

COVER SHEET

SEC Registration Number

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Company Name

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

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

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

1	7	-	A
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Department requiring the report

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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's Email Address

info@libertygroup.com.ph

Company's Telephone Number/s

(02) 892-5011

Mobile Number

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No. of Stockholders

442

Annual Meeting
Month/Day

Last Wednesday of May

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose Ma. Lopez

Email Address

jmlopez@pldttdsl.net

Telephone Number/s

(02) 892-5011

Mobile Number

-

Contact Person's Address

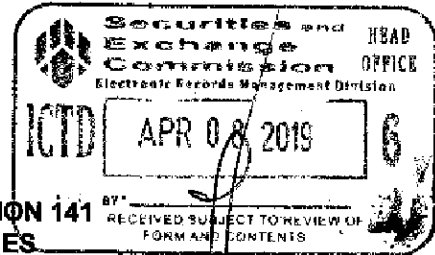
Liberty Building, 835 A. Arnaiz Avenue, Makati City

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, 2018
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
<u>COMMON</u>	<u>150,000,000</u>

11. Are any or all of these securities listed on a Stock Exchange.

Yes [] No []

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

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

Yes [] No []

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

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

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

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify

the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders; **-NA-**
- (b) Any information statement filed pursuant to SRC Rule 20; **-NA-**
- (c) Any prospectus filed pursuant to SRC Rule 8.1. **-NA-**

Liberty

LIBERTY FLOUR MILLS, INC.

**2018
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 engaged 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, Inc. and Liberty Commodities Corporation, respectively.

2. Mill Feed

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

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	61%
Soft Flour	26%
Mill Feed	9%
Rental Income	4%

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 members of the baking and food supply industry nationwide. 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.

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. Pilimico 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 eight (8%) percent.

The Company is likewise engaged in the business of leasing out office and commercial spaces directly or through its wholly owned subsidiary, LFM Properties Corporation. The Company leases out excess office spaces at its head office at Liberty Building in Makati City. It also leases out commercial and office spaces at its property in Mandaluyong City. LFM Properties Corporation owns: (1) a 19-storey building in Salcedo Village, Makati City which is fully leased out to local and foreign corporations as well as some foreign embassies and consulates; (2) a 17-storey building in Salcedo Village, Makati City is still under construction in progress; (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.

Customers

The Company caters mainly to bakeries, institutional end-users (i.e. pastry and cake shops) as well as supermarkets on a wholesale basis. Despite this, however, the Company is not dependent on any single or limited number of customers. The Company, likewise, does not engage in the retail of its products.

Transactions with and/or Dependence on Related Parties

The products produced by the Company are distributed through its three distributors, namely: (1) Parity Values, Inc.; (2) Trade Demands, Corp.; and (3) Liberty Commodities Corp.

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 of Sales
Parity Values, Inc.	62%
Trade Demands, Corp.	18%
Liberty Commodities Corp.	20%

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, Inc., CHS Europe SARL, and Bunge Asia PTE

Employees

As of December 31, 2018, the Company has 148 regular and probationary employees as follows:

Type of Employees	Number of Employees
Managerial	14
Administrative	8
Clerical	5
Operations	121
Total	148

The rank-and-file employees and the supervisory employees are subject to separate Collective Bargaining Agreements (CBA). Both CBAs will expire on June 30, 2019.

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	2
Administrative	2
Clerical	3
Operations	3
Total	10

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.

Subsidiary

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. As of December 31,

2018, the Company has insignificant exposure to foreign currency risk since the Group negotiates its liabilities on importation of wheat in Philippine peso.

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.

One of the company's subsidiaries, sold its land in Cupang, Muntinlupa City in 2018.

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:

2018	High	Low
First Quarter	52.55	52.55
Second Quarter	50.30	50.05
Third Quarter	49.95	49.60
Fourth Quarter	45.00	45.00
2017	High	Low
First Quarter	73.10	70.10
Second Quarter	64.00	62.00
Third Quarter	57.05	57.05
Fourth Quarter	58.55	58.55

Holdings

As of December 31, 2018, there are 442 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of December 31, 2018 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,878,835	40.59%
2.)	PCD Nominee Corp.(F)	47,665,782	31.78%
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.	742,488	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

The average dividend per share of the Company was ₱1.50 in 2018, ₱0.75 in 2017 and ₱1.50 in 2016.

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2018, 2017 and 2016.

