**	**166,094,414**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**486,202,906**	**1,083,043,490**	**–**	**1,569,246,396**
ECL	**–**	**2,642,307**	**–**	**2,642,307**
Carrying amount	**₱486,202,906**	**₱1,080,401,183**	**₱–**	**₱1,566,604,089**

	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

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, 2021 and 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:

	2021								
	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	**0.34%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.41%**	**6.02%**	
Estimated total gross carrying amount at default	**₱61,677,610**	**₱13,928,472**	**₱13,654,350**	**₱14,782,214**	**₱14,178,710**	**₱12,180,646**	**₱13,968,246**	**₱21,724,166**	**₱166,094,414**
Expected credit loss	**206,958**	**188,826**	**185,110**	**200,401**	**192,219**	**165,131**	**195,893**	**1,307,769**	**2,642,307**

	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

As at December 31, 2021 and 2020, allowance for expected credit losses are recognized for trade receivables from Trade Demands Corporation, and rent receivables subjected to impairment.

As at December 31, 2021, 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, 2021 and 2020, 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:

	2021	
	Increase (decrease) in rate	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**24%**	**3,331,108**
	(24%)	**(3,331,108)**
Financial assets at FVOCI	**(1%)**	**(1,779,843)**
	1%	**1,779,843**

	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)

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:

	2021			
	Less than 3 Months	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:	**₱193,862,344**	**₱–**	**₱–**	**₱193,862,344**
Trade receivables from related parties	**1,072,015,004**	**–**	**–**	**1,072,015,004**
Rent receivables:				
Third parties	**10,772,756**	**–**	**–**	**10,772,756**
Related parties	**255,730**	**–**	**–**	**255,730**
Advances to a broker	**–**	**–**	**–**	
Advances to officers and employees	**3,904,393**	**–**	**–**	**3,904,393**
Other receivables	**27,876,019**	**–**	**–**	**27,876,019**
Other noncurrent assets	**–**	**–**	**4,179,180**	**4,179,180**
Financial assets at FVTPL	**194,328,610**	**–**	**–**	**194,328,610**
Financial assets at FVOCI:				
Equity securities	**–**	**–**	**375,024,807**	**375,024,807**
Debt securities	**–**	**10,236,100**	**246,144,870**	**256,380,970**
Total financial assets	**1,503,014,856**	**10,236,100**	**625,348,857**	**2,138,599,813**

(Forward)

	2021			
	Less than 3 Months	**3 to 12 Months**	**More than 12 Months**	**Total**
Financial Liabilities				
Notes payable, including interest	**₱–**	**₱139,700,732**	**₱443,800,782**	**583,501,514**
Accounts payable and other current liabilities:				
Liabilities under trust receipts	**304,142,352**	**–**	**–**	**304,142,352**
Accrued liabilities – inventory in transit	**54,237,448**	**–**	**–**	**54,237,448**
Dividends payable	**44,832,691**	**–**	**–**	**44,832,691**
Trade payables	**20,752,092**	**20,587,680**	**–**	**41,339,772**
Customers and tenants' deposits	**12,701,186**	**–**		**12,701,186**
Construction bond	**6,432,077**	**–**	**–**	**6,432,077**
Accrued selling, freight, outside services and other expenses	**15,971,260**	**–**	**–**	**15,971,260**
Payable to a related party	**–**	**–**	**37,730,000**	**37,730,000**
Deposits on long-term leases	**–**	**12,920,071**	**29,012,790**	**41,932,861**
Other noncurrent liability	**–**	**–**	**162,176,225**	**162,176,225**
Total financial liabilities	**459,069,106**	**173,208,483**	**672,719,797**	**1,304,997,386**
Net financial asset (liabilities)	**₱1,043,945,750**	**(₱162,972,383)**	**(₱47,370,940)**	**₱833,602,427**

	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 in banks	₱143,446,846	₱–	₱–	₱143,446,846
Cash equivalents	35,551,263	–	–	35,551,263
Trade receivables from related parties	798,602,374	–	–	798,602,374
Rent receivables:				
Third parties	14,576,281	–	–	14,576,281
Related parties	387,994	–	–	387,994
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	–	–	6,494,828	6,494,828
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	1,156,221,410	50,205,271	960,314,983	2,166,741,664
Financial Liabilities				
Notes payable, including interest	–	606,879,982	–	606,879,982
Accounts payable and other current liabilities:				
Liabilities under trust receipts	245,025,907	–	–	245,025,907
Accrued liabilities – inventory in transit	112,300,525	–	–	112,300,525
Trade payables	61,649,966	–	–	61,649,966
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	24,176,510	–	–	24,176,510
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	491,906,941	617,397,300	121,384,427	1,230,688,668
Net financial asset (liabilities)	₱664,314,469	(₱567,192,029)	₱838,930,556	₱936,052,996

As at December 31, 2021 and 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, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Financial Assets				
Financial assets at FVTPL	**₱194,328,610**	₱94,377,416	**₱194,328,610**	₱94,377,416
Financial assets at FVOCI	**631,405,777**	1,044,038,905	**631,405,777**	1,044,038,905

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:

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱194,328,610**	**₱194,328,610**	**₱–**	**₱–**
Financial assets at FVOCI:				
Quoted debt securities	**256,380,970**	**256,380,970**	**–**	**–**
Quoted equity securities	**362,719,177**	**362,719,177**	**–**	**–**
Unquoted equity securities	**12,305,630**	**–**	**–**	**12,305,630**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**5,528,591,669**	**–**	**–**	**5,528,591,669**

	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	5,314,136,669	–	–	5,314,136,669

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

In 2021 and 2020, 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, 2021 and 2020.

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:

	2021	2020
Capital stock	**₱1,500,000,000**	₱1,500,000,000
Retained earnings	**1,462,898,283**	1,399,723,332
	₱2,962,898,283	₱2,899,723,332

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 for the purchase of land and development rights in 2021 and 2020, respectively, with unpaid consideration totaling ₱198.14 million and ₱89.73 million as at December 31, 2021 and 2020, respectively (see Note 10).

b. Changes in liabilities arising from financing activities

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

	2021			
	January 1	**Cash flows**	**Noncash charges***	**December 31**
Notes payable	**₱580,000,000**	**(₱4,350,000)**	**₱4,806,514**	**₱580,456,514**
Payable to related party	**89,730,000**	**(52,000,000)**	**–**	**37,730,000**
Interest payable	**890,139**	**(27,235,028)**	**29,389,889**	**3,045,000**
Dividends payable (see Note 14)	**32,570,612**	**(62,737,921)**	**75,000,000**	**44,832,691**
Total liabilities	**₱703,190,751**	**(₱146,322,949)**	**₱109,196,403**	**₱666,064,205**

	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

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

30. 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 feeds - 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, 2021 and the segment assets as at December 31:

	2021			
	Bakery Flour	**Mill Feeds**	**Real Estate and Investment**	**Consolidated**
Revenue				
Sales – related parties	**₱1,095,526,069**	**₱100,020,442**	**₱–**	**₱1,195,546,511**
Rental income	–	–	**253,989,256**	**253,989,256**
Interest income	–	–	**18,464,200**	**18,464,200**
Dividend income	–	–	**23,963,824**	**23,963,824**
	1,095,526,069	**100,020,442**	**296,417,280**	**1,491,963,791**
Cost of sales/services	**887,597,423**	**155,414,597**	**86,332,027**	**1,129,344,047**
Gross profit on sales/income	**207,928,646**	**(55,394,155)**	**210,085,253**	**362,619,744**
Selling and administrative expenses	**(133,996,688)**	**(12,233,765)**	**(26,285,493)**	**(172,515,946)**
Interest expense	–	–	**(41,516,974)**	**(41,516,974)**
Other charges – net	**(4,804,103)**	**(17,227,231)**	**45,308,667**	**23,277,333**
Provision for income tax	–	–	–	**(33,689,206)**
Net income	**₱69,127,855**	**(84,855,151)**	**₱187,591,453**	**₱138,174,951**
Property, plant and equipment	**₱280,969,905**	**₱17,444,096**	**₱2,112,061**	**₱300,526,062**
Investment properties	–	–	**₱1,371,443,195**	**₱1,371,443,195**
Depreciation and amortization	**₱11,803,319**	**₱1,077,631**	**₱45,134,923**	**₱58,015,873**
Additions to property, plant and equipment and investment properties	**₱195,546,638**	**₱12,140,568**	**₱194,183,009**	**₱401,870,215**

	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

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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. and its subsidiaries (the Group), as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group'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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2021

In compliance with Revised Securities Regulation Code Rule 68, the Company has prepared the following schedules:

- 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 and 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

**Not Applicable*

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

FINANCIAL ASSETS (Annex 68-J: Schedule A)

DECEMBER 31, 2021

	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 Amortized Cost					
Cash in banks	N/A	N/A	₱194,041,740	N/A	₱441,261
Receivables:					
Trade receivables from related parties, net of allowance	N/A	N/A	1,069,372,697	N/A	–
Rent receivables:					
Third parties	N/A	N/A	10,772,756	N/A	44,851
Related parties	N/A	N/A	255,730	N/A	–
Advances to officers and employees	N/A	N/A	3,904,393	N/A	–
Other receivables	N/A	N/A	27,876,019	N/A	–
Other noncurrent assets*	N/A	N/A	4,179,180	N/A	–
			1,310,402,515		486,112

(Forward)

	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	AC Energy Philippines Inc.	14,256,757	₱156,824,327	₱156,824,327	₱855,406
Equity investments.	ACE Enexor, Inc	300,000	12,000,000	12,000,000	–
Equity investments	Aboitiz Power Corporation.	212,000	6,296,400	6,296,400	180,200
Equity investments	Philex Mining Corporation	1,000,000	5,450,000	5,450,000	59,000
Equity investments	PLDT, Inc.	2,000	3,624,000	3,624,000	164,000
Equity investments	Nickel Asia Corporation	584,208	3,125,513	3,125,513	262,894
Equity investments	Union Bank of the Philippines	25,807	2,567,797	2,567,797	90,324
Equity investments	GMA Holdings Inc.	74,000	972,360	972,360	99,900
Equity investments	PXP Energy CorporationAce Enexor Inc.	150,000	922,500	922,500	–
Equity investments	Philippine National Bank	27,531	553,373	553,373	–
Equity investments	Cebu Air, Inc	8,640	364,176	364,176	–
Equity investments	Cebu Landmasters, Inc.	223,000	669,000	669,000	25,000
Equity investments	Lepanto Consolidated Mining Company	3,545,455	496,364	496,364	–
Equity investments	SFA Semicon Philippines Corporation	400,000	440,000	440,000	–
Equity investments	Universal Rightfield Property Holdings, Inc.	600,000	22,800	22,800	–
		21,409,398	194,328,610	194,328,610	1,736,724
Financial Assets at FVOCI					
Debt instruments	Deutsche Bank	600,000	72,724,200	72,724,200	4,140,000
Debt instruments	PLDT, Inc.	500,000	30,953,700	30,953,700	1,476,512
Debt instruments	SM Prime Holdings, Inc.	250,000	25,842,750	25,842,750	1,148,340
Debt instruments	San Miguel Brewery, Inc.	500,000	25,300,250	25,300,250	1,750,000
Debt instruments	Ayala Land, Inc.	1,040,000	24,494,880	24,494,880	4,945,000
Debt instruments	Philippine National Bank	200,000	22,456,600	22,456,600	980,000
Debt instruments	Ayala Corporation	200,000	20,218,400	20,218,400	771,200
Debt instruments	Gaz Finance PLC	3,000	13,921,790	13,921,790	242,478
Debt instruments	Metropolitan Bank & Trust Company	100,000	10,232,300	10,232,300	360,000
Debt instruments	Government bonds	100,000	10,236,100	10,236,100	370,000
Debt instruments	SM Investments Corporation	500,000	–	–	1,590,830
Debt instruments	Rockwell Land Corporation	200,000	–	–	203,728
		4,193,000	256,380,970	256,380,970	17,978,088

