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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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Company Information

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

Document Information

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Remarks

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	Y															

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

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Form Type

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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

<u>info@libertygroup.com.ph</u>
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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
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Fiscal Year
Month/Day

December	31
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CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose Ma. Lopez

Email Address

<u>jmlopez@pidtdsl.net</u>

Telephone Number/s

(02) 892-5011

Mobile Number

-

Contact Person's Address

Liberty Building, 835 A. Arnaiz Avenue, Makati City
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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: **September 30, 2018**
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) 892-5011**
9. Former name, former address and former fiscal year, if changed since last report: **-na-**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes [] No []

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

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

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the unaudited interim financial statement of the Liberty Flour Mills, Inc. (the "Company) and its subsidiary for the nine (9) months ended September 30, 2018 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 nine (9) months ended September 30, 2018 and as compared to same period for the year 2017, the Company's Statement on Income and Expenses for the nine (9) months ended September 30, 2018 with comparative figures for the nine (9) months ended September 30, 2017 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 nine-month period ended 30 September 2018 resulted in a net income of PhP15.26 million, a decrease by 75% from previous year's same period of PhP62.19 million. In terms of sales, there is a decrease in volume of flour bags sold in the second semester of 2018. Revenue resulted to a decrease by 2% from the previous year's same period operation. Cost of Sales had increased by 10% compared to same period last year due to increase in prices of imported wheat grains coupled with peso depreciation. On the other hand, investments of the Company in shares of stocks and in debt instruments earned dividends and interest income combined of 5% higher as compared in the three (3) quarters Of 2017.

For the third quarter ended 30 September 2018, total gross income amounted to PhP26.32 million, which is 48% lower from the previous year's same period operation which made gross profit amounting to PhP50.46 million.

Other operating income represents rental income which had an aggregate amount of PhP29.33 million for the third quarter of 2018 which is higher by 11% compared to previous year's same period of PhP26.45 million. Increase is due to higher tenants' occupancy rates.

Operating expenses for the third quarter of 2018 amounted PhP48.17 million, 12% higher than the previous year's same period operating expense of PhP43.14 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 third quarter of 2018, the Company had an operating income of PhP7.48 million versus previous year's same period operating income of PhP33.76 million. The decrease is due to increase in Cost of Sales and a decrease in Revenue.

Other income and (charges), net, for the third quarter of 2018 amounted to PhP5.44 million, as compared to last year's same period of net other charges amounting to PhP14.69 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 Php21.12million as compared to last year's same period of Php20.65million.

The total combined assets amounted to PhP3.6 billion as of 30 September 2018 is basically as same level from balances of December 31,2017 while total liabilities amounted to PhP1.04 billion which is higher by 20%, mainly due to bank loans of subsidiary, from balances as of 31 December 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. 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:

Cash and Cash Equivalents – The increase in account is due to additions of marketable securities and significant collection on interest and dividend for debt and quoted securities made for the period.

Accounts Receivable – The increase in account is due to higher sales made for the period.

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

Financial Assets at FVPL – There were no significant additions or disposals made during the third quarter of 2018. The decrease in the balance of the investments in financial assets at FVPL is attributable primarily to the decrease in the market value of the investments.

Investment securities – The decrease in account is due to the decline in market value during the third quarter of 2018.

Property, plant and equipment – The significant increase was due to acquisition made by subsidiary during the period.

Accounts payable – The increase is primarily due Trust Receipts payable during the third quarter of year 2018.

Income tax payable – The decrease is basically due to lower income for the third quarter of 2018.

Bank Loans – The significant increase was due to loans made by the subsidiary to finance priority projects.

Retained earnings – Balance as of September 30, 2018 is increase basically due to lower cash dividends declared for the year 2018.

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 bases for further study and development.

During the nine-month period ended 30 September 2018, there was a 2% decrease in revenue as compared to previous year's same period performance. The decrease is attributed to the decrease in sales volume of the Company's products but was partly offset by a huge increase in the Company's rental income by 57%.

