

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	7	8	2					
---	---	---	---	---	--	--	--	--	--

COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

7	F		L	i	b	e	r	t	y		B	u	i	l	d	i	n	g	,		8	3	5		A	.		A	r
n	a	i	z		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y						

Form Type

A	C	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

<p>Company's Email Address</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">info@libertygroup.com.ph</div>	<p>Company's Telephone Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">(02) 8892-5011</div>	<p>Mobile Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">-</div>
<p>No. of Stockholders</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">447</div>	<p>Annual Meeting (Month / Day)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">May 27</div>	<p>Fiscal Year (Month / Day)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">December 31</div>

CONTACT PERSON INFORMATION

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

<p>Name of Contact Person</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">Jose Ma. Lopez</div>	<p>Email Address</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">jmlopez@pltdtssl.net</div>	<p>Telephone Number/s</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">(02) 8892-5011</div>	<p>Mobile Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">-</div>
--	---	--	--

CONTACT PERSON'S ADDRESS

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Liberty Flour Mills, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



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

Provisions and Contingencies

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

The Group's disclosures about provisions and contingencies are included in Notes 3 and 23 to the consolidated financial statements.

Audit response

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

Fair Value of Investment Properties

The Group operates mixed-use office buildings, vacant commercial land and condominium units located in Luzon. The Group accounts for its investment properties using the cost model and discloses the fair value as required under PAS 40, *Investment Property*. As at December 31, 2022, the carrying value and fair value of investment properties amounted to ₱1,535.49 million and ₱7,926.34 million, respectively. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using income and market data approaches.

We identified the disclosure on fair value of the Group's investment properties as a key audit matter because it is a significant disclosure given the Group's leasing business and the determination of the fair values of these properties involves significant management assumptions and estimations. These assumptions include discount rates and growth rates, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The disclosures on the fair value of investment properties are included in Note 10 of the consolidated financial statements.



Audit Response

With the assistance from our internal valuation specialists, we evaluated the valuation methodology adopted and the underlying assumptions used in the fair value determination of investment properties as at December 31, 2022. These assumptions include discount and growth rates.

We compared the key assumptions used such as growth rates against the historical performance per building, contractual terms, and relevant external data. We tested the parameters used in determining discount rates against market data. We evaluated the competence, capabilities, and objectivity of the external valuer by considering their qualifications, experience, and reporting responsibilities. We also assessed the adequacy of the fair value disclosures of investment properties in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

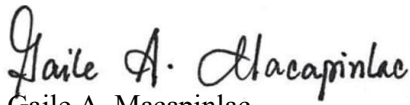


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 98838-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564648, January 3, 2023, Makati City

March 29, 2023



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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱97,064,711	₱194,041,740
Receivables (Note 5)	1,257,611,357	1,112,181,595
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	136,764,654	194,328,610
Inventories (Note 7)	606,254,334	190,338,015
Accrued rent - current portion (Note 27)	1,813,322	1,202,767
Prepaid expenses and other current assets (Note 8)	104,878,028	82,464,275
Total Current Assets	2,204,386,406	1,774,557,002
Noncurrent Assets		
Investment properties (Notes 11, 13 and 26)	1,535,493,683	1,371,443,195
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	486,196,811	631,405,777
Property, plant and equipment (Note 12)	331,115,010	300,526,062
Accrued rent - net of current portion (Note 27)	7,830,463	77,404,488
Net retirement plan asset (Note 22)	6,690,564	13,076,486
Deferred tax assets - net (Note 24)	-	918,902
Other noncurrent assets (Notes 11 and 13)	22,478,389	25,983,738
Total Noncurrent Assets	2,389,804,920	2,420,758,648
TOTAL ASSETS	₱4,594,191,326	₱4,195,315,650
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 11 and 15)	₱726,517,234	₱488,970,449
Current portion of:		
Notes payable (Notes 11 and 14)	701,609,473	136,655,732
Deposits on long-term leases (Note 27)	34,666,893	12,725,979
Unearned rental income (Note 27)	4,722,712	4,654,473
Income tax payable	5,196,280	1,163,501
Total Current Liabilities	1,472,712,592	644,170,134
Noncurrent Liabilities		
Notes payable - noncurrent portion	307,191,309	443,800,782
Payable to a related party (Note 11)	37,730,000	37,730,000
Deposits on long-term leases - net of current portion (Note 27)	8,101,480	18,603,788
Unearned rental income - net of current portion (Note 27)	785,885	8,355,115
Net retirement plan liability (Note 22)	-	5,849,806
Deferred tax liabilities - net (Note 23)	3,891,064	21,913,988
Other noncurrent liability (Note 11)	142,729,767	162,176,225
Total Noncurrent Liabilities	500,429,505	698,429,704
Total Liabilities	1,973,142,097	1,342,599,838