(Forward)

	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	Philippine Bank of Communication	8,965,609	₱156,718,845	₱156,718,845	₱–
Equity investments	Ayala Corporation	138,060	70,842,840	70,842,840	3,456,792
Equity investments	San Miguel Corporation	934,100	31,320,000	31,320,000	4,135,201
Equity investments	GT Capital Holdings, Inc.	30,000	29,992,000	29,992,000	1,509,871
Equity investments	8990 Holdings, Inc.	200,000	20,200,000	20,200,000	1,205,260
Equity investments	Double Dragon Corporation	200,000	20,140,000	20,140,000	1,295,560
Equity investments	Monde Nissin Corporation	600,000	9,720,000	9,720,000	–
Equity investments	DDMP REIT, Inc.	4,400,000	7,876,000	7,876,000	424,121
Equity investments	First Gen Corporation	70,000	7,210,000	7,210,000	544,656
Equity investments	Asian Terminal, Inc.	392,133	5,489,862	5,489,862	275,669
Equity investments	Manila Bulletin Publishing Corporation	5,789,685	2,402,719	2,402,719	–
Equity investments	BDO Unibank, Inc.	4,730	570,911	570,911	5,676
Equity investments	Arthaland Corporation	426,250	208,800	208,800	708,495
Equity investments	Global-Estate Resorts, Inc.	20,000	20,200	20,200	–
Equity investments	PLDT, Inc.	7,000	7,000	7,000	–
Equity investments	Petron Corporation	38,650	–	–	2,650,734
Equity investments	First Philippine Holdings Corporation	50,000	–	–	3,287,800
Equity investments	Megawide Corporation	250,000	–	–	1,756,250
Equity investments	Phoenix Petroleum Philippines	7,750	–	–	586,520
Equity investments	Globe Telecom, Inc.	100,000	–	–	–
Equity investments	BDO Leasing and Finance, Inc.	25,000	–	–	–
Equity investments	Liberty Commodities Corporation	17,733	7,525,170	7,525,170	384,495
Equity investments	UPCC Securities Corporation	35,907	4,780,460	4,780,460	–
Equity investments	UPCC Holdings Corporation	40,396	–	–	–
		22,743,003	375,024,807	375,024,807	22,227,100
Total Financial Assets			₱2,136,136,902	₱825,734,387	₱42,428,024

**Excluding deferred input VAT – noncurrent portion amounting to ₱19,742,155 and advances to suppliers amounting to ₱2,062,444 as at December 31, 2021.*

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, 2021

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	₱12,164	₱503,494	₱462,363	₱–	₱53,295	₱–	₱53,295
	₱12,164	₱503,494	₱462,363	₱–	₱53,295	₱–	₱53,295

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

LONG - TERM DEBT (Annex 68-J: Schedule D)

DECEMBER 31, 2021

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current portion of notes payable" in related Statement of Financial Position	Amount shown under Caption "Notes payable – net of current portion" in related Statement of Financial Position
Five-year secured term loan	₱290,000,000	₱67,591,446	₱220,820,976
Five-year secured term loan	290,000,000	69,064,286	222,979,806
Total	₱580,000,000	₱136,655,732	₱443,800,782

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEBTEDNESS TO RELATED PARTIES (Annex 68-J: Schedule E)

DECEMBER 31, 2021

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
Affiliate							
Parity Values, Inc	₱89,730,000	₱–	(₱52,000,000)	₱–	₱–	₱37,730,000	₱37,730,000

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

CAPITAL STOCK (Annex 68-J: Schedule G)

DECEMBER 31, 2021

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	–	–	14,242,735	135,757,265
	200,000,000	150,000,000	–	–	14,242,735	135,757,265

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2021

Unappropriated retained earnings, beginning	₱1,060,605,804
Less: Impact of rental income straight-lining under PFRS as at December 31, 2020	(2,496,065)
Cumulative fair value on financial assets at FVTPL as at December 31, 2020	(4,727,216)
Deferred tax assets	(18,852,597)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	1,034,529,926
Add: Net income actually earned/realized during the year	
Net loss closed to retained earnings	(12,615,277)
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(1,439,276)
Impact of rental income straight-lining under PFRSs	321,861
Movement in deferred tax assets	17,390,145
Net income actually earned/realized during the year	3,657,453
Less: Cash dividend declaration during the year	75,000,000
Total retained earnings available for dividend declaration, end	₱1,113,187,379

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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. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group'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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)

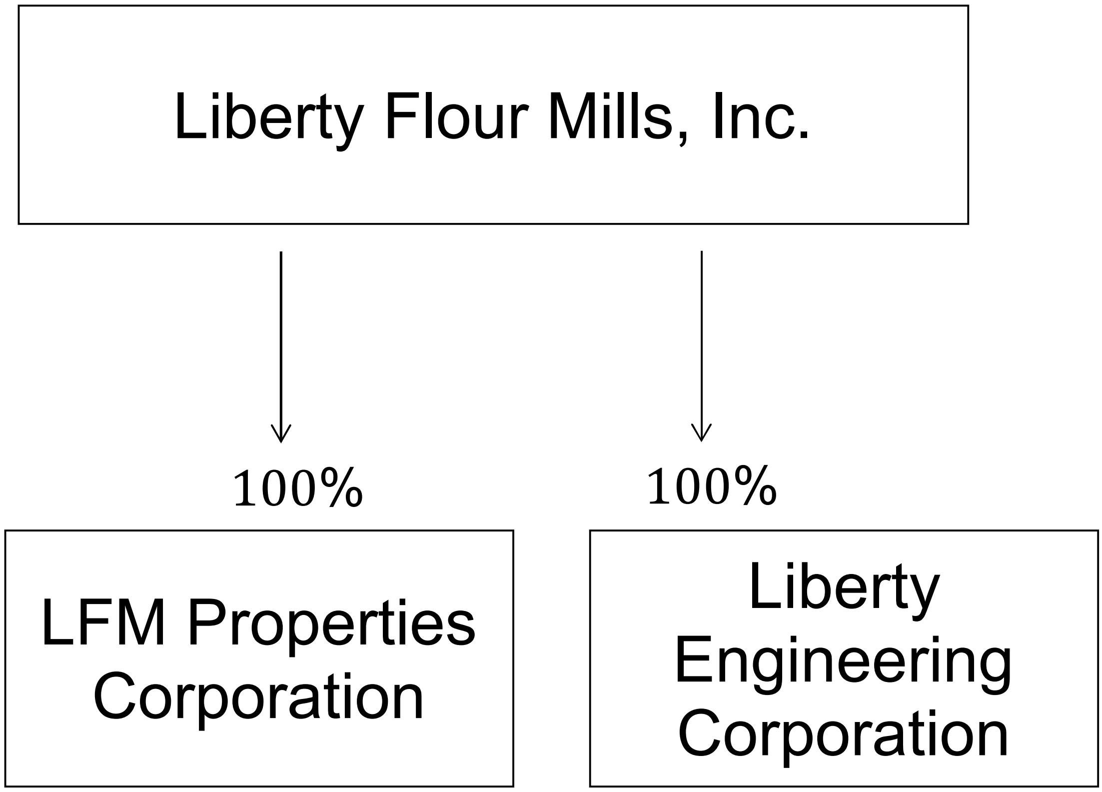
DECEMBER 31, 2021

		December 31	
	Formula	**2021**	2020
Current Ratio	Total current assets/Total current liabilities	**2.75**	1.39
Acid Test Ratio	(Cash and cash equivalents + Receivable) / Total current liabilities	**2.03**	0.93
Solvency Ratio	(Net income + Depreciation)/ Total liabilities	**0.15**	0.19
Debt-to-Equity Ratio	Total liabilities/Total equity	**0.47**	0.46
Asset-to-Equity Ratio	Total assets/Total equity	**1.47**	1.46
Interest Rate Coverage Ratio	Earnings before interest and tax/Interest expense	**5.14**	7.28
Return on Equity	Net income/Total equity	**0.05**	0.07
Return on Assets	Net income/Total assets	**0.03**	0.05
Net Profit Margin	Net income/Revenue	**0.10**	0.14
Debt Service Coverage Ratio	Income before interest expense, tax, depreciation and amortization/Total debt service (interest expense + principal payments)	**6.54**	8.77

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2021



Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (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, 2021 and 2020, 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

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **23rd** day of **March 2022**

LIBERTY FLOUR MILLS INC.
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MANAGEMENT OFFICE
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528 F Blumentritt Extension
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Tel + 63 2 5322001 to 04 Fax + 63 2 5317985

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

APR 06 2022

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

Name	Identification Document Presented	Issue/Expiry Date
WILLIAM CARLOS UY	SC ID No. 1734252	May 2002
SANDRA JUDY UY	PASSPORT ID No. P7994347A	July 19,2018 / July 18, 2028
JOSE MA. S. LOPEZ	SC ID No. 2253477	May 2004

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Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

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, 2021
Highest Ranking Person responsible for this report	Sandra Judy Uy President

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. 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

[1] See *GRI 102-46* (2016) for more guidance.

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 2021, 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	147,985,951	PhP
b. Employee wages and benefits	64,836,992	PhP
c. Payments to suppliers, other operating costs	1,073,557,379	PhP
d. Dividends given to stockholders and interest payments to loan providers	116,516,974	PhP
e. Taxes given to government	43,400,361	PhP
f. Investments to community (e.g. donations, CSR)	142,412	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 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	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: • 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

foreign currency rates. All of this conspire to create a steady and unpredictable rise in prices to an essential raw material.		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 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,	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.