- 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 nine-month ended 30 September 2018, there was a 10% increase in cost of sales over the previous year's same period performance due to increase in prices of imported wheat grains coupled with peso 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 nine-month ended 30 September 2018, the Company generated gross profit of 15%. There was a decrease of 9% in gross profit as compared in the prior year's same period performance. The decrease is directly attributable to the substantial increase in 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 nine-month ended 30 September 2018, there was an increase in operating expenses by 10% over the previous year's same period performance. Operating income realized this quarter is substantially lower than previous year.

- **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.

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2017 and as of the third quarter of the year ended 30 September 2018 with a current ratio at 8.67:1. 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 PhP49.95 on 30 September 2018. For the Company's high and low prices for the third quarter of 2018, please see table below:

Stock	Quarter	High	Low
LFM	3	49.95	49.60

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 and AFS financial assets. The main purpose of these financial instrument is to fund the group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and accrued expenses and other liabilities. 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 99% of the total trade receivables as of September 30, 2018. 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 and AFS financial assets, The Group's exposure to credit 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 fair value of equity held as AFS as of September 30, 2018 amounted to P12.19 million.

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 September 30, follows:

	2018	2017
Cash in bank	\$1,547	\$1,139
Total US dollar-denominated assets	\$1,547	\$1,139

The exchange rate per \$1.00 to Philippine peso is P54.251 and P51.009 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. 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.

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

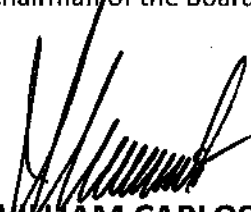
Pursuant to the requirements of the Securities Regulation Code, the Company has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

LIBERTY FLOUR MILLS, INC.

By:



WILLIAM CARLOS UY
Chairman of the Board



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
SEPTEMBER 30, 2018

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARY
BALANCE SHEET
AS OF SEPTEMBER 30, 2018
(With comparative figures for year ended Dec. 31, 2017 and six months ended September 30, 2017)

<u>Assets</u>	September 30, 2018	December 31, 2017 <u>Audited</u>	September 30, 2017
Current Assets			
Cash and cash equivalent	P 216,409,420	P 131,985,809	P 361,677,132
Accounts Receivable	686,895,662	763,094,723	687,822,237
Financial assets at fair value through profit or loss	12,185,073	167,359,493	15,571,517
Inventories:			
Finished goods	P 40,894,551	P 10,913,023	P 33,502,818
Raw materials	191,447,035	194,347,793	143,801,954
Inventories-in Transit	-	-	-
Total Inventories	232,341,586	205,260,816	177,304,772
Prepaid expenses & other current assets	78,202,488	74,946,270	36,124,389
Total current assets	P 1,226,034,229	P 1,342,647,111	P 1,278,500,047
Investments and Marketable Securities	1,689,328,090	2,267,589,067	1,782,359,845
Plant, Property & Equipment, net	692,121,158	66,586,675	481,735,354
Deferred Charges & Other Assets	39,574,989	36,919,882	70,025,452
Total Assets	P <u>3,647,058,466</u>	P <u>3,713,742,735</u>	P <u>3,612,620,698</u>
 <u>Liabilities & Stockholders' Equity</u>			
Current Liabilities			
Accounts Payable	P 141,212,459	P 155,690,445	P 56,910,315
Income Tax Payable	132,502	1,039,648	5,929,491
Other Liabilities	-	13,436,255	48,479,189
Total Current Liabilities	P 141,344,961	P 170,166,348	P 111,318,995
Bank Loans	762,400,000	670,459,530	619,359,050
Deposit on long-term lease	33,884,612	5,465,460	14,664,736
Liability for Retirement Fund	99,026,048	99,768,882	109,088,891
Deferred Income Tax Liability	2,594,009	2,594,009	211,165
Other Non-current Liabilities	631,613	599,761	11,591,103
Total Liabilities	P <u>1,039,881,243</u>	P <u>949,053,990</u>	P <u>866,233,940</u>
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 on available for sale assets	(79,423,728)	18,350,529	45,424,062
Remeasurement gain (loss) on defined benefit	(3,183,500)	(3,183,501)	(8,056,691)
Retained earnings:			
Appropriated	P -	P -	-
Unappropriated	1,189,784,452	1,249,521,717	1,209,019,386
Total Retained Earnings	1,189,784,452	1,249,521,717	1,209,019,386
Treasury Stock, at cost	-	-	-
Total Stockholders' Equity	P <u>2,607,177,224</u>	P <u>2,764,688,745</u>	P <u>2,746,386,758</u>
Total Liabilities & Stockholders' Equity	P <u>3,647,058,466</u>	P <u>3,713,742,735</u>	P <u>3,612,620,698</u>