(Forward)



	December 31	
	2022	2021
Equity		
Capital stock (Note 16)	₱1,500,000,000	₱1,500,000,000
Other components of equity:		
Fair value changes on financial assets at FVOCI (Note 10)	(174,278,934)	(110,631,636)
Accumulated remeasurement losses on retirement benefits (Note 22)	1,460,042	449,165
Retained earnings (Note 16)	1,195,917,457	1,462,898,283
Total Equity Attributable to Equity Holders of Parent Company	2,523,098,565	2,852,715,812
Non-controlling interests	97,950,664	-
Total Equity	2,621,049,229	2,852,715,812
TOTAL LIABILITIES AND EQUITY	₱4,594,191,326	₱4,195,315,650

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
REVENUES			
Sales (Notes 17 and 26)	₱1,490,265,676	₱1,195,546,511	₱1,088,619,014
Rental income (Notes 11 and 26)	265,224,164	253,989,256	262,842,161
	1,755,489,840	1,449,535,767	1,351,461,175
COST OF SALES AND SERVICES			
Cost of sales (Note 18)	1,433,741,808	1,043,012,020	891,750,107
Cost of services (Note 11)	85,962,183	86,332,027	116,135,568
	1,519,703,991	1,129,344,047	1,007,885,675
GROSS PROFIT	235,785,849	320,191,720	343,575,500
OPERATING EXPENSES (Note 19)			
General and Administrative expenses	(124,587,116)	(135,231,727)	(134,867,827)
Selling expenses	(23,302,673)	(37,284,219)	(37,830,583)
INCOME (LOSS) BEFORE OTHER INCOME (CHARGES)	87,896,060	147,675,774	170,877,090
OTHER INCOME (CHARGES)			
Loss on pretermination of lease contract (Notes 27 and 30)	(85,402,721)	-	-
Interest expense (Notes 7, 14 and 27)	(60,863,856)	(41,516,974)	(38,575,445)
Dividend income (Notes 6 and 10)	12,979,179	23,963,824	28,117,038
Interest income (Notes 4, 5 and 10)	11,762,966	18,464,200	22,925,763
Other income (charges) - net (Notes 6, 9 and 21)	(76,607,385)	23,277,333	58,894,341
INCOME (LOSS) BEFORE INCOME TAX	(110,235,757)	171,864,157	242,238,787
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	22,561,673	17,115,237	26,254,648
Deferred	(17,640,348)	16,573,969	23,559,034
	4,921,325	33,689,206	49,813,682
NET INCOME (LOSS)	(115,157,082)	138,174,951	192,425,105
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Fair value gain (loss) on debt instruments at FVOCI (Note 10)	(19,022,185)	(16,330,766)	6,620,711
Fair value loss (gain) on financial assets at FVOCI realized through sale (Note 10)	494,880	(1,800,000)	(52,938)
	(18,527,305)	(18,130,766)	6,567,773
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Fair value gain (loss) on equity investments at FVOCI (Note 10)	(54,591,173)	(37,156,444)	13,284,770
Remeasurement gain (loss) on retirement benefits (Note 22)	2,145,303	13,925,101	(6,448,057)
Income tax effect	(536,326)	(4,147,586)	1,934,417
	(52,982,196)	(27,378,929)	8,771,130
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(₱71,509,501)	(₱45,509,695)	₱15,338,903
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱186,666,583)	₱92,665,256	₱207,764,008
Total Net Income (Loss) Attributable To			
Equity of holder of the Parent Company	(₱111,984,347)	₱138,174,951	₱192,425,105
Non-controlling interest	(3,172,735)	-	-
	(₱115,157,082)	₱138,174,951	₱192,425,105
Total Comprehensive Income (Loss) Attributable To			
Equity of holder of the Parent Company	(₱180,408,809)	₱92,665,256	₱207,764,008
Non-controlling interest	(6,257,774)	-	-
	(₱186,666,583)	₱92,665,256	₱207,764,008
BASIC/DILUTED EARNINGS (LOSS) PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY (Note 25)			
	(₱0.75)	₱0.92	₱1.28