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, 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.	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. • 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	The Company looks into the severity and probability of the climate-related	The Company identifies, assesses and manages climate-related risks through a	Natural catastrophes, such as floods and typhoons, will directly affect the Company's

[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.

oversees all risk and opportunities, including physical risks related to climate.	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.	risk-based thinking associated with ISO 9001:2015	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)	NONE	NONE
Energy consumption (gasoline)	184.06	GJ
Energy consumption (LPG)	41.323	GJ
Energy consumption (diesel)	186.23	GJ
Energy consumption (electricity)	5,215,851.83	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	20.51	GJ
Energy reduction (LPG)	207.03	GJ
Energy reduction (diesel)	119.60	GJ
Energy reduction (electricity)	NONE	kWh
Energy reduction (gasoline)	20.51	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. 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.	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**
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	16,183.509	m^3
Water consumption	21,673	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. Additionally, there will be large water consumption for the lavatory facilities.	Employees	
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	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

reduces the Company's operating costs.		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	58,726,474	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	Which stakeholders are affected?	Management Approach

[3] International Union for Conservation of Nature

organization's involvement in the impact?		
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		

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	120	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	292	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	16,183.509	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]	117	
a. Number of female employees	17	#
b. Number of male employees	110	#
Attrition rate[5]	-.08	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	8.18
PhilHealth	Y	5.88	8.18
Pag-ibig	Y	5.88	10.91
Parental leaves	Y	n/a	1.82
Vacation leaves	Y	90.98	94.74
Sick leaves	Y	29.41	29.41
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 homegrown, and considered pioneers in the flour milling industry since 1958.	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)

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	75.21	%
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	7.30	%
% of male workers in the workforce	92.71	%
Number of employees from indigenous communities and/or vulnerable sector*	9	#

**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	295,344	DAYS
No. of work-related injuries	4	CASES
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	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous	Collective or individual rights that have been identified that or	Mitigating measures (if negative) or enhancement measures (if positive)

projects; this has to be business operations)			people (Y/N)?	particular concern for the community	
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*	0	#
No. of complaints addressed	0	#

**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 -.08infrastructure 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.

2 ZERO HUNGER

Contribution to UN SDG's:

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.

Negative Impacts and mitigation measures:

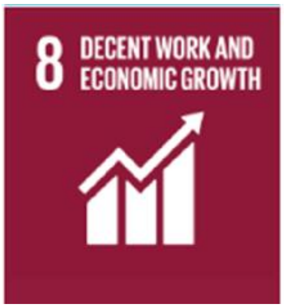
Being engaged in manufacturing of consumer goods, the Company has a large carbon footprint in terms of the use of fossil fuels. It imports wheat, which is transported through barges and ships, and transports raw materials through the use of trucks and vans.

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.



Contribution to UN SDG’s:

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.

Negative Impacts and mitigation measures:

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.

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

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)*

7 F   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 ,   M a k a t i   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

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) 8892-5011	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
439	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) 8892-5011	–

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better
working world

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

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ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Liberty Flour Mills, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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.

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

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

In preparing the parent company 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.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Liberty Flour Mills, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1621-AR-1 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-126-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854320, January 3, 2022, Makati City

March 23, 2022

LIBERTY FLOUR MILLS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱144,331,932**	₱128,032,207
Receivables (Note 5)	**1,106,467,560**	819,360,005
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**13,879,619**	12,440,343
Inventories (Note 7)	**190,338,015**	356,615,886
Prepaid expenses and other current assets (Note 8)	**76,360,941**	49,875,315
Total Current Assets	**1,531,378,067**	1,366,323,756
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**446,670,932**	833,447,994
Investment properties (Note 11)	**514,850,547**	516,849,120
Investment in subsidiaries (Note 9)	**242,184,450**	242,184,450
Property, plant and equipment (Note 12)	**298,414,001**	103,607,745
Deferred tax assets - net (Note 23)	**918,902**	18,103,777
Other noncurrent assets (Note 13)	**3,409,650**	147,397,311
Total Noncurrent Assets	**1,506,448,482**	1,861,590,397
TOTAL ASSETS	**₱3,037,826,549**	₱3,227,914,153
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 7 and 14)	**₱541,808,739**	₱574,161,360
Noncurrent Liability		
Net retirement plan liability (Note 21)	**5,849,806**	59,372,880
Total Liabilities	**547,658,545**	633,534,240
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 10)	**30,299,837**	49,830,981
Accumulated remeasurement losses on retirement benefits (Note 21)	**(13,122,360)**	(16,056,872)
Retained earnings (Note 15)	**972,990,527**	1,060,605,804
Total Equity	**2,490,168,004**	2,594,379,913
TOTAL LIABILITIES AND EQUITY	**₱3,037,826,549**	₱3,227,914,153

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR M ILLS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 16)	**₱1,195,546,511**	₱1,088,619,014
COST OF SALES (Note 17)	**1,043,012,020**	891,750,107
GROSS PROFIT	**152,534,491**	196,868,907
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	**(108,946,234)**	(107,366,456)
SELLING EXPENSES (Note 18)	**(37,284,219)**	(37,830,583)
OTHER INCOME (CHARGES)		
Dividend income (Notes 6 and 10)	**21,140,737**	26,219,978
Interest income (Notes 4 and 10)	**18,370,531**	22,455,934
Rental income - net (Notes 11, 24 and 25)	**22,123,024**	23,403,439
Interest expense (Note 7)	**(10,832,430)**	(3,826,720)
Other income (charges) - net (Notes 6, 10 and 20)	**(54,639,793)**	1,386,010
INCOME BEFORE INCOME TAX	**2,466,107**	121,310,509
PROVISION FOR INCOME TAX (Note 23)		
Current	**403,906**	11,781,860
Deferred	**14,677,478**	15,178,164
	15,081,384	26,960,024
NET INCOME (LOSS)	**(12,615,277)**	94,350,485
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 10)	**(16,330,766)**	6,620,711
Fair value gain on financial assets at FVOCI realized through sale (Note 10)	**(1,800,000)**	(52,938)
	(18,130,766)	6,567,773
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on retirement benefits (Note 21)	**5,441,909**	(18,465,990)
Fair value gain (loss) on equity investments at FVOCI (Note 10)	**(1,400,378)**	6,140,563
Income tax effect	**(2,507,397)**	5,539,797
	1,534,134	(6,785,630)
TOTAL OTHER COMPREHENSIVE LOSS	**(16,596,632)**	(217,857)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱29,211,909)**	₱94,132,628
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 15)	**(₱0.08)**	₱0.63

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR MILLS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		Other Components of Equity			
	Capital Stock (Note 15)	Fair Value Changes on Financial Assets at FVOCI (Note 10)	Accumulated Remeasurement Losses on Retirement Benefits (Note 21)	Retained Earnings (Note 15)	Total
BALANCES AT JANUARY 1, 2021	**₱1,500,000,000**	**₱49,830,981**	**(₱16,056,872)**	**₱1,060,605,804**	**₱2,594,379,913**
Net loss	**–**	**–**	**–**	**(12,615,277)**	**(12,615,277)**
Other comprehensive income (loss)	**–**	**(19,531,144)**	**2,934,512**	**–**	**(16,596,632)**
Total comprehensive income (loss)	**–**	**(19,531,144)**	**2,934,512**	**(12,615,277)**	**(29,211,909)**
Cash dividends declared (Note 15)	**–**	**–**	**–**	**(75,000,000)**	**(75,000,000)**
BALANCES AT DECEMBER 31, 2021	**₱1,500,000,000**	**₱30,299,837**	**(₱13,122,360)**	**₱972,990,527**	**₱2,490,168,004**
BALANCES AT JANUARY 1, 2020	₱1,500,000,000	₱37,122,645	(₱3,130,679)	₱1,129,257,199	₱2,663,249,165
Net income	–	–	–	94,350,485	94,350,485
Other comprehensive income (loss)	–	12,708,336	(12,926,193)	–	(217,857)
Total comprehensive income (loss)	–	12,708,336	(12,926,193)	94,350,485	94,132,628
Cash dividends declared (Note 15)	–	–	–	(75,000,000)	(75,000,000)
Property dividends declared (Note 15)	–	–	–	(88,001,880)	(88,001,880)
BALANCES AT DECEMBER 31, 2020	₱1,500,000,000	₱49,830,981	(₱16,056,872)	₱1,060,605,804	₱2,594,379,913

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR MILLS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,466,107**	₱121,310,509
Adjustments to reconcile profit before income tax to net cash flows:		
Change in net retirement liability (Note 21)	**(48,081,165)**	(53,224,471)
Dividend income (Notes 6 and 10)	**(21,140,737)**	(26,219,978)
Interest income (Notes 4 and 10)	**(18,370,531)**	(22,455,934)
Depreciation and amortization (Notes 11 and 12)	**14,947,363**	14,427,364
Interest expense (Notes 7)	**10,832,430**	3,826,720
Unrealized foreign currency exchange loss	**9,060,857**	3,941,890
Gain on sale of debt securities at FVOCI	**(1,800,000)**	(52,938)
Fair value loss (gain) on financial assets at FVTPL (Notes 6 and 20)	**(1,439,276)**	510,677
Operating income (loss) before working capital changes	**(53,524,952)**	42,063,839
Decrease (increase) in:		
Receivables	**(287,107,555)**	(111,012,087)
Inventories	**166,277,871**	(183,770,072)
Prepaid expenses and other current assets	**(26,485,626)**	5,025,999
Increase (decrease) in accounts payables and other current liabilities	**(44,614,700)**	280,604,163
Cash generated from (used for) operations	**(245,454,962)**	32,911,842
Interest received	**18,370,531**	22,455,934
Income taxes paid	**(403,906)**	(11,781,860)
Net cash provided by (used in) operating activities	**(227,488,337)**	43,585,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of financial assets at FVOCI (Note 10)	**391,457,500**	153,650,000
Acquisition of:		
Property, plant and equipment (Note 12)	**(207,687,206)**	(56,177,231)
Financial assets at FVOCI (Note 10)	**(22,411,582)**	–
Investment properties (Note 11)	**(67,840)**	–
Dividends received (Notes 6 and 10)	**21,140,737**	26,219,978
Decrease (increase) in other noncurrent assets (Note 13)	**143,987,661**	(93,699,992)
Net cash provided by investing activities	**326,419,270**	29,992,755
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Notes 15 and 28)	**(62,737,921)**	(74,480,800)
Interest paid (Note 7)	**(10,832,430)**	(3,826,720)
Cash used in financing activities	**(73,570,351)**	(78,307,520)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(9,060,857)**	(3,941,890)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**16,299,725**	(8,670,739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**128,032,207**	136,702,946
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱144,331,932**	₱128,032,207

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR MILLS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Liberty Flour Mills, Inc. (the Company) was 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 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. The Company's registered office is at 7F Liberty Building, 835 A. Arnaiz Avenue, Makati City.

The accompanying parent company financial statements were authorized and approved for issue by the Board of Directors (BOD) on March 23, 2022.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation
The parent company financial statements that are prepared for submission to the Philippine SEC and the Bureau of Internal Revenue (BIR) have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The parent company 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 parent company financial statements are presented in Philippine peso (peso), which is the Company's functional and presentation currency, and rounded to the nearest peso, except when otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements and in accordance with PFRSs. The consolidated financial statements may be obtained at the Company's registered office address (see Note 1).

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 in 2021. The Company 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 parent company financial statements.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  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, 2022; 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 April 1, 2021. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2021. The amendments did not have an impact to the parent company financial statements as the Company is not a party to lease agreements as a lessee. The amendments do not have an impact for leases where the Company is the lessor.

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

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

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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after January 1, 2025
- 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 Company presents assets and liabilities in the parent company 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 reporting period, 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 period.

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 reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

The Company 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 either:

- 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 Company.

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 Company 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 parent company 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 parent company financial statements on a recurring basis, the Company 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.

The Company determines the policies and procedures for both recurring fair value measurement, such as quoted financial assets, and for non-recurring measurement.

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

The Company 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 Company 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 Company recognizes the difference between the transaction price and the fair value (a “Day 1” difference) in the parent company statements 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 parent company statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company 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 Company’s business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company'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 Company 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 Company. The Company 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 (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 Company's cash and cash equivalents, receivables and refundable deposits recorded under "Other noncurrent assets" are included in this category as at December 31, 2021 and 2020.