	Dividend Type	Record Date	Rate	Amount
For 2018	Cash	April 6,2018	5%	P75,000,000.00
	Cash	November 12,2018	5%	P75,000,000.00
For 2017	Cash	April 21,2017	7.5%	P112,500,000.00
For 2016	Cash	March 11,2016	15%	P225,000,000.00

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

Unappropriated retained earnings, beginning	₱1,209,598,250
Less: Recognized deferred tax asset	(28,363,749)
Add: Fair value loss on financial assets at FVTPL	201,688
<u>Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning</u>	<u>1,181,436,189</u>
Add net income actually earned/realized during the year:	
Net income closed to retained earnings	70,182,508
Add: Fair value loss on financial assets at FVTPL	3,783,587
Deferred income tax asset recognized in profit or loss	2,637,891
<u>Net income actually earned/realized during the year</u>	<u>76,603,986</u>
<u>Less: Cash dividend declaration during the year</u>	<u>(150,000,000)</u>
<u>Total retained earnings available for dividend declaration, end</u>	<u>₱1,108,040,175</u>

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 2018:

Income Statement Data

For the Year December 31
(in Thousands of Pesos)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income	996,496	912,021	1,072,624
Expense	(881,501)	(787,984)	(915,636)
Income Before Tax	114,995	124,037	156,988
Provision for Tax	(12,979)	(21,349)	(26,770)
Net Income	102,016	102,688	130,218

Balance Sheet Data

As of December 31
(in Thousands of Pesos)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Cash and cash equivalents	78,623	131,986	158,851
Receivables	726,546	763,095	790,358
Financial assets at FVPL	157,453	167,359	51,149
Inventories	242,024	205,261	252,754
Prepaid expenses and other current assets	75,888	65,459	71,897
Available-for-sale investments	1,168,856	1,270,220	1,242,446
Investment properties	1,202,126	997,369	749,674
Property, plant and equipment	62,020	66,587	78,122
Accrued rent – noncurrent	6,623	4,718	2,666
Deferred income tax assets	26,528	28,973	35,072
Other noncurrent assets	6,620	12,716	8,039
Total Assets	3,753,307	3,713,743	3,441,028
Liabilities:			
Notes payable	770,400	670,459	390,913
Accounts payable and accrued expenses	218,897	155,690	118,858
Income tax payable	6,412	1,040	10,274
Deposits on long-term leases – current	11,294	9,790	6,952
Unearned rental income – current	11,317	3,647	3,123
Deposits on long-term leases – noncurrent	15,021	5,465	5,463
Unearned rental income – noncurrent	12,694	600	571
Net retirement plan liability	84,689	99,769	110,863
Deferred income tax liability	-	2,594	-
Total Liabilities	1,130,724	949,054	647,016
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 fair value through other comprehensive income	(122,474)		
Fair value changes on AFS investments		18,350	42,734
Accumulated remeasurement gains (losses) on retirement benefits	2,920	(3,183)	(8,057)
Retained earnings – unappropriated	1,242,137	1,249,522	1,259,334
Total Stockholders' Equity	2,622,583	2,764,689	2,829,763
Total Liabilities and Stockholders' Equity	3,753,307	3,713,743	3,441,028

Results of Operations

2018

The operations for the year resulted in a net income of P102million, a decrease by 1% from prior year. The decrease in the total sales volume of flour bags and milli feed sold by 3% coupled by decrease in net sales mix by 2% compared to 2017 resulted to a decrease in revenue by 1% which was offsetted by the increase of rental income by 9%. Despite of the several cost cutting measures being implemented by Management, the increase of 13% in the cost of sales was due to higher cost of raw materials and the depreciation in exchange rate. Higher dividend income of 17% is due to the increase in investments by one of its subsidiaries coupled by the dividend payout of the Company's unquoted investments. While there is slightly reduced in interest income by 6% versus last year. Also, the interest expense had increased by 7% due to the increase of interest rates from 3% to 6.5% compared to 2017.

As of the year ended December 31, 2018, the total gross income amounted to P238.33million, which reflected the income from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P181.3million and P13.47million, respectively. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P3.75 billion in 2018 while total liabilities amounted to P1.13billion which is higher by 1% and 19%, respectively, from balances in 2017.

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

For the year 2018 there were no seasonal aspects which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in 2018 as compared to 2017:

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

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

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

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

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

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

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

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

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

2017

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

As of the year ended December 31, 2017, the total gross income amounted to P314.2million, which reflected the income from the sale of the company's products, rental and real estate income, interest income, and dividend income from the investment of securities. Operating expenses and finance costs amounted to P171.3million and P12.59million, respectively. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P3.71 billion in 2017 while total liabilities amounted to P949.05million which is higher by 8%% and 47%, respectively, from balances in 2016.