See accompanying Notes to Consolidated Financial Statements.



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Equity Attributable to Equity Holders of the Parent Company						
	Capital Stock (Note 16)	Fair Value Changes on Financial Assets at FVOCI (Note 9)	Accumulated Remeasurement Gains (Losses) on Retirement Benefits (Note 22)	Retained Earnings (Note 16)	Total	Non-controlling interest	Total
BALANCES AT JANUARY 1, 2022	₱1,500,000,000	(₱110,631,636)	₱449,165	₱1,462,898,283	₱2,852,715,812	₱–	₱2,852,715,812
Net loss	–	–	–	(111,984,347)	(111,984,347)	(3,172,735)	(115,157,082)
Other comprehensive income (loss)	–	(70,371,774)	1,947,312	–	(68,424,462)	(3,085,039)	(71,509,501)
Total comprehensive income (loss)	–	(70,371,774)	1,947,312	(111,941,431)	(180,408,809)	(6,257,774)	(186,666,583)
Property dividend declaration (Note 16)	–	6,724,476	(936,435)	(109,996,479)	(104,208,438)	104,208,438	–
Cash dividends declared (Note 16)	–	–	–	(45,000,000)	(45,000,000)	–	(45,000,000)
BALANCES AT DECEMBER 31, 2022	₱1,500,000,000	(₱174,278,934)	₱1,460,042	₱1,195,917,457	₱2,523,098,565	₱97,950,664	₱2,621,049,229
BALANCES AT JANUARY 1, 2021	₱1,500,000,000	(₱55,344,426)	(₱9,328,350)	₱1,399,723,332	₱2,835,050,556	₱–	₱2,835,050,556
Net income	–	–	–	138,174,951	138,174,951	–	138,174,951
Other comprehensive income (loss)	–	(55,287,210)	9,777,515	–	(45,509,695)	–	(45,509,695)
Total comprehensive income (loss)	–	(55,287,210)	9,777,515	138,174,951	92,665,256	–	92,665,256
Cash dividends declared (Note 16)	–	–	–	(75,000,000)	(75,000,000)	–	(75,000,000)
BALANCES AT DECEMBER 31, 2021	₱1,500,000,000	(₱110,631,636)	₱449,165	₱1,462,898,283	₱2,852,715,812	₱–	₱2,852,715,812
BALANCES AT JANUARY 1, 2020	₱1,500,000,000	(₱75,196,969)	(₱4,814,710)	₱1,282,298,227	₱2,702,286,548	₱–	₱2,702,286,548
Net income	–	–	–	192,425,105	192,425,105	–	192,425,105
Other comprehensive income (loss)	–	19,852,543	(4,513,640)	–	15,338,903	–	15,338,903
Total comprehensive income (loss)	–	19,852,543	(4,513,640)	192,425,105	207,764,008	–	207,764,008
Cash dividends declared (Note 16)	–	–	–	(75,000,000)	(75,000,000)	–	(75,000,000)
BALANCES AT DECEMBER 31, 2020	₱1,500,000,000	(₱55,344,426)	(₱9,328,350)	₱1,399,723,332	₱2,835,050,556	₱–	₱2,835,050,556