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF INCOME AND EXPENSES
For quarter ended September 30, 2018
and for the Nine months ended September 30, 2018
(With comparative figures for the quarter ended September 30, 2017 and for the Nine months ended September 30, 2017)

		<u>July 1 to September 30, 2018</u>	<u>January 1 to September 30, 2018</u>	<u>July 1 to September 30, 2017</u>	<u>January 1 to September 30, 2017</u>
Net Sales	P	179,082,387	P 497,143,891	P 190,481,388	P 507,710,476
Cost of Sales		(152,764,671)	<u>(423,528,630)</u>	(140,025,483)	<u>(385,132,867)</u>
Gross Profit	P	26,317,716	P 73,615,261	P 50,455,905	P 122,577,609
Other operating income		29,333,328	88,893,952	26,445,005	56,779,289
Operating Expenses		(48,168,321)	<u>(160,211,263)</u>	(43,139,578)	<u>(145,258,969)</u>
Income from operations	P	7,482,723	P 2,297,950	P 33,761,332	P 34,097,929
Other Income/Charges, net		5,444,806	<u>18,128,802</u>	14,658,865	<u>37,213,532</u>
Income before Income Tax	P	12,927,529	P 20,426,752	P 48,420,197	P 71,311,461
Provision for Income Tax, current		(809,979)	<u>(5,164,017)</u>	(7,221,266)	<u>(9,126,027)</u>
Provision for Income Tax, Deferred					
Net Income for the period	P	<u>12,117,550</u>	P <u>15,262,735</u>	P <u>41,198,931</u>	P <u>62,185,434</u>
Earnings per share	P	<u>0.08</u>	P <u>0.10</u>	P <u>0.27</u>	P <u>0.41</u>

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For quarter ended September 30, 2018
and for the Nine months ended September 30, 2018

(With comparative figures for the quarter ended September 30, 2017 and for the Nine months ended September 30, 2017)