- *Financial assets at FVOCI (debt instruments).* The Company measures debt instruments at FVOCI 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 profit or loss in the parent company 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 Company's debt instruments at FVOCI includes government and corporate bonds as at December 31, 2021 and 2020.

- *Financial assets designated at FVOCI (equity instruments)*. Upon initial recognition, the Company 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 profit or loss in the parent company statement of comprehensive income when the right of payment has been established, except when the Company 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 Company's financial asset designated at FVOCI includes quoted and unquoted equity investments as at December 31, 2021 and 2020.

- *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 fair value through profit or loss, 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 fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

  This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the parent company 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 Company has no derivative asset as at December 31, 2021 and 2020.

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

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90-180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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, payables, 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 and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist only of loans and borrowings. As at December 31, 2021 and 2020, the Company's loans and borrowings consist of accounts payable and other current liabilities. The Company has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding embedded derivatives as at December 31, 2021 and 2020.

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 Company; 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company 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 parent company 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 moving-average for finished goods) and net realizable value (NRV). Cost of finished goods such as flour and mill feeds and work in process 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 estimated costs of completion and the estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets
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.

Creditable withholding taxes ("CWT"). CWT represents the amount of tax withheld by counterparties from the Company. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the "Prepayments and other current assets" account in the parent company statement of financial position.

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 parent company 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 parent company statement of financial position to the extent of the recoverable amount.

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 in Subsidiaries
A subsidiary is an entity controlled by the Company. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries is carried in the parent company statement of financial position at cost, less any impairment in value. The Company recognizes income from the investment only to the extent that it receives distributions from accumulated income of the subsidiary arising after the date of acquisition. Distributions received in excess of the accumulated income of the subsidiary are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

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

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

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

Depreciation is computed on a straight-line basis over the estimated useful lives of building and building improvements ranging from 10 to 20 years.

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 parent company 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 Company 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 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

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

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

Capital Stock
Capital stock is measured at par value for all shares issued and outstanding. When the 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 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 Company, except for stock dividends, which also require the approval for issuance of shares by the SEC. Cash dividends are recognized as a liability while stock dividends are recognized as additional issued shares. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

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

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

Diluted earnings per share is calculated by dividing the income for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The 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 Company 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 Company 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 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 accrues.

Dividend Income
Dividend income is recognized when the Company's right to receive the payment is established.

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, netted against rental income in the parent company statement of comprehensive income, 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 Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Retirement Benefit Costs
The Company 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 parent company 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 Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Company recognizes the following changes in the net defined benefit obligation under “Administrative expenses” in the parent company 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 parent company 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 parent company 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 Company 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 expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of 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 Company 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 presented in profit or loss, net of reimbursement.

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

Segment Reporting
The Company'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 30 to the parent company financial statements. The Company's 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 Company's financial position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

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

In the opinion of management, the parent company 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 Company 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 parent company statements of financial position.

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

Estimates

Definition of Default and Credit-Impaired Financial Assets. The Company 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 Company, 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 Company 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 model the probability of default, loss given default and exposure at default throughout the Company's expected credit loss (ECL) calculation.

Simplified Approach for Trade Receivables. The Company 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 Company's historical observed default rates. The Company 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.

Macro-economic Forecasts and Forward-looking Information. Macro-economic forecasts are 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 Company 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, 2021 and 2020. The carrying value of receivables amounted to ₱1,106.47 million and ₱819.36 million as at December 31, 2021 and 2020 (see Note 5).

Evaluation of Net Realizable Value of Inventories. The Company 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.

The Company has allowance for inventory obsolescence amounting to ₱15.56 million as at December 31, 2020 (nil in 2021). The carrying value of inventories amounted to ₱190.34 million and ₱356.62 million as at December 31, 2021 and 2020, respectively (see Note 7).

Impairment of financial assets at FVOCI (debt instruments). The Company recognizes 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 Company 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. 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 Company applies the low credit risk simplification. At every reporting date, the Company 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 Company reassesses the internal credit rating of the debt instrument. In addition, the Company 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 ₱256.38 million and ₱453.40 million as at December 31, 2021 and 2020, respectively (see Note 10).

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, 2021 and 2020, the carrying value of unquoted financial assets at FVOCI approximate their fair value.

As at December 31, 2021 and 2020, the carrying value of unquoted equity securities amounted to ₱12.31 million and ₱12.11 million, respectively (see Notes 10 and 26).

Estimation of Retirement Benefits Obligation 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.

The Company 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 Company 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 Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of retirement benefits and related obligation.

The carrying value of net retirement plan liability amounted to ₱5.85 million and ₱59.37 million as at December 31, 2021 and 2020, respectively (see Note 21).

Recognition of Deferred Tax Assets. The Company reviews the carrying amounts at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer 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, 2021 and 2020, the Company recognized deferred tax assets on deductible temporary differences amounting to ₱1.46 million and ₱18.85 million, respectively (see Note 23).

As at December 31, 2021 and 2020, the Company did not recognize deferred tax assets amounting to ₱39.72 million and ₱23.65 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).

Provisions and Contingencies. The Company is involved in certain tax assessments and claims. The estimation of the potential liability resulting from these tax assessments and claims requires significant judgment and estimate by management. The inherent uncertainty over the outcome of these tax examinations is brought about by the differences in the interpretation and implementation of the laws and tax rulings. The Company 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 judgement and estimate or in the effectiveness of strategies relating to these tax assessments and claims (see Note 22).

4. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱144,331,932**	₱102,758,178
Cash equivalents	**–**	25,274,029
	₱144,331,932	₱128,032,207

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 Company and earn interest at the respective short-term investment rates.

Interest income earned on cash in banks and cash equivalents amounted to ₱0.39 million and ₱1.63 million in 2021 and 2020, respectively.

5. Receivables

	2021	2020
Trade receivables from related parties (see Notes 16 and 24)	**₱1,072,015,004**	₱798,602,374
Rent receivables from:		
Third parties	**4,411,341**	6,594,338
Related parties (see Note 24)	**309,025**	399,729
Advances to officers and employees	**3,788,279**	4,397,534
Others (see Note 24)	**27,536,537**	10,958,656
	1,108,060,186	820,952,631
Less allowance for expected credit losses	**1,592,626**	1,592,626
	₱1,106,467,560	₱819,360,005

Trade receivables arise from sale of flour and mill feeds. These are noninterest-bearing with average credit terms of 180 days.

Rent receivables arise from leasing the Company's investment properties. These are interest-bearing with average credit term of 30 days. In 2021 and 2020, no interests have been charged to tenants as the Company's rent receivables were normally collected within the credit term.

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

Others include the Company's receivable from its retirement plan (see Note 24).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL pertain to quoted equity securities held for trading purposes and are composed of the following:

	2021	2020
Balance at beginning of year	**₱12,440,343**	₱12,951,020
Fair value gain (loss) recognized in profit or loss (see Note 20)	**1,439,276**	(510,677)
	₱13,879,619	₱12,440,343

Realized gain on sale of financial assets at FVTPL amounted to nil in 2021 and ₱0.10 million in 2020.

Dividend income earned on financial assets at FVTPL amounted to ₱0.63 million in 2021 and ₱0.54 million in 2020.

7. Inventories

	2021	2020
At NRV -		
Mill feeds	**₱–**	₱13,804,331
At cost:		
Wheat grains	**143,036,659**	315,452,028
Flour	**40,208,914**	15,556,355
Supplies	**6,193,609**	11,803,172
Mill feeds	**898,833**	–
	₱190,338,015	₱356,615,886

Cost of mill feeds carried at NRV amounted to nil and ₱29,361,214 as at December 31, 2021 and 2020, respectively.

Costs of inventories recognized under "Cost of sales" in the parent company statements of comprehensive income amounted to ₱1,043.01 million in 2021 and ₱891.75 million in 2020 (see Note 17).

Under the terms of agreements covering trust receipts, certain inventories have been released to the Company during the year in trust for the banks. The outstanding liabilities under such trust receipts amounted to ₱304.14 million and ₱245.03 million as at December 31, 2021 and 2020, respectively. Interest expense recognized on liabilities under trust receipts amounted to ₱10.83 million in 2021 (based on annual interest of 2.63% to 3.50%) and ₱3.83 million in 2020 (based on annual interest of 2.63% to 5.00%)

Wheat grains inventories in transit amounted to ₱54.24 million and ₱112.30 million as at December 31, 2021 and 2020, respectively (see Note 14).

In 2020, the Company recognized provision for inventory obsolescence and decline in value of inventories amounting to ₱15.56 million. Allowance for inventory obsolescence and decline in value of inventories amounted to nil and ₱15.56 million as at December 31, 2021 and 2020, respectively (see Note 17).

8. Prepaid Expenses and Other Current Assets

	2021	2020
Creditable withholding taxes	**₱25,042,627**	₱12,866,794
Store supplies	**23,340,152**	24,623,117
Advance VAT on importation	**9,455,854**	870,735
Advances to suppliers	**7,759,338**	5,347,454
Prepaid importation cost	**3,351,099**	65,377
Prepaid taxes	**2,664,832**	2,883,253
Prepaid insurance	**1,203,115**	933,320
Others	**3,543,924**	2,285,265
	₱76,360,941	₱49,875,315

9. Investments in Subsidiaries

This account represents the Company's 100% ownership in LFM Properties Corporation (LPC) and Liberty Engineering Corporation (LEC).

LPC is primarily engaged in the business of leasing out real estate properties such as office spaces and condominium units. LEC is primarily engaged in the business of selling, leasing and distribution of cars, trucks, machineries, furniture and appliances. The principal place of business of LPC and LEC is in the Philippines.

The cost of investments in subsidiaries as at December 31 follows:

	2021	2020
LPC (see Note 15)	**₱212,563,900**	₱212,563,900
LEC	**29,620,550**	29,620,550
	₱242,184,450	₱242,184,450

10. Financial Assets at Fair Value through Other Comprehensive Income

	2021	2020
Debt securities	**₱256,380,970**	₱453,400,154
Equity securities:		
Quoted	**177,984,332**	367,935,509
Unquoted	**12,305,630**	12,112,331
	₱446,670,932	₱833,447,994

In 2021, the Company purchased debt and equity securities amounting to ₱14.31 million and ₱8.10 million, respectively.

The Company sold debt securities with a carrying amount of ₱195.00 million and ₱63.65 million in 2021 and 2020, respectively. The Company also sold quoted equity securities with a carrying amount of ₱196.46 million and ₱90.00 million in 2021 and 2020, respectively.

Fair value changes on financial assets at FVOCI follow:

	2021	2020
Balance at the beginning of year	**₱49,830,981**	₱37,122,645
Fair value gain (loss) recognized in other comprehensive income	**(17,731,144)**	12,761,274
Fair value gain realized through sale (see Note 20)	**(1,800,000)**	(52,938)
Balance at the end of year	**₱30,299,837**	₱49,830,981

No impairment loss was recognized on the Company's investment in debt securities in 2021 and 2020.

Interest income earned on debt securities amounted to ₱17.98 million in 2021 and ₱20.83 million in 2020. Dividend income earned on investments in equity securities amounted to ₱20.51 million in 2021 and ₱25.68 million in 2020.