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

For the year 2017 there were no seasonal aspects which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in 2017 as compared to 2016:

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

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

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

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

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

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

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

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

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

2016

The operations for the year resulted in a net income of P130million, a decrease by 20% from prior year. The decrease in the total sales volume of flour bags and mill feed sold by 23% coupled by decrease in selling prices by 25% compared to 2015 resulted to a decrease in revenue by 27%. The management continuously implemented several cost cutting measures during the year in which resulted to almost proportionate decrease of 28% in Cost of Sales. Also, increasing investments of the Company in shares of stocks and in debt instruments earned higher dividends by 22% and basically same interest income as compared in 2015. The interest expense was also reduced by 11%.

As of the year ended December 31, 2016, the total gross income amounted to P381.5 million, which reflected the income from the sale of the company's products, rental and real estate income, interest income, and dividend income from the investment of securities. Operating expenses and finance costs amounted to P182.3million and P10.03million, 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 P3.44 billion in 2016 while total liabilities amounted to P647.2million which is higher by 6%% and 52%, respectively, from balances in 2015.

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 2016, 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 2016 as compared to 2015:

Financial Assets at FVPL - There were no significant additions made in 2016. The increase of 9% in the balance of the investments in financial assets at FVPL is attributable to the increase in the market value of the investments.

Inventories – The increase of 16% in inventory is due to the higher purchases of wheat inventories at near year end coupled with lower production of flour products due to lower sales.

Available for Sale of Financial Assets– The increase of 7% in AFS is due to the acquisition of some debt securities and equity investments during the year.

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

Liabilities under trust receipts – Nil balance as of year-end due to timing of receipt of purchases at near year-end coupled with settlement of all outstanding payables due to higher cash accumulated during the year.

Notes payable – The Company's subsidiary-LPC obtained short-term notes on various dates in 2016 totaling P616.28million with interest rates ranging from 2.92% to 3.5% of which P225.37 million were fully paid during the same year.

Accounts Payable and accrued expenses – The increase is attributable primarily to the increase in Accrued Liabilities-Inventory in transit which was booked to Trust Receipts in January 2017.

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

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

Accrued Retirement Liability – The decrease is primarily due to higher benefits payments paid directly by Parent Company as of December 31, 2016 coupled with remeasurement gain vs. loss last year.

Summary of 2019 and 2020 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2019 and 2020. The Company forecasts its net income to increase by 2% from its preceding year.

The Company does not have any material commitments for capital expenditures for the year 2018.

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 P50 million in about three (3) years to refresh and maintain the existing manufacturing plant facilities located in Mandaluyong City.

7. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended 31 December 2018 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 P960,000 net of vat, 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	76	Filipino	Chairman of the Board
Sandra Uy	41	Filipino	Director
John Carlos Uy	68	Filipino	Director
Vicente Vargas	62	Filipino	Director
William Ang	67	Filipino	Director
David Ng*	57	Filipino	Director
Jose Ma. S. Lopez	74	Filipino	Director
Jose Jalandoni	63	Filipino	Director
Jesus Jalandoni	61	Filipino	Director
Daniel Maramba	45	Filipino	Director
Jose A. Feria Jr.*	70	Filipino	Director

* Independent Director

The Senior Management of the Company is as follows:

Name	Age	Citizenship	Position
William Carlos Uy	76	Filipino	President
Sandra Uy	41	Filipino	Senior Vice President – Manufacturing
Vicente Vargas	62	Filipino	Corporate Secretary
Jose Ma. Lopez	74	Filipino	Senior Vice President & Treasurer

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

William Carlos Uy. 76 years old. He serves as the Chairman of the Board of Directors and President of the Company. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a Corporate Treasurer of Malayan Bank.

John Carlos Uy. 68 years old. He is a Director of the Company. He also serves as a director and the general manager of Parity Values, Inc., one of the stockholders of the Company.

Vicente Vargas. 62 years old. He is a Director and Corporate Secretary of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., Unicomm Ingredients Phils., Inc.

William L. Ang. 67 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, 74 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, 63 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., Unicom Ingredients, La Funeraria Paz, Inc. and Nissan Car Lease Phils. Inc. He is Corporate Secretary of Kanlaon Development Corporation, Jayjay Realty Corporation and JM & Company, Inc. He is also the Chief Executive Officer of Personal Computer Specialists, Inc., Assistant Treasurer of JM Profreeze, MIS Manager of LFM Properties Corp, Treasurer of Macawiwili Gold Mining & Dev't. Corp. and Board of Director/Consultant of Agchem Manufacturing Corporation.

