

# 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	-	Q
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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

<a href="mailto:info@libertygroup.com.ph">info@libertygroup.com.ph</a>
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Company's Telephone Number/s

<b>(02) 8892-5011</b>
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Mobile Number

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No. of Stockholders

<b>444</b>
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Annual Meeting  
Month/Day

<b>Last Wednesday of May</b>
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Fiscal Year  
Month/Day

<b>December 31</b>
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

<b>Jose Ma. Lopez</b>
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Email Address

<a href="mailto:jmlopez@pltdtdsl.net">jmlopez@pltdtdsl.net</a>
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Telephone Number/s

<b>(02) 8892-5011</b>
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Mobile Number

-
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Contact Person's Address

<b>Liberty Building, 835 A. Arnaiz Avenue, Makati City</b>
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**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2020**
2. Commission identification number: **14782**
3. BIR Tax Identification No: **000-128-846-V**
4. Exact name of registrant as specified in its charter: **LIBERTY FLOUR MILLS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**
6. Industry Classification Code:  (SEC Use Only)
7. **Liberty Building, A. Arnaiz Avenue, Makati City** **1200**  
Address of issuer's principal office Postal Code
8. Issuer's telephone number, including area code: **(632) 8892-5011**
9. Former name, former address and former fiscal year, if changed since last report: **-na-**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>150,000,000</b>

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

Yes [] No []

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

Stock Exchange	Class of Securities
<b>Philippine Stock Exchange, Inc.</b>	<b>Common Shares</b>

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

## **PART I- FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Please refer to the unaudited interim financial statement of the Liberty Flour Mills, Inc. (the "Company") and its subsidiary for the six (6) months ended June 30, 2020 which is attached hereto as Annex "A" and which is hereby incorporated by reference to form an integral part of the Report. Likewise, attached as Annex "B" is the Company's Statement of Changes in Stockholder's Equity for the six (6) months ended June 30, 2020 and as compared to same period for the year 2019, and the Company's basis for the computation of Basic Earnings per share.

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

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

The operations for six-month period ended 30 June 2020 resulted in a net income of PhP66.32 million, a significant turnaround from previous year's same period net loss of PhP.71 million thus posting a huge increase of 9406%. In terms of sales, basically there was an increase of 85% volume of flour bags sold in the first semester of 2020 which resulted to an increase in revenue by 77% from the previous year's same period operation. Demand for flour increased tremendously in the second quarter of 2020 as this is an essential item for food needed during the enhanced and modified community quarantine implemented by the government to prevent spread of COVID-19. Likewise, Cost of sales had increased by 64% compared to same period last year due to increase in sales but also registered cost improvement. Dividend income on shares of stocks on quoted securities had decreased by 1% while interest income in debt instruments had decreased by 6% from the previous year's same period basically as there were redemptions made this year and late last year.

For the second quarter ended 30 June 2020, total gross income including passive income (interest income and dividend income) amounted to PhP64.08 million, which is 60% higher from the previous year's same period operation which made a gross income amounting to PhP40.12 million.

Other operating income represents rental income which had an aggregate amount of PhP102.37 million for the first six-month period of 2020 which is higher by 46% compared to previous year's same period of PhP70.17 million. Increase is due to higher tenants' occupancy rates by one of the subsidiaries in the first quarter. However, for the second quarter of 2020, rental income is almost flat compared to same quarter last year primarily due to effect of quarantine as a result of COVID-19 where some tenants have to close their business.

Operating expenses for the six-month period of 2020 amounted PhP141.75 million, 14% higher than the previous year's same period operating expense of PhP124.61 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, cost of services related to tenants and other expenses.

Operating expenses for the second quarter ending June 30, 2020 amounted to PhP64.81 million which is lower by 3% versus same quarter previous year as salaries expenses and other utilities

expenses decreases due to enhanced and modified community quarantine implemented by the government to prevent spread of COVID-19.

For the six-month period of 2020, the Company had an operating income of Php90.74 million versus previous year's same period operating loss of Php13.96 million. The operating income is primarily due to the above stated reasons.

Other income and (charges), net, for the six-month period of 2020 amounted to (Php5.06) million, which is 134% lower than last year's same period amounting to Php14.87 million. The account consists of net interest income and expense, dividend income and net miscellaneous income from scrap sales. During the period, the Company earned dividend income from various investments. As for the quarter ended, the Company has trust receipt balance amounting to Php183.65million as compared to last year's same period of Php35.66million.