The Company's debt securities in 2021 includes Russian debt securities. In February 2022, a number of countries (including Australia, EU, Japan, Singapore, UK, the US and others) imposed new sanctions against Russian government entities, state-owned enterprises or sanctioned entities and individuals linked to Russia anywhere in the world and announcements of potential additional sanctions following the conflict in Ukraine initiated on February 24, 2022. Subsequently, new sanctions have been imposed. Sanctions have also been imposed on Belarus.

The Company considers the events as non-adjusting subsequent events, which do not impact its financial position and performance as at and for the year ended December 31, 2021. Considering the evolving nature of this event, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

11. Investment Properties

	2021		
	Land	**Building and Building Improvements**	**Total**
Cost			
Beginning balances	**₱482,105,340**	**₱71,317,321**	**₱553,422,661**
Additions		**67,840**	**67,840**
Ending balances	**482,105,340**	**71,385,161**	**553,490,501**
Accumulated Depreciation			
Beginning balances	**–**	**36,573,541**	**36,573,541**
Depreciation	**–**	**2,066,413**	**2,066,413**
Ending balances	**–**	**38,639,954**	**38,639,954**
Net book values	**₱482,105,340**	**₱32,745,207**	**₱514,850,547**

	2020		
	Land	Building and Building Improvements	Total
Cost			
Beginning balances	₱482,105,340	₱71,317,321	₱553,422,661
Accumulated Depreciation			
Beginning balances	–	34,501,450	34,501,450
Depreciation	–	2,072,091	2,072,091
Ending balances	–	36,573,541	36,573,541
Net book values	₱482,105,340	₱34,743,780	₱516,849,120

Rental income and the related expenses recognized in profit or loss from various operating leases in the office spaces of its building are as follows:

	2021	2020
Rental income (see Notes 24 and 25)	**₱30,754,792**	₱33,381,437
Direct operating expenses:		
Security services	**3,799,130**	3,806,095
Utilities	**1,187,864**	2,417,869
Depreciation	**2,066,413**	2,072,091
Janitorial services	**717,485**	850,718
Salaries and wages	**214,636**	223,773
Repairs and Maintenance	**189,527**	107,169
Insurance	**43,118**	43,768
Others	**413,595**	456,515
	(8,631,768)	(9,977,998)
	₱22,123,024	₱23,403,439

Direct operating expenses incurred for non-income generating investment properties amounted to ₱2.46 million in 2021 and ₱3.42 million in 2020.

The Company has refundable deposits for utilities installation on its investment properties amounting to ₱0.45 million as at December 31, 2021 and 2020, respectively, presented as part of "Other noncurrent assets" in the parent company statements of financial position (see Note 13).

The aggregate fair value of investment properties amounted to ₱1.57 billion as at December 31, 2021 and 2020. These have been determined based on valuation performed by a qualified and independent appraiser in 2019. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

The Company's management assessed that the fair value of these investment properties as at December 31, 2020 approximates its fair value as at December 31, 2021 as no significant changes on the properties have taken place since the latest appraisal, or will take place in the near future, in the market, economic or legal environment in which the Company operates or in the market to which the investment property is dedicated.

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

	Valuation technique	Significant unobservable input
Land	Sales Comparison Approach	Adjusted sales price of comparable properties
Building	Cost Approach	Current market prices of similar materials, labor, contractors' overhead and manufactured equipment

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

The highest and best use of 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.

12. **Property, Plant and Equipment**

	2021						
	Mill Machinery and Equipment	**Building and Building Equipment**	**Transportation Equipment**	**Land and Land Improvements**	**Other Equipment**	**Construction In progress**	**Total**
Cost							
Beginning balances	**₱232,722,654**	**₱115,881,489**	**₱48,685,651**	**₱25,335,572**	**₱37,944,947**	**₱42,028,557**	**₱502,598,870**
Additions	**744,583**	**40,179**	**2,123,893**	**–**	**941,459**	**203,837,092**	**207,687,206**
Ending balances	**233,467,237**	**115,921,668**	**50,809,544**	**₱25,335,572**	**38,886,406**	**245,865,649**	**710,286,076**
Accumulated Depreciation and Amortization							
Beginning balances	**215,055,333**	**94,492,716**	**43,540,103**	**16,446,688**	**29,456,285**	**–**	**398,991,125**
Depreciation and amortization (see Notes 17 and 18)	**5,426,835**	**2,682,092**	**1,457,910**	**978,535**	**2,335,578**	**–**	**12,880,950**
Ending balances	**220,482,168**	**97,174,808**	**44,998,013**	**17,425,223**	**31,791,863**	**–**	**411,872,075**
Net Book Values	**₱12,985,069**	**₱18,746,860**	**₱5,811,531**	**₱7,910,349**	**₱7,094,543**	**₱245,865,649**	**₱298,414,001**

	2020						
	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Land and Land Improvements	Other Equipment	Construction In progress	Total
Cost							
Beginning balances	₱223,976,426	₱115,310,950	₱45,376,253	₱25,335,572	₱36,422,438	₱–	₱446,421,639
Additions	8,746,228	570,539	3,309,398	–	1,522,509	42,028,557	56,177,231
Ending balances	232,722,654	115,881,489	48,685,651	₱25,335,572	37,944,947	42,028,557	502,598,870
Accumulated Depreciation and Amortization							
Beginning balances	209,095,420	91,686,766	42,750,550	15,468,154	27,634,962	–	386,635,852
Depreciation and amortization (see Notes 17 and 18)	5,959,913	2,805,950	789,553	978,534	1,821,323	–	12,355,273
Ending balances	215,055,333	94,492,716	43,540,103	16,446,688	29,456,285	–	398,991,125
Net Book Values	₱17,667,321	₱21,388,773	₱5,145,548	₱8,888,884	₱8,488,662	₱42,028,557	₱103,607,745

As at December 31, 2021, construction in progress pertains to costs incurred for the renovation of the Company's manufacturing facility. The renovation is expected to be completed in 2022.

13. **Other Noncurrent Assets**

	2021	2020
Advances to suppliers	**₱1,941,963**	₱143,770,516
Refundable deposits (see Note 11)	**445,687**	2,604,795
Others	**1,022,000**	1,022,000
	₱3,409,650	₱147,397,311

As at December 31, 2020, advances to suppliers mainly pertain to advance payments to suppliers for the purchase of machineries which have been delivered in 2021.

14. **Accounts Payable and Other Current Liabilities**

	2021	2020
Liabilities under trust receipts (see Note 7)	**₱304,142,352**	₱245,025,907
Dividends payable	**132,834,571**	120,572,492
Accrued liability for inventories in transit (see Note 7)	**54,237,448**	112,300,525
Trade payables	**17,301,792**	58,315,982
Customers and tenants' deposits	**12,701,186**	12,442,924
Accrued selling, freight and outside services	**5,641,584**	5,176,117
Output VAT - net	**4,370,872**	4,203,765
Withholding tax, HDMF and SSS payable	**1,503,839**	1,423,255
Accrued other expenses	**9,075,095**	14,700,393
	₱541,808,739	₱574,161,360

Liabilities under trust receipts are short-term loan with the banks for importation of wheat grains, with terms of 90 days at 2.625% to 3.50% interest per annum for 2021 and 2.625% to 5.00% interest per annum for 2020.

Dividends payable consist of dividends declared but not yet paid (see Note 15).

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

Customers and tenants' deposits represent advances and deposits that are applied against subsequent deliveries and rentals, thus, are generally outstanding for less than 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 Company's capital stock as at December 31, 2021 and 2020 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, 2021 and 2020 are held by 439 and 441 equity holders, respectively.

The Company's incorporation papers were filed with the SEC on December 18, 1958. The Company 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 Company issued 20% common stock dividend. Consequently, the 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 Company paid out 20% stock dividends and in November 1966, the 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:

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 Company's capitalization was approved by the SEC in November 1968.

In 1970, the Company declared 17.64% stock dividends on common shares amounting to ₱1.50 million (149,833 shares and ₱1,290 in cash for fractional shares).

In 1971, the 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 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 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 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 such stock 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 Philippine Stock Exchange (PSE), issued to the Company a Certificate of permit to sell securities which authorizes the sale of the said capital stock increase of 10.00 million common shares worth ₱100.00 million to the public.

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

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

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

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

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

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

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

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

Retained Earnings

Cash Dividends

Below is the summary of cash dividends declared for the years ended 2021 and 2020:

Date of Declaration	Date of Record	Date of Payment	Dividend per Share	Total Amount
June 11, 2021	May 26, 2021	June 30, 2021	₱0.50	₱75,000,000
June 30, 2020	July 14, 2020	July 28, 2020	₱0.50	₱75,000,000

Property Dividends

On November 25, 2020, the 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 Company, to eligible stockholders of the Company as of record date of December 18, 2020. Accordingly, the Company recognized dividends payable amounting to ₱88.0 million, equivalent to the proportionate carrying value of investment in LPC declared as property dividends representing 41.40% of LPC's outstanding capital stock (see Note 14). In August 2021, the Company secured the SEC approval while in November 2021, the application for Certificate of Registration (CAR) has been approved by the BIR. As at March 23, 2022, the distribution of property dividends has not yet been reflected, pending annotation of the transfer of shares in the corporate books.

Basic/Diluted Earnings Per Share
The computation of basic/diluted earnings per share is as follows:

	2021	2020
Net income (loss)	**(₱12,615,277)**	₱94,350,485
Divided by weighted average number of shares	**150,000,000**	150,000,000
Basic/diluted earnings per share	**(₱0.08)**	₱0.63

The Company does not have potentially dilutive common shares as at December 31, 2021 and 2020.

16. Revenue from Contracts with Customers

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

	2021	2020
Sales of bakery flour	**₱1,095,526,069**	₱967,591,233
Sales of mill feeds	**100,020,442**	121,027,781
	₱1,195,546,511	₱1,088,619,014

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 Company's trade receivables from related parties amounting to ₱1,072.02 million and ₱798.60 million as at December 31, 2021 and 2020, respectively, arise from sale of flour. These are noninterest-bearing with average credit terms of 180 days (see Note 5).

The Company has no contract assets and contract liabilities as at December 31, 2021 and 2020.