David Ng, 57 years old. He is a director of the Company. He is presently holding the President of Merlin Mining Corporation, Lucky Jade Corporation and Cottesloe Trading Corp. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc.

Jesus S. Jalandoni, Jr. 61 years old. He is the President and Chairman of the Board of Alegria Development Corporation; President of LFM Properties Corp.; Managing Director of Premium Wine Exchange; President of Valueline Realty & Development Corp. Executive Vice President and Treasurer of Enterprise Leasing Corporation; Vice President of Kanlaon Development Corp.; Vice President of Kanlaon Farms, Inc.; Vice President of Jayjay Realty Corporation; Director of JM Processing and Freezing Corp.; and Director of Personal Computer Specialist, Inc.

Sandra Uy, 41 years old. She serves as a Director and Senior Vice President of the Company.

Daniel Maramba, 45 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. 70 years old. He is the Senior Partner of Feria Tantoco Daos Law Offices. Atty. Feria holds the Chairman position for the following Companies: Assessment Analytichs, Inc., Cyan Management Corporation, Philippine Multi-media Systems, Inc., MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Spencer Food Corp., Vinnel Belvoir Corp. and Padre Burgos Realty, Inc. He serves as also Vice Chairman of Directories Philippines Corp. Moreover, Atty. Feria is a Director of the following Companies: Liberty Flour Mills, Inc., EYP.PH Corp., AeroAsia, Inc., HL&F Management Corp., Macawiwili Gold Mining & Development Corporation, Metropolitan Insurance Corp., Montecito Properties, Inc., Padre Burgos, Pru-Life Insurance Corp.,-UK, Telephilippines, Inc. And lastly, he is the Corporate Secretary of AisAsia Inc., All Asian Counter Trade, Inc., Felvisol Development Corp. and Sanara 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 2018 and 2017 are P14.28 million and P13.94million 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 Uy are as follows:

	Salaries	Bonus	Others	Total
2018				
William Carlos Uy <i>Chairman and President</i>	2,464,884	2,161,139	65,000	4,691,023
Jose Ma. S. Lopez <i>Senior Vice President for Finance</i>	3,000,922	1,932,579	65,000	4,998,501
Sandra Judy Uy <i>Senior Vice President - Manufacturing</i>	2,363,545	2,162,650	65,000	4,591,195
Total	7,887,087	6,198,632	195,000	14,280,719
2017				
William Carlos Uy <i>Chairman and President</i>	2,262,238	2,335,066	65,000	4,662,304
Jose Ma. S. Lopez <i>Senior Vice President for Finance</i>	2,924,657	2,099,391	65,000	5,089,048
Sandra Judy Uy <i>Senior Vice President - Manufacturing</i>	1,774,827	2,350,455	65,000	4,190,282
Total	6,961,722	6,784,912	195,000	13,941,634

11. Security Holders

As of December 31, 2018, there are 442 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of December 31, 2018 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,878,835	40.59%
2.)	PCD Nominee Corp.(F)	47,665,782	31.78%
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.	742,488	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.)	Gaian, 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 Jalandoni and Jesus Jalandoni Jr are siblings. Jose Jalandoni, Jesus Jalandoni Jr, Jose Ma. S. Lopez and Vicente 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 Vincente Vargas and John Carlos Uy as members. The Company also created its Compensation and Remuneration Committee composed of David Ng as Chairman and Jose Ma. S. Lopez and William Ang as members.

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 B – Supplementary Schedules
- Annex C – Additional Components

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 8th of April, 2019.

By:



WILLIAM CARLOS UY
President



JOSE MA. S. LOPEZ
SVP Treasurer



VICENTE S. VARGAS
Corporate Secretary

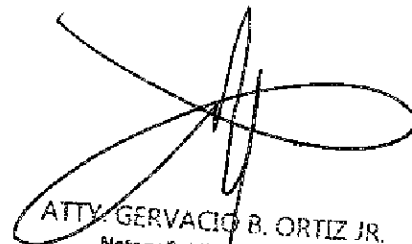


MARIA LUISA L. QUIZON
Chief Accountant

SUBSCRIBED AND SWORN to before me this APR 05 2019 affiant(s) exhibiting to me his/their Social Security System IDs, as follows:

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

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ATTY. GERVACIO B. ORTIZ JR.
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M1383 (2019-2020)
PTR No. 7303104 Jan. 3, 2019/Makati
IBP Lifetime No. 656155-Roll No. 40091
MCLE Compliance No. V-0006924
101 Urban Aye. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City