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(₱110,235,757)	₱171,864,157	₱242,238,787
Adjustments to reconcile profit before income tax to net cash flows:			
Loss on pretermination of lease contract	85,402,721	–	–
Depreciation and amortization (Notes 11, 12, 13, 18 and 19)	64,762,121	58,015,873	57,392,470
Interest expense (Notes 7, 14, 19 and 27)	60,863,856	41,516,974	38,575,445
Fair value loss (gain) on financial assets at FVTPL (Notes 6 and 21)	57,469,760	(83,937,680)	(56,462,370)
Dividend income (Notes 6 and 10)	(12,979,179)	(23,963,824)	(28,117,038)
Interest income (Notes 4, 5 and 10)	(11,762,966)	(18,464,200)	(22,925,763)
Provision for impairment loss (Note 10)	11,245,608	–	–
Change in net retirement asset (Note 22)	2,681,419	663,219	999,467
Unrealized foreign currency exchange loss (gain)	(2,276,049)	9,060,857	3,941,890
Gain on sale of financial assets at FVTPL (Notes 6)	(499,541)	–	(100,685)
Gain (loss) on sale of debt securities at FVOCI (Note 9)	494,880	(1,800,000)	(52,938)
Change in net retirement liability (Note 22)	–	(48,081,165)	(53,224,471)
Loss on modification	–	4,981,822	–
Working capital changes:			
Decrease (increase) in:			
Receivables	(145,429,762)	(270,989,446)	(116,341,958)
Inventories	(415,916,319)	166,277,871	(183,770,072)
Accrued rent	(15,723,884)	(19,561,284)	(29,620,084)
Prepaid expenses and other current assets	(22,413,753)	(28,911,377)	25,885,534
Increase (decrease) in:			
Accounts payable and other current liabilities	257,104,095	(45,249,092)	284,600,512
Deposits on long-term leases	10,100,297	(492,032)	(826,942)
Unearned rental income	(8,216,358)	(1,585,588)	(1,120,387)
Cash generated from (used for) operations	(195,371,727)	(90,654,915)	161,071,397
Income taxes paid	(18,528,894)	(17,164,667)	(25,041,717)
Interest received	11,762,966	18,464,200	22,925,763
Net cash provided by (used in) operating activities	(202,094,739)	(89,355,382)	158,955,443
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Investment properties (Note 11 and 30)	(208,047,910)	(31,623,361)	(10,901,430)
Property, plant and equipment (Note 12)	(50,945,152)	(209,839,382)	(56,384,458)
Financial assets at FVTPL (Note 6)	(8,342,836)	(16,013,514)	(6,947,589)
Financial assets at FVOCI (Note 10)	(650,000)	(32,311,582)	–
Proceeds from:			
Redemption of financial assets at FVOCI (Note 10)	61,000,000	391,457,500	153,650,000
Sale of financial assets at FVTPL (Note 6)	8,936,573	–	8,275,685
Dividends received	12,979,179	23,963,824	28,117,038
Decrease (increase) in other noncurrent assets	1,299,526	144,260,429	(93,872,760)
Net cash provided by (used in) investing activities	(183,770,620)	269,893,914	21,936,486

(Forward)



	Years Ended December 31		
	2022	2021	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of bank loans (Note 14)	₱565,000,000	₱–	₱–
Loan payments (Note 14)	(136,470,588)	–	(52,900,000)
Dividends paid (Note 16)	(63,452,735)	(62,737,921)	(74,480,800)
Interest paid	(60,082,539)	(38,067,458)	(38,042,687)
Payable of other noncurrent liabilities	(18,381,857)	–	–
Payable to a related party	–	(52,000,000)	–
Payment of issue cost	–	(4,350,000)	–
Net cash provided by (used in) financing activities	286,612,281	(157,155,379)	(165,423,487)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES			
ON CASH AND CASH EQUIVALENTS	2,276,049	(9,060,857)	(3,941,890)
NET INCREASE (DECREASE) IN CASH			
AND CASH EQUIVALENTS	(96,977,029)	14,322,296	11,526,552
CASH AND CASH EQUIVALENTS AT BEGINNING			
OF YEAR	194,041,740	179,719,444	168,192,892
CASH AND CASH EQUIVALENTS AT END OF YEAR			
(Note 4)	₱97,064,711	₱194,041,740	₱179,719,444

See accompanying Notes to Consolidated Financial Statements.



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Liberty Flour Mills