17. Cost of Sales

	2021	2020
Materials used	**₱938,510,410**	₱776,556,835
Direct labor (see Note 19)	**55,786,668**	53,076,543
Overhead:		
Utilities	**32,435,238**	30,942,881
Depreciation (see Note 12)	**6,455,658**	7,470,835
Repairs and maintenance	**2,219,411**	2,067,025
Other factory overhead	**7,604,635**	6,079,105
Provision for inventory write-down (see Note 7)	**–**	15,556,883
	₱1,043,012,020	₱891,750,107

18. Operating Expenses

Administrative Expenses

	2021	2020
Employee benefits and bonuses (see Notes 19, 21 and 24)	**₱36,065,982**	₱30,809,395
Outside services	**27,745,288**	30,963,250
Salaries and wages (see Notes 19 and 24)	**20,916,922**	19,892,852
Taxes and licenses	**5,697,149**	4,785,728
Depreciation and amortization (see Note 12)	**5,030,920**	3,471,716
Membership and subscription	**3,319,591**	8,054,114
Insurance	**2,002,963**	2,236,390
Communication, light and water	**1,202,553**	1,150,553
Per diem	**825,000**	715,000
Travel and representation	**317,323**	168,083
Repairs and maintenance	**378,913**	475,337
Office supplies	**320,974**	421,552
Donations and contribution	**142,412**	604,631
Others	**4,980,244**	3,617,855
	₱108,946,234	₱107,366,456

Selling Expenses

	2021	2020
Promotional and marketing expenses (see Note 24)	**₱35,033,335**	₱35,087,784
Depreciation (see Note 12)	**1,394,372**	1,412,722
Freight	**856,512**	1,330,077
	₱37,284,219	₱37,830,583

19. **Personnel Costs**

	2021	2020
Direct labor (see Note 17)	**₱55,786,668**	₱53,076,543
Bonus and allowances (see Note 18)	**23,382,969**	15,962,272
Salaries and wages (see Notes 18 and 24)	**20,916,922**	19,892,852
Retirement benefits costs (see Notes 18, 21 and 24)	**7,122,996**	8,244,734
Other employee benefits (see Notes 18 and 24)	**5,560,017**	6,602,389
	₱112,769,572	₱103,778,790

20. **Other Income (Charges) - Net**

	2021	2020
Fair value gain (loss) on financial assets at FVTPL (see Note 6)	**₱1,439,276**	(₱510,677)
Gain on sale of debt securities at FVOCI (see Note 10)	**1,800,000**	52,938
Unrealized foreign exchange loss	**(9,060,857)**	(3,941,890)
Other income (charges) - net	**(48,818,212)**	5,785,639
	(₱54,639,793)	₱1,386,010

In 2021, other income (charges) - net mainly include provision for losses, realized foreign exchange loss and taxes.

21. **Retirement Benefits Costs**

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

Under the terms of Liberty Flour Mills, Inc. Retirement Plan, the 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 Company.

The Retirement Plan is administered by a Trustee appointed by the 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 Company's appointed Retirement Committee will coordinate closely with the Trustee in the implementation of the Retirement Plan.

Changes in net retirement plan liability as at December 31, 2021 and 2020 follows:

		Net Retirement Cost in Profit or Loss in the Parent Company 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 Company	Benefits Paid from Plan Assets	Contributions to the Plan Asset	Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from Demographic Assumptions	Subtotal	Balance at End of Year
December 31, 2021													
Present value of defined benefit obligation	**₱127,649,590**	**₱5,338,028**	**₱4,863,449**	**₱10,201,477**	**(₱5,204,161)**	**(₱24,853,371)**	**₱–**	**₱–**	**₱12,154,576**	**₱1,664,993**	**(₱15,428)**	**(₱10,505,011)**	**₱97,188,524**
Fair value of plan assets	**(68,276,710)**	**–**	**(3,078,481)**	**(3,078,481)**	**–**	**24,853,371**	**(50,000,000)**	**5,063,102**	**–**	**–**	**–**	**5,063,102**	**(91,338,718)**
Net defined benefit liability	**₱59,372,880**	**₱5,338,028**	**₱1,784,968**	**₱7,122,996**	**(5,204,161)**	**₱–**	**(₱50,000,000)**	**₱5,063,102**	**₱12,154,576**	**₱1,664,993**	**(₱15,428)**	**(₱5,441,909)**	**₱5,849,806**
December 31, 2020													
Present value of defined benefit obligation	₱116,796,904	₱4,436,915	₱6,209,339	₱10,645,534	(₱7,145,939)	(₱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	(54,323,726)	1,794,183	–	–	–	1,793,183	(68,276,710)
Net defined benefit liability	₱94,211,361	₱4,436,915	₱3,808,539	₱8,244,734	(₱7,145,939)	₱–	(₱54,323,726)	₱1,794,183	₱15,478,265	₱1,193,542	₱–	₱18,464,990	₱59,372,880

The Company is expected to contribute ₱50.00 million to its defined benefit pension plan in 2022.

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:

	2021	2020
Cash in banks	**₱14,630,781**	₱13,870,567
Money market placements	**14,239,723**	67,011
Receivables	**779,261**	779,261
Investments in equity securities:		
Industrial	**5,489,157**	9,821,958
Services	**4,022,816**	1,917,026
Financials	**2,813,384**	473,384
Mining and oil	**305,250**	2,836,500
Others	**253,560**	249,080
BPI Philippine Equity Index Fund	**3,904,576**	3,165,198
Investment in bonds	**60,916,364**	45,336,838
Liabilities (see Note 24)	**(16,016,154)**	(10,240,113)
	₱91,338,718	₱68,276,710

The carrying amount of the Company’s plan assets represents their fair value as at December 31, 2021 and 2020.

Investments in equity securities can be transacted through the PSE. The plan assets include shares of stock of the Company with fair value of ₱4.91 million and ₱9.18 million as at December 31, 2021 and 2020, respectively. Fair value loss recognized by the retirement plan assets for the changes in market values of the shares of stock of the Company amounted to ₱4.27 million in 2021 and ₱0.72 million in 2020. With respect to the plan’s investment in the Company’s shares of stock:

a. There are no restrictions or limitations on the shares provided in the plan.
b. The Board of Trustees exercises voting rights over the shares.
c. The gain or loss recognized by the plan over the shares for the years were not material in 2021 and 2020.

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 latest actuarial valuation of the Company’s plan is as at December 31, 2021. The principal actuarial assumptions used to determine retirement benefits costs as at January 1 are as follows:

	2021	2020
Discount rate	**5.08%**	3.81%
Future salary increases	**5.00%**	5.00%

The Retirement Plan Committee has no specific matching strategies 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 movement in the discount and salary increase rates as at December 31:

	2021	
	Increase (Decrease) in Rate	**Increase (Decrease) in DBO**
Discount rate	**9.60%**	**₱9,358,070**
	(8.20%)	**(8,010,569)**
Salary increase rate	**9.50%**	**9,270,194**
	(8.30%)	**(8,087,602)**

	2020	
	Increase (Decrease) in Rate	Increase (Decrease) in DBO
Discount rate	9.80%	₱12,471,903
	(8.30%)	(10,642,962)
Salary increase rate	9.60%	12,193,031
	(8.30%)	(10,624,970)

The average duration of the defined benefit obligation at the end of the period is 8.9 years in 2021 and 9.1 years in 2020.

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:

Year	**2021**	2020
Year 1	**₱13,208,364**	₱21,932,180
Year 2	**5,053,877**	2,999,421
Year 3	**3,588,934**	5,232,581
Year 4	**6,933,608**	5,900,423
Year 5	**7,586,369**	8,993,513
Year 6 - 10	**58,579,260**	62,387,783

Other Comprehensive Income

Movements in accumulated remeasurement losses on retirement benefits recognized in "other components of equity" under the equity section of the parent company statements of financial position follows:

	2021	2020
Beginning balance	**(₱16,056,872)**	(₱3,130,679)
Remeasurement gains (losses) in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	**10,505,011**	(16,671,807)
Remeasurement loss on plan assets	**(5,063,102)**	(1,794,183)
Total	**5,441,909**	(18,465,990)
Income tax effect	**(2,507,397)**	5,539,797
	2,934,512	(12,926,193)
Ending balance	**(₱13,122,360)**	(₱16,056,872)

22. **Provisions and Contingencies**

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

In 2015, the Company 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 Company 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 LFMI has been ordered to comment on the same. Consequently, the Company filed a corresponding comment/opposition to the KMTAI appeal.

As of March 23, 2022, the Company has not yet received any resolution of the Motion for Execution. The case is still pending in the Office of the President.

b. Tax Assessments

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

In consultation with the Company's legal counsels, management believes that the ultimate disposition of the above matters will not have any material adverse effect on the Company'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 Company's position in relation to this ongoing claim and assessments.

23. **Income Taxes**

The Company's provision for current income tax represents MCIT in 2021 and RCIT in 2020.

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 parent company statements of comprehensive income is as follows:

	2021	2020
Income before tax at statutory tax rate	**₱616,527**	₱36,393,153
Additions to (reductions in) income tax resulting from:		
Movement in unrecognized deferred tax asset	**20,011,072**	3,098,558
Dividend income	**(5,285,185)**	(7,865,993)

(Forward)

	2021	2020
Interest income subjected to final tax	**(₱4,592,633)**	(₱6,736,780)
Nondeductible expenses	**4,238,162**	1,917,883
Fair value changes of financial assets at FVTPL	**(359,819)**	153,203
Impact of CREATE Act	**453,260**	–
Provision for income tax	**₱15,081,384**	₱26,960,024

The Company's net deferred tax assets as at December 31 follow:

	2021	2020
Deferred tax assets:		
Net retirement plan liability	**₱1,462,452**	₱17,811,864
Unrealized foreign exchange loss	**–**	1,040,733
	1,462,452	18,852,597
Deferred tax liability -		
Accrued rent	**(543,550)**	(748,820)
Net deferred tax assets	**₱918,902**	₱18,103,777

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 these deferred tax assets to be utilized:

	2021	2020
Unamortized past service cost	**₱85,627,459**	₱52,214,714
NOLCO	**45,610,225**	–
Unrealized foreign exchange loss	**12,545,831**	–
Provision for:		
Probable losses	**6,228,390**	9,480,110
Expected credit loss	**1,592,626**	1,592,626
Inventory write-down	**–**	15,556,883
MCIT	**1,821,023**	–
	₱153,425,554	₱78,844,333

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 state that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2021, the Company'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
2018	2021	₱33,822,567	₱2,320,966
2019	2022	–	2,902,573
2021	2026	45,610,225	1,821,023
		79,432,792	7,044,562
Applied in 2020		33,822,567	5,223,539
		₱45,610,225	₱1,821,023

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

- 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 ₱5 million and with total assets not exceeding ₱100 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 Bill 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 at 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.

Applying the provisions of the CREATE Act, the Company was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

As at December 31, 2021, the CREATE Act's retrospective 5% income tax rate reduction resulted in a prorated current income tax (CIT) rate of the Company for CY2020 of 27.50%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱15,588,282 or a reduction of ₱1,417,117 in CIT and income tax payable, and a reduction of ₱3,017,296 in provision for deferred income tax due to remeasurement of net deferred tax assets. The impact of CREATE Act on the CIT and deferred income tax for the year ended December 31, 2020 have been adjusted, for financial reporting purposes, in the 2021 parent company financial statements.

24. **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.