	July 1 to September 30, 2018	January 1 to September 30, 2018	July 1 to September 30, 2017	January 1 to September 30, 2017
CASHFLOWS FROM OPERATING ACTIVITIES:				
Income before tax	P 12,927,529	P 20,426,752	P 39,973,189	P 71,311,462
Adjustment for:				
Depreciation	7,339,691	21,505,581	5,364,849	16,090,238
Fair Value changes of financial assets at FVPL	3,349,882	11,249,335	4,540,638	13,621,914
Retirement Benefit Cost	995,668	(742,834)	-	-
Provision for income tax deferred	-	-	-	-
Interest income	(6,212,148)	(18,940,309)	(6,210,375)	(19,311,342)
Dividend Income	(10,970,627)	(30,749,316)	(10,652,192)	(28,158,656)
Interest expense	8,600,660	20,877,188	5,758,251	14,202,781
Loss (Gain) on the sale of AFS investments	-	(52,920)	(310,000)	(574,450)
Loss on sale of FVPL investments	-	-	4,246,808	4,775,323
Operating Income before working capital changes	16,030,656	23,573,478	42,711,168	71,957,270
Decrease (Increase) in:				
Receivables	(3,444,683)	76,522,833	(464,380)	105,118,275
Inventories	(30,806,641)	(27,080,770)	15,829,300	75,449,087
Prepayments and other assets	9,022,662	(3,580,105)	34,103,924	(15,236,253)
Increase (Decrease) in:				
Trade Payables	15,775,435	(14,477,871)	(24,487,488)	(46,428,716)
Accrued Payables and other liabilities	-	-	33,116,358	36,665,998
Deposit on long term lease	18,370,077	18,629,593	293,000	2,430,050
Unearned Rental Income	-	(3,614,844)	(1,787,702)	1,405,810
Liabilities for Retirement Fund	-	-	-	-
Cash generated (used) from operations	24,947,506	69,972,313	99,314,180	231,361,520
Income tax paid	(1,823,785)	(6,071,164)	(295,280)	(13,470,779)
Interest Paid	-	-	-	-
Interest Received	6,212,148	18,940,309	6,210,375	19,311,342
Contribution to Retirement Fund/benefits direct pay Co.	-	-	(893,928)	(15,395,811)
Net cash provided by (used in) operating activities	29,335,868	82,841,457	104,335,347	221,806,272
CASHFLOWS FROM INVESTING ACTIVITIES:				
Acquisition of Financial assets at FVPL	(1,288,714)	(8,115,454)	(10,398,270)	(19,535,964)
Acquisition of Marketable securities	(6,661,840)	147,282,596	-	-
Proceeds from sale of AFS investments	-	5,897,193	9,151,462	29,170,560
Interest received	-	-	-	-
Dividends received	10,970,627	30,749,316	10,652,192	28,158,656
Acquisition of investment property	(3,571,429)	(3,571,429)	-	(18,312,826)
Gain on sale of AFS	-	-	310,000	574,450
Acquisition of plant, property and equipment	(48,538,150)	(164,068,243)	(61,418,151)	(145,063,529)
Decrease(increase) in other non-current assets	(50,000)	(2,655,107)	471,537	4,285,327
Net cash used in investing activities	(49,139,506)	5,518,872	(51,231,230)	(120,723,326)
CASHFLOW FROM FINANCING ACTIVITIES				
Availment of Loans	19,000,000	166,500,000	42,525,800	248,225,800
Loan Payments	-	(74,559,530)	(3,888,450)	(19,779,750)
Interest paid	(8,600,660)	(20,877,188)	(5,758,251)	(14,202,781)
Payments of cash dividends	-	(75,000,000)	-	(112,500,000)
Net cash generated from financing activities	10,399,340	(3,936,718)	32,879,099	101,743,269
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9,404,298)	84,423,611	85,983,216	202,826,215
Add: Cash and cash equivalents:				
January 1	-	131,985,809	-	158,850,917
July 1	225,813,718	-	275,693,916	-
CASH AND CASH EQUIVALENTS, END	P 216,409,420	P 216,409,420	P 361,677,132	P 361,677,132

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018

1. Basis of Financial Statement Preparation

The consolidated financial statements were prepared on the historical cost basis, except for the financial assets at fair value through profit and loss (FVPL) and the available-for-sale (AFS) financial assets which were measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company'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 September 30, 2018.

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 Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to Philippine Accounting Standards (PAS) 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

New Accounting Standards, Amendments to Existing Standards

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 Group's consolidated financial statements, unless otherwise indicated.

Effective beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

3. Others

1. The same accounting policies and methods of computation are followed in the interim financial statements as of September 30, 2018 as compared with the audited financial statements as of December 31, 2017.
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
SEPTEMBER 30, 2018**

LIBERTY FLOUR MILLS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For Nine months ended September 30, 2018 and 2017

	2018	2017
CAPITAL STOCK		
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
TREASURY STOCK, at cost - 268 shares	-	-
Fair value on available for sale assets	(79,423,728)	42,217,184
Accumulated Remeasurement on Retirement Benefits	(3,183,500)	(8,056,691)
RETAINED EARNINGS		
January `1	1,249,521,717	1,220,042,912
Net income for the period	15,262,735	62,185,434
Cash dividends declared and paid	(75,000,000)	(112,500,000)
	1,189,784,452	1,169,728,346
	2,607,177,224	2,703,888,839

BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE

		2018		2017
NUMERATOR:				
Net income for the three quarters	P	15,262,735	P	62,185,434
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 September 30, 2018

Type of Accounts Receivable	Total	Current	1 Month	2-3 Months	Over 3 Mos.
a) Trade Receivables					
Flour and Millfeed customers	P 653,404,411	P 261,894,525.08	P 65,882,301	P 135,450,512	P 190,177,073.41
Building Tenants	4,984,908	4,051,745.93	540,984.73	53,891	338,286.35
b) Non-Trade Receivables:					
Others	28,506,343	26,250.00	-	7,204	28,472,889.40
Total	P 686,895,662	P 265,972,521	P 66,423,285	P 135,511,606	P 218,988,249