The total combined assets amounted to Php3.80 billion as of 30 June 2020 which is higher by 4% due to higher Cash & Cash Equivalent, Receivables and Prepaid Expenses. Total liabilities amounted to Php1.06 billion which is higher by 2%, mainly due to bank loans and other liabilities, from balances as of 31 December 2019.

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

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

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

Inventories – The decrease in account is due to higher production of raw materials made for the period brought about by higher sales for the second quarter of 2020.

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

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

Accounts payable – The decrease is due to partial payments of Trust Receipts payable during the second quarter of 2020.

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

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

Retained earnings – Balance as of June 30, 2020 is basically on the same level as of previous period last year.

## Performance Indicators

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

- Selling Price, Volume and Revenue Growth

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

During the six-month period ended 30 June 2020, there was a 68% increase in revenue as compared to previous year's same period performance. The increase is attributed to the increase in sales volume of the Company's products particularly in the second quarter of 2020. However, there was also an increase in the Company's rental income by 46% mainly in the first quarter of 2020.

- 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 six-month ended 30 June 2020, there was a 61% increase in cost of sales over the previous year's same period performance due to increase in sales but partly offsetted by improvement in average unit cost of the product.

- Gross Profit Contribution

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

During the six-month ended 30 June 2020, the Company generated 20% gross margin. There was an increase of 6% in gross margin % as compared in the prior year's same period performance. The increase is directly attributable to the increase in total sales volume coupled by the increase in net sales mix and improved cost of sales.

- Operating margin

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

During the six-month ended 30 June 2020, there was an increase in operating income posted at Php90.74 million over the previous year's same period performance of operating loss of (Php13.96) million. Operating income was earned this second quarter of 2020 as a result of increase in sales coupled with decrease in operating expenses.

- **Plant Capacity Utilization**

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

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2019 and as of quarter ended 30 June 2020 with a current ratio at 4.87:1. 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.

#### **MARKETPRICE**

The market price of the Company's common shares closed at PhP41.00 on 30 June 2020. For the Company's high and low prices for the second quarter of 2020, please see table below:

<b>Stock</b>	<b>Quarter</b>	<b>High</b>	<b>Low</b>
LFM	2	43.00	41.00

## PART II – FINANCIAL DISCLOSURES

### Financial Instruments and Financial Risk Disclosure

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

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

#### a. Credit Risk

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

The Group trade receivables is concentrated with its three distributors which account for 97% of the total trade receivables as of June 30, 2020. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. With respect to credit risk arising from other financial assets of the Group which comprise of cash equivalents, financial assets at FVPL, debt instruments classified as financial asset at FVOCI and debt instruments classified as AFS investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancement held over these assets.

#### b. Market Risk

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

#### c. Foreign Currency Risk

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

The Group's foreign currency-denominated financial assets and liabilities which are all in US dollar (\$) as of June 30, follows:

	2020	2019
Cash in bank	\$1,211,785	\$17,316

Total US dollar-denominated assets	\$1,211,785	\$17,316
Total US dollar-denominated liabilities	\$3,685,530	\$694,342

The exchange rate per \$1.00 to Philippine peso is P49.83 and P51.358 respectively.

d. Liquidity Risk

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

There are no Company's investments in foreign securities.

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

a. Financial assets at FVPL

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

b. AFS financial assets

The fair value of the quoted debt instruments and equities is based on quoted market price. Unquoted shares of stock are carried and presented at cost less impairment since their values cannot be reliably determined.

c. Financial assets at FVOCI

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

d. Deposits on long-term leases

The fair value of deposits on long-term leases is based on the present value of expected future cash flows discounted at the applicable rates for similar types of financial instruments.

e. Other financial assets and financial liabilities

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

### PART III - OTHER INFORMATION

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



## SIGNATURE

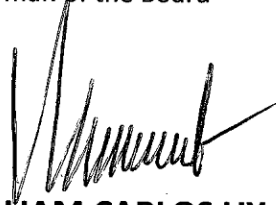
Pursuant to the requirements of the Securities Regulation Code, the Company has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

### LIBERTY FLOUR MILLS, INC.

By:



**WILLIAM CARLOS UY**  
Chairman of the Board



**WILLIAM CARLOS UY**  
Chief Executive Officer



**JOSE MA. S. LOPEZ**  
Chief Financial Officer

# **ANNEX “A”**

**LIBERTY FLOUR MILLS, INC.**

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

**UNAUDITED FINANCIAL STATEMENTS  
JUNE 30, 2020**

**LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**  
**BALANCE SHEET**  
**AS OF JUNE 30, 2020**  
(With comparative figures for year ended Dec. 31, 2019 and six months ended June 30, 2019)

<u>Assets</u>	June 30, 2020	December 31, 2019 <u>Audited</u>	June 30, 2019
<b>Current Assets</b>			
Cash and cash equivalents	P 285,478,079	P 168,192,892	P 49,623,515
Receivables	825,155,836	724,897,821	650,842,868
Financial assets at fair value through profit or loss	40,890,984	39,142,457	169,507,888
Inventories:			
Finished goods	P 28,837,456	P 25,412,642	P 38,025,754
Raw materials	31,169,231	89,934,518	205,471,090
Inventories-in Transit	-	57,498,654	-
Total Inventories	60,006,687	172,845,814	243,496,844
Prepaid expenses & other current assets	252,573,163	79,545,993	78,710,106
Total current assets	P 1,464,104,749	P 1,184,624,977	P 1,192,181,221
Financial assets at fair value through OCI	1,009,989,754	1,177,783,424	1,155,350,211
Investment properties	1,147,368,565	1,167,873,287	516,222,159
Plant, Property & Equipment, net	60,809,702	60,267,584	738,004,691
Deferred Charges & Other Assets	122,700,711	111,834,565	41,236,810
<b>Total Assets</b>	<b>P 3,804,973,481</b>	<b>P 3,702,383,837</b>	<b>P 3,642,995,092</b>
 <b><u>Liabilities &amp; Stockholders' Equity</u></b>			
<b>Current Liabilities</b>			
Accounts Payable	P 292,727,490	P 215,519,536	P 113,480,052
Income Tax Payable	7,694,745	-	580,592
Other Liabilities	-	9,850,140	36,270,083
Total Current Liabilities	P 300,422,235	P 225,369,676	P 150,330,727
Bank Loans	610,900,000	632,900,000	792,400,000
Deposit on long-term lease	-	22,250,613	-
Accrued retirement benefits costs	95,620,386	99,893,314	83,977,013
Deferred Income Tax Liability	6,391,057	6,391,058	-
Other Non-current Liabilities	46,685,750	13,292,628	12,923,308
Total Liabilities	P 1,060,019,428	P 1,000,097,289	P 1,039,631,048
<b>Stockholders' Equity</b>			
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	(98,817,639)	(75,196,969)	(95,980,543)
Remeasurement gain (loss) on defined benefit	(4,814,709)	(4,814,710)	2,919,808
Retained earnings			
Appropriated	P -	P -	-
Unappropriated	1,348,586,401	1,282,298,227	1,196,424,779
Total Retained Earnings	1,348,586,401	1,282,298,227	1,196,424,779
Treasury Stock, at cost	-	-	-
Total Stockholders' Equity	P 2,744,954,053	P 2,702,286,548	P 2,603,364,044
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>P 3,804,973,481</b>	<b>P 3,702,383,837</b>	<b>P 3,642,995,092</b>

**LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**  
**STATEMENT OF INCOME AND EXPENSES**  
For quarter ended June 30, 2020  
(With comparative figures for the quarter ended June 30, 2019)

		<u>April 1 to June 30, 2020</u>		<u>January 1 to June 30, 2020</u>		<u>April 1 to June 30, 2019</u>		<u>January 1 to June 30, 2019</u>
Net Sales	P	280,748,332		523,484,172		166,828,822	P	296,253,824
Cost of Sales		<u>(228,880,170)</u>	P	<u>(419,914,026)</u>		<u>(142,409,928)</u>		<u>(255,768,396)</u>
Gross Profit	P	51,868,162	20%	103,570,146		24,418,894	14%	P 40,485,428
Other operating income		32,906,803	P	89,404,031		39,436,995		70,168,276
Operating Expenses		<u>(44,768,902)</u>		<u>(102,235,161)</u>		<u>(66,636,950)</u>		<u>(124,614,782)</u>
Income from operations	P	40,006,063		90,739,016		(2,781,061)	P	(13,961,078)
Other Income/Charges, net		<u>(1,506,060)</u>	P	<u>(5,063,893)</u>		<u>11,362,592</u>		<u>14,874,535</u>
Income before Income Tax	P	<b>38,500,003</b>		<b>85,675,123</b>		<b>8,581,531</b>	P	<b>913,457</b>
Provision for Income Tax, current		<u>(8,027,675)</u>	P	<u>(19,357,847)</u>		<u>(908,782)</u>		<u>(1,626,049)</u>
Provision for Income Tax, Deferred								
Net Income for the period	P	<u><b>30,472,328</b></u>		<u><b>66,317,276</b></u>	P	<u><b>7,672,749</b></u>		<u><b>(712,592)</b></u>
Earnings (loss) per share	P	<u><b>0.20</b></u>		<u><b>0.44</b></u>		<u><b>0.05</b></u>	P	<u><b>(0.00)</b></u>

## LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

## STATEMENT OF CASH FLOWS

For quarter ended June 30, 2020

and for the six months ended June 30, 2020

(With comparative figures for the quarter ended June 30, 2019 and for the six months ended June 30, 2019)

	April 1 to June 30, 2020	January 1 to June 30, 2020	April 1 to June 30, 2019	January 1 to June 30, 2019
<b>CASHFLOWS FROM OPERATING ACTIVITIES:</b>				
Income before tax	P 38,500,003	P 85,675,123	P 8,581,531	P 913,457
Adjustment for:				
Depreciation	14,265,789	28,456,106	13,738,202	20,303,649
Fair Value changes of financial assets at FVPL	(284,081)	3,318,624	(8,510,828)	(11,919,343)
Retirement Benefit Cost	2,754,724	(4,272,927)	4,540,638	(712,002)
Interest income	(6,315,122)	(11,896,842)	(6,968,141)	(12,704,166)
Dividend Income	(5,901,680)	(14,652,396)	(8,382,787)	(14,478,353)
Interest expense	9,324,946	19,833,267	14,040,726	25,941,892
Realized loss (gain) of FA at FVOCI	363,500	363,500	-	-
Loss on sale of FVPL investments	-	-	-	-
<b>Operating Income before working capital changes</b>	<b>52,708,079</b>	<b>106,824,454</b>	<b>17,039,341</b>	<b>7,345,134</b>
Decrease (Increase) in:				
Receivables	(63,205,928)	(100,213,020)	12,459,089	75,702,838
Inventories	57,722,301	112,839,126	46,583,809	(1,473,348)
Prepayments and other assets	(109,831,148)	(183,920,183)	4,829,111	(2,821,832)
Increase (Decrease) in:				
Trade Payables and other liabilities	178,800,353	75,549,755	(47,424,463)	(92,295,410)
Deposit on long term lease	112,526	(197,683)	(14,640,729)	(9,874,460)
Unearned Rental Income	4,081,160	3,074,153	(4,111,116)	(4,380,152)
<b>Cash generated (used) from operations</b>	<b>120,387,343</b>	<b>13,956,602</b>	<b>14,735,042</b>	<b>(27,797,230)</b>
Income tax paid	(9,451,800)	(11,663,100)	(6,518,764)	(7,457,592)
Interest Received	6,315,122	11,896,842	6,968,141	12,704,166
<b>Net cash provided by (used in) operating activities</b>	<b>117,250,665</b>	<b>14,190,345</b>	<b>15,184,419</b>	<b>(22,550,656)</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES:</b>				
Acquisition of Financial assets at FVPL	(6,947,590)	(6,947,590)	(4,069,267)	(4,069,267)
Acquisition of Marketable securities	-	-	-	-
Proceeds from sale of AFS investments	18,750,000	143,750,000	40,000,000	40,000,000
Proceeds from sale of FVPL	1,880,438	1,880,438	-	3,933,875
Dividends received	5,901,680	14,652,396	8,382,787	14,478,353
Acquisition of investment property	-	-	-	-
Gain on sale of AFS	-	-	-	-
Acquisition of plant, property and equipment	(4,492,909)	(8,434,004)	(1,283,929)	(9,728,480)
Decrease(increase) in other non-current assets	(178)	26,867	(2,148,327)	(2,121,055)
<b>Net cash used in investing activities</b>	<b>15,091,440</b>	<b>144,928,106</b>	<b>40,881,264</b>	<b>42,493,426</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>				
Availment of Loans	22,000,000	-	16,000,000	28,000,000
Loan Payments	(22,000,000)	(22,000,000)	(6,000,000)	(6,000,000)
Interest paid	(9,324,946)	(19,833,267)	(14,040,726)	(25,941,892)
Payments of cash dividends	-	-	(45,000,000)	(45,000,000)
<b>Net cash generated from financing activities</b>	<b>(9,324,946)</b>	<b>(41,833,267)</b>	<b>(49,040,726)</b>	<b>(48,941,892)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>123,017,160</b>	<b>117,285,184</b>	<b>7,024,957</b>	<b>(28,999,122)</b>
Add: Cash and cash equivalents:				
January 1	-	168,192,895	-	78,622,637
April 1	162,460,919	-	42,598,558	-
<b>CASH AND CASH EQUIVALENTS, END</b>	<b>P 285,478,079</b>	<b>P 285,478,079</b>	<b>P 49,623,515</b>	<b>P 49,623,515</b>

**LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2020**

**1. Basis of Financial Statement Preparation**

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of June 30, 2020.

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

**2. Significant Accounting Policies**

Changes in Accounting Policies and Disclosures

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

- PFRS 16, *Leases*

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

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

#### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2020*

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

#### *Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

#### *Deferred effectivity*

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

### **3. Others**

1. The same accounting policies and methods of computation are followed in the interim financial statements as of June 30, 2020 as compared with the audited financial statements as of December 31, 2019.
2. The business operation of the company for the interim period is continuous, there is no cycle and it is not seasonal.
3. There are no unusual items that affected assets, liabilities, equity and cash flows.
4. There are no changes in estimates of amounts reported in prior financial years.
5. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
6. There are no changes in the composition of this issuer during the interim period. There are no business combinations, no acquisition or disposal of subsidiaries and long term investments, no restructuring and no discontinuing operations.
7. There are no contingent liabilities and contingent assets.

# **ANNEX “B”**

**LIBERTY FLOUR MILLS, INC.**

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

**STATEMENT OF CHANGES  
IN STOCKHOLDER’S EQUITY  
JUNE 30,2020**



**LIBERTY FLOUR MILLS, INC.**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

For six months ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>CAPITAL STOCK</b>		
Authorized - 200 million shares at P10 par value per share <u>P2 billion</u>		
Issued and outstanding -150 million shares      P	1,500,000,000	P 1,500,000,000
<b>TREASURY STOCK, at cost</b>	-	-
Fair value on available for sale assets	-	-
Fair value changes on financial assets through OCI	(98,817,639)	(95,980,543)
Accumulated Remeasurement on Retirement Benefits	(4,814,710)	2,919,808
<b>RETAINED EARNINGS</b>		
January `1	1,282,269,126	1,197,137,371
Net income for the period	66,317,276	(712,592)
Cash dividends declared and paid	-	-
	1,348,586,402	1,196,424,779
	<b>2,744,954,053</b>	<b>2,603,364,044</b>

**BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE**

		<b>2020</b>		<b>2019</b>
<b>NUMERATOR:</b>				
Net income for the second quarter	P	66,317,276	P	(712,592)
<b>DENOMINATOR:</b>				
Outstanding shares		150,000,000		150,000,000
Treasury Stock		0		0
<b>TOTAL WEIGHTED AVERAGE SHARES</b>		<b>150,000,000</b>		<b>150,000,000</b>

**LIBERTY FLOUR MILLS, INC. and Subsidiaries**  
Aging of Accounts Receivable  
As of June 30,2020

Type of Accounts Receivable		<b>Total</b>		<b>Current</b>		<b>1 Month</b>		<b>2-3 Months</b>		<b>Over 3 Mos.</b>
a) Trade Receivables										
Flour and Millfeed customers	P	771,945,741	P	405,570,289	P	88,945,603	P	227,099,164	P	50,330,685
Building Tenants		13,388,424		2,592,775		5,842,020		2,584,526		2,369,103
b) Non-Trade Receivables:										
Others		39,821,671		14,465,101		827,855		156,017		24,372,698
<b>Total</b>	<b>P</b>	<b>825,155,836</b>	<b>P</b>	<b>422,628,165</b>	<b>P</b>	<b>95,615,478</b>	<b>P</b>	<b>229,839,707</b>	<b>P</b>	<b>77,072,486</b>