Transactions with related parties for each of the years and their account balance as at December 31 follow:

	Amount/Volume Income (Expense)		Outstanding Balance Receivable (Payable)		
	2021	2020	**2021**	2020	Terms and Conditions
Stockholder					
Parity Values, Inc.					
Sale	**₱809,658,786**	₱700,284,741	**₱802,787,076**	₱558,989,320	120 days; Unsecured, not impaired
Rent income	**2,346,499**	2,346,499	**–**	11,960	30 days; Unsecured, not impaired
Promotional and marketing expenses	**(29,750,000)**	(29,750,000)	**–**	–	On demand
Under Common Control					
Liberty Commodities Corp.					
Sale	**236,749,097**	237,017,234	**104,604,795**	95,525,183	120 days; Unsecured, not impaired
Rent income	**3,060,458**	3,060,458	**255,730**	375,605	30 days; Unsecured, not impaired
Promotional and marketing expenses	**(5,250,000)**	(5,250,000)	**–**	–	On demand
Trade Demands Corp.					
Sale	**149,138,627**	151,317,039	**164,623,133**	144,087,871	120 days; Unsecured, with impairment of ₱1,592,626 as at December 31, 2021 and 2020
Subsidiaries					
LFM Properties Corporation					
Rental income	**503,494**	481,802	**53,295**	12,164	30 days; Unsecured, not impaired
Other Related Parties					
Retirement Plan					
Others	–	–	**7,227,090**	7,227,090	On demand;Unsecured; not impaired
Trade receivables from related parties (see Note 5)			**₱1,072,015,004**	₱798,602,374	
Rent receivables from related parties (see Note 5)			**₱309,025**	₱399,729	
Others (see Note 5)			**₱7,227,090**	₱7,227,090	

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

Outstanding 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. Allowance for expected credit losses on receivables from related parties has been recognized as at December 31, 2021 and 2020.

The Company also has a receivable from its retirement plan amounting to ₱7.23 million as at December 31, 2021 and 2020, which is presented under "Receivables - others" account in the parent company statements of financial position. The members of the Retirement Plan Committee are directors or officers of the Company.

The key management personnel compensation are as follows:

	2021	2020
Short-term employee benefits	**₱16,975,151**	₱14,042,082
Post-employment benefits and others	**7,122,996**	8,244,734
	₱24,098,147	₱22,286,816

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

25. **Leases**

The Company leases out office spaces principally to third parties under various operating lease arrangements. The leases are for a term of one to five years and may be renewed upon mutual agreement of the parties. Rental income amounted to ₱30.75 million and ₱33.38 million in 2021 and 2020, respectively (see Note 11).

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 ₱2.17 million and ₱2.50 million as at December 31, 2021 and 2020, respectively.

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments and discounts in 2020. The Company accounted for the deferment of payment and discounts provided as not a lease modification. The rent concessions resulted a reduction in rental income amounting to nil and ₱0.87 million in 2021 and 2020, respectively.

The future minimum lease receivables under non-cancellable leases are as follows:

	2021	2020
Year 1	**₱20,507,837**	₱17,648,403
Year 2	**8,882,299**	7,689,209
Year 3	**7,647,647**	7,913,204
Year 4	**6,070,218**	8,515,325
Year 5	**–**	8,027,623
	₱43,108,001	₱49,793,764

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

The Company's principal financial instruments consist of cash and cash equivalents, trade receivables, financial assets at FVTPL and financial assets at FVOCI. The main purpose of these financial instruments is to fund the Company'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, trade payable and accrued expenses

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

<u>Credit Risk</u>
Credit risk represents the loss that the Company would incur if counterparty failed to perform under its contractual obligations. The Company has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counterparties. The Company 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 Company is potentially subject to concentrations of credit risk in its accounts receivable. Approximately all of the Company's entire trade receivables and revenues are concentrated with its three distributors as at December 31, 2021 and 2020. The Company 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 the Company 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 Company, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, the Company'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 Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at December 31:

	2021	2020
Financial assets at amortized cost:		
Cash and cash equivalents*	**₱144,166,036**	₱127,324,372
Trade and other receivables**	**1,108,060,186**	820,952,631
Other noncurrent assets***	**1,467,687**	3,783,335
Debt securities at FVOCI	**256,380,970**	453,400,154
	₱1,510,074,879	₱1,405,460,492

**excluding cash on hand amounting to ₱165,896 and ₱707,835 as at December 31, 2021 and 2020, respectively.*
*** before considering provision for expected credit loss amounting to ₱1,592,626 as at December 31, 2021 and 2020.*
****excluding advances to suppliers amounting to ₱1,941,964 and ₱143,613,976 as at December 31, 2021 and 2020. respectively*

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

	2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱433,339,509**	**₱912,112,237**	**₱–**	**₱1,345,451,746**
Moderate	**–**	**164,623,133**	**–**	**164,623,133**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**433,339,509**	**1,076,735,370**	**–**	**1,510,074,879**
ECL	**–**	**1,592,626**	**–**	**1,592,626**
Carrying amount	**₱433,339,509**	**₱1,075,142,744**	**₱–**	**₱1,508,482,253**

	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Low	₱599,864,051	₱661,508,570	₱–	₱1,261,372,621
Moderate	–	144,087,871	–	144,087,871
High	–	–	–	–
Gross carrying amount	599,864,051	805,596,441	–	1,405,460,492
ECL	–	1,592,626	–	1,592,626
Carrying amount	₱599,864,051	₱804,003,815	₱–	₱1,403,867,866

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

Low Risk - This includes cash and cash equivalents to 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 counterparties with no history of default on the agreed contract terms. This includes receivable from credit-worthy customers and lessees.

Moderate Risk - This includes financial assets at FVOCI that are not classified as "High Grade". For receivables, this consists of counterparties with little history of default on the agreed contract terms.

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

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

	2021								
	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	**0.34%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.36%**	**1.41%**	**1.97%**	
Estimated total gross carrying amount at default	**₱61,677,610**	**₱13,928,472**	**₱13,654,350**	**₱14,782,214**	**₱14,178,710**	**₱12,180,646**	**₱13,968,246**	**₱20,252,885**	**₱164,623,133**
Expected credit loss	**206,958**	**188,826**	**185,110**	**200,401**	**192,219**	**165,131**	**195,893**	**258,088**	**1,592,626**

	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

As at December 31, 2021 and 2020, allowance for expected credit losses are recognized for trade receivables from Trade Demands Corporation, and rent receivables subjected to impairment.

As at December 31, 2021 and 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 Company is exposed to equity price risk because of investments in quoted equity securities, which are classified in the parent company statement of financial position as financial assets at FVTPL and financial assets at FVOCI.

The Company'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 Company 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 Company 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.

The effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities at FVTPL and fair value of quoted financial assets at FVOCI as at December 31, 2021 and 2020 are as follows:

	2021	
	Increase (decrease) in market price	**Increase (decrease) in profit or loss/equity**
Financial assets at FVTPL	**24%**	**3,331,108**
	(24%)	**(3,331,108)**
Financial assets at FVOCI	**1%**	**1,779,843**
	(1%)	**(1,779,843)**

	2020	
	Increase (decrease) in market price	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

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to pay its obligations when they fall due under normal and stress circumstances. The Company 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 Company'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 the Company's financial assets and liabilities based on contractual undiscounted payments as at December 31:

	2021			
	Less than 3 months	**3 to 12 Months**	**More than 12 months**	**Total**
Financial Assets				
Loans and receivables:				
Cash and cash equivalents:	**₱144,166,036**	**₱–**	**₱–**	**₱144,166,036**
Trade receivables from related parties	**1,072,015,004**	–	–	**1,072,015,004**
Rent receivables:				
Third parties	**4,411,341**	–	–	**4,411,341**
Related parties	**309,025**	–	–	**309,025**
Advances to officers and employees	**3,788,279**	–	–	**3,788,279**
Other receivables	**27,536,537**	–	-	**27,536,537**
Other noncurrent assets	–	–	**1,467,687**	**1,467,687**
Financial assets at FVTPL	**13,879,619**	–	–	**13,879,619**
Financial assets at FVOCI:				
Equity securities	–	–	**190,289,962**	**190,289,962**
Debt securities	–	**10,236,100**	**246,144,870**	**256,380,970**
Total financial assets	**1,266,105,841**	**10,236,100**	**437,902,519**	**1,714,244,460**
Financial Liabilities				
Liabilities under trust receipts	**304,142,352**	–	–	**304,142,352**
Dividends payable	**132,834,571**	–	–	**132,834,571**
Accrued liability for inventories in transit	**54,237,448**	–	–	**54,237,448**
Trade payables	**17,277,792**	–	–	**17,277,792**
Customers and tenants' deposits	**12,701,186**	–	–	**12,701,186**
Accrued selling, freight expense and outside services	**5,641,584**	–	–	**5,641,584**
Accrued other expenses	**9,075,095**	–	–	**9,075,095**
Total financial liabilities	**535,910,028**	–	–	**535,910,028**
Net financial asset (liabilities)	**₱730,195,813**	**₱10,236,100**	**₱437,902,519**	**₱1,178,334,432**

	2020			
	Less than 3 months	3 to 12 Months	More than 12 months	Total
Financial Assets				
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱102,050,343	₱–	₱–	₱102,050,343
Cash equivalents	25,274,029	–	–	25,274,029
Trade receivables from related parties	798,602,374			798,602,374
Rent receivables:				
Third parties	6,594,338	–	–	6,594,338
Related parties	399,729	–	–	399,729
Advances to officers and employees	4,397,534	–	–	4,397,534
Other receivables	10,958,656	–	-	10,958,656
Other noncurrent assets	–	–	3,783,335	3,783,335
Financial assets at FVTPL	12,440,343	–	–	12,440,343
Financial assets at FVOCI:				
Equity securities	–	–	380,047,840	380,047,840
Debt securities	40,013,480	50,205,271	363,181,404	453,400,155
Total financial assets	1,000,730,826	50,205,271	747,012,579	1,797,948,676
Financial Liabilities				
Liabilities under trust receipts	245,025,907	–	–	245,025,907
Accrued liability for inventories in transit	112,300,525	–	–	112,300,525
Dividends payable	120,572,492	–	–	120,572,492
Trade payables	58,315,982	–	–	58,315,982
Customers and tenants' deposits	12,442,924	–	–	12,442,924
Accrued selling, freight expense and outside services	5,176,117	–	–	5,176,117
Accrued other expenses	14,700,393	–	–	14,700,393
Total financial liabilities	568,534,340	–	–	568,534,340
Net financial asset (liabilities)	₱432,196,486	₱50,205,271	₱747,012,579	₱1,229,414,336

As at December 31, 2021 and 2020, the COVID-19 outbreak has no significant impact to the Company's liquidity risk.

Fair Value

The carrying values of cash and cash equivalents, receivables, 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.

Below are the Company's financial assets measured and carried at fair value as at December 31:

	2021	2020
Financial assets at FVTPL	**₱13,879,619**	₱12,440,343
Financial assets at FVOCI	**446,670,932**	833,447,994

Financial assets at FVTPL and quoted 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 Company's financial assets carried at fair value and nonfinancial assets whose fair values are disclosed as at December 31:

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱13,879,619**	**₱13,879,619**	**₱–**	**₱–**
Financial assets at FVOCI				
Quoted debt securities	**256,380,970**	**256,380,970**	–	–
Quoted equity securities	**177,984,332**	**177,984,332**	–	–
Unquoted equity securities	**12,305,630**	–	–	**12,305,630**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**1,569,331,090**	–	–	**1,569,331,090**

	2020			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱12,440,343	₱12,440,343	₱–	₱–
Financial assets at FVOCI				
Quoted debt securities	453,400,154	453,400,154	–	–
Quoted equity securities	367,935,509	367,935,509	–	–
Unquoted equity securities	12,112,331	–	–	12,112,331
Nonfinancial assets for which fair values are disclosed				
Investment properties	1,569,331,090	–	–	1,569,331,090

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

In 2021 and 2020, there were no transfers among the fair value measurement hierarchy levels.

27. Capital Management Policies

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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, 2021 and 2020.

The Company 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 Company at this point, with its healthy cash flow, is not looking for any bank loans to finance its operations and renovations. The Company strives to earn a minimum return double the annual inflation rate.

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

	2021	2020
Capital stock	**₱1,500,000,000**	₱1,500,000,000
Retained earnings	**972,990,527**	1,060,605,804
	₱2,472,990,527	₱2,560,605,804

28. Note to Parent Company Statements of Cash Flows

The changes in the Company's liability arising from financing activities (dividends payable) in 2021 and 2020 follows:

	2021	2020
Balance at beginning of year	**₱120,572,492**	₱32,051,412
Cash flows	**(62,737,921)**	(74,480,800)
Dividends declared (see Note 15)	**75,000,000**	163,001,880
Balance at end of year	**₱132,834,571**	₱120,572,492

29. Segment Information

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

a. Bakery flour - manufacturing of flour and distribution/sales of its produce.
b. Mill feeds - 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 Company has only one geographical segment as its operations are solely located in the Philippines.

The Executive Committee, the Company'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 parent company financial statements.

The following tables on business segments present the segment assets as at December 31, 2021 and 2020 and the revenue and profit information for the period then ended.

	2021			
	Bakery Flour	**Mill Feeds**	**Real Estate and Investment**	**Total**
Revenue				
Sales - related parties	**₱1,095,526,069**	**₱100,020,442**	**₱–**	**₱1,195,546,511**
Dividend income	–	–	**21,140,737**	**21,140,737**
Rental income	–	–	**30,754,792**	**30,754,792**
Interest income	–	–	**18,370,531**	**18,370,531**
	1,095,526,069	**100,020,442**	**70,266,060**	**1,265,812,571**
Cost of sales/services	**887,597,423**	**155,414,597**	**8,631,768**	**1,051,643,788**
Gross profit on sales/income	**207,928,646**	**(55,394,155)**	**61,634,292**	**214,168,783**
Selling and administrative expenses	**(133,996,688)**	**(12,233,765)**	–	**(146,230,453)**
Interest expense	–	–	**(10,832,430)**	**(10,832,430)**
Other income (charges) - net	**(4,804,103)**	**(17,227,231)**	**(32,608,459)**	**(54,639,793)**
Provision for income tax	–	–	–	**(15,081,384)**
Net income	**₱69,127,855**	**(₱84,855,151)**	**₱18,193,403**	**(₱12,615,277)**
Property, plant and equipment	**₱280,969,905**	**₱17,444,096**	**₱–**	**₱298,414,001**
Investment properties	–	–	**₱514,850,547**	**₱514,850,547**
Depreciation and amortization	**₱11,803,319**	**₱1,077,631**	**₱2,066,413**	**₱14,947,363**
Additions to property, plant and equipment and investment properties	**₱195,546,638**	**₱12,140,568**	**₱67,840**	**₱207,755,046**

	2020			
	Bakery Flour	Mill Feed	Real Estate and Investment	Total
Revenue				
Sales - related parties	₱967,591,233	₱121,027,781	₱–	₱1,088,619,014
Dividend income	–	–	26,219,978	26,219,978
Rental income	–	–	33,381,437	33,381,437
Interest income	–	–	22,455,934	22,455,934
	967,591,233	121,027,781	82,057,349	1,170,676,363
Cost of sales/services	709,778,070	181,972,037	9,977,998	901,728,105

(Forward)

	2020			
	Bakery Flour	Mill Feed	Real Estate and Investment	Total
Gross profit on sales/income	₱257,813,163	(₱60,944,256)	₱72,079,351	₱268,948,258
Selling and administrative expenses	(129,101,659)	(16,095,380)	–	(145,197,039)
Interest expense	–	–	(3,826,720)	(3,826,720)
Other income (charges) - net	(2,398,272)	8,815,943	(5,031,661)	1,386,010
Provision for income tax	–	–	–	(26,960,024)
Net income	₱126,313,232	(68,223,693)	₱63,220,970	₱94,350,485
Property, plant and equipment	₱97,551,248	₱6,056,497	₱–	₱103,607,745
Investment properties	–	–	₱516,849,120	₱516,849,120
Depreciation and amortization	₱11,812,242	₱543,031	₱2,072,091	₱14,427,364
Additions to property, plant and equipment and investment properties	₱54,383,550	₱1,793,681	₱–	₱56,177,231

30. **Supplementary Information Required Under Revenue Regulations 15-2010**

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on VAT, duties, taxes and licenses, documentary stamp taxes and withholding taxes paid or accrued during the taxable year.

a. Net Sales/Receipts and Output VAT

The Company is a VAT registered entity with sales and gross receipts subject to and exempt from VAT summarized as follows:

	Net Sales/ Receipt	Output VAT
Goods:		
Sale of goods	₱1,095,526,068	₱131,463,128
VAT-exempt sales	100,020,443	–
Scrap sales	2,262,324	242,392
Services:		
Rental income	31,076,652	3,729,198
Common utilities service area income	6,080,568	729,668
	₱1,234,966,055	₱136,164,386

The output VAT on the Company's rental and common utilities service area income are based on actual collections.

The output VAT from sales of goods and from gross receipts on rentals and common utilities service area income is recorded under output VAT.

Exempt sales consist of sales of mill feeds, the by-product of the manufactured flour pursuant to Revenue Regulation No.16-05.

b. Input VAT

Balance at January 1	₱–
Current year's domestic purchases/payments of importations for:	
Purchase of services	16,746,139
Capital goods subject to amortization	866,093
Goods for resale/manufacture or further processing	3,748,635
Goods other than for resale or manufacture	–
	21,360,867
Application against output VAT	21,360,867
Balance at December 31	₱–

c. Landed Costs and Customs Duties

Landed costs paid in 2021 amounted to ₱935,457,002.

d. Other Taxes and Licenses

Real estate taxes	₱5,603,900
License and permits fees	3,344,890
	₱8,948,790

e. Documentary Stamp Taxes

Documentary stamp taxes paid in 2021 amounting to ₱4,085,304 cover charges from the banks for importation and form part of inventory costs.

f. Excise Tax

The Company has no transactions subject to excise tax in 2021.

g. Withholding Taxes

Withholding taxes on compensation and benefits	₱6,835,178
Expanded withholding taxes	4,940,754
Final withholding taxes on royalties and dividends	4,577,221

h. Tax Assessments/Cases

As at December 31, 2021, the Company has the following outstanding tax assessments/cases:

a. On May 26, 2017, the Company filed an appeal, Petition for Review before the Court of Tax Appeals (CTA Case No. 9603) praying for the cancellation of the deficiency tax assessments in the aggregate amount of ₱204,013,305.81, inclusive of increments, for taxable year ended December 31, 2009. A large amount of the assessment is the alleged Improperly Accumulated Earnings Tax amounting to ₱186,843,462.77.

   In the Decision dated March 2, 2020, the CTA Second Division ruled in favor of the Company rendering the BIR's deficiency tax assessments for the Taxable Year ("TY") 2009 in the amount of ₱204,013,305.81 inclusive of surcharge, interest and compromise penalties, cancelled and set aside. The CTA Second Division based its decision on the defective Letter of Authority issued by the BIR causing the latter's tax assessments to be totally void.

On September 1, 2020 the Commissioner of Internal Revenue (Petitioner) filed an appeal by way of Petition for Review before the Court of Tax Appeals ("CTA") En Banc – CTA EB No. 2321 (CTA Case No. 9603). The Petitioner is praying for the reversal of the Decision dated March 2, 2020 and the Resolution dated July 27, 2020 of the CTA Second Division that held that the Bureau of internal Revenue's taxable year 2009 deficiency tax assessments of Liberty Flour Mills, Inc. ("Respondent") cancelled and set aside. Respondent filed its Comment / Opposition (to the Petition for Review) dated November 9, 2020.

On March 2, 2022, the Petition for Review filed by Petitioner is denied for lack of merit. The decision and resolution of the Court's 2nd Division, which cancelled and set aside the assessments against the Company dated March 2, 2020 and July 27, 2020, respectively, are affirmed. The Petitioner, his representatives, agents, or any person acting on his behalf are enjoined from collecting or taking any further action on the subject deficiency taxes.

b. The Company received a "Formal Letter of Demand ("FLD") from the BIR on December 23, 2019 for alleged deficiency income tax, value-added tax, expanded withholding tax, withholding tax on compensation, fringe benefit tax and documentary stamp tax for the taxable year 2012 in the aggregate amount of ₱117,793,915.24. The Company filed its protest letter on January 16, 2020.

   On April 22, 2021, the Company received a Final Decision on Disputed Assessment from the BIR dated April 14, 2021, which denied the Company's protest letter on the FLD. The Company is liable for alleged deficiency taxes in the total amount of ₱101,649,612.57 for the taxable year 2012.

   On May 24, 2021, the Company filed an appeal, Petition for Review before the Court of Tax Appeals (CTA Case No. 10532) praying for the cancellation of the deficiency tax assessments on income tax, value-added tax, expanded withholding tax and withholding tax on compensation in the aggregate amount of ₱98,294,548.84, inclusive of increments, for taxable year 2012. The Company no longer contested the BIR's findings with respects to the fringe benefits and documentary stamp tax.

Liberty

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 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 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

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **23rd** day of **March 2022**

LIBERTY FLOUR MILLS INC.
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MANAGEMENT OFFICE
Liberty Building 835 A Arnaiz Avenue
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PLANT
528 F Blumentritt Extension
Mandaluyong City 1550 Philippines
Tel + 63 2 5322001 to 04 Fax + 63 2 5317985

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

SUBSCRIBED AND SWORN TO before me this ____ day of APR 0 6 2022, in CITY OF MAKATI affiants exhibiting to me his/her competent evidence of identity as follows:

Name	Identification Document Presented	Issue/Expiry Date
WILLIAM CARLOS UY	SC ID No. 1734252	May 2002
SANDRA JUDY UY	PASSPORT ID No. P7994347A	July 19,2018 / July 18, 2028
JOSE MA. S. LOPEZ	SC ID No. 2253477	May 2004

Doc. No. 377
Page No. 77
Book No. XI
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Gmail

Junaila Mendoza <jrmendoza@libertygroup.com.ph>

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1 message

Maria Luisa Quizon <mlquizon@libertygroup.com.ph> Thu, May 12, 2022 at 8:26 AM
To: Junaila Mendoza <jrmendoza@libertygroup.com.ph>

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From: <eafs@bir.gov.ph>
Date: Wed, May 11, 2022 at 4:12 PM
Subject: Your BIR AFS eSubmission uploads were received
To: <MLQUIZON@libertygroup.com.ph>
Cc: <MLQUIZON@libertygroup.com.ph>

Hi LIBERTY FLOUR MILLS, INC.,

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- EAFS000128846OTHTY122021.pdf
- EAFS000128846TCRTY122021-02.pdf
- EAFS000128846TCRTY122021-01.pdf
- EAFS000128846ITRTY122021.pdf
- EAFS000128846TCRTY122021-03.pdf
- EAFS000128846AFSTY122021.pdf

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Transaction Code: **AFS-0-2NV1XXXQ08J7H95C7PVXY3YSP0QVYYTMPX**
Submission Date/Time: **May 11, 2022 03:56 PM**
Company TIN: **000-128-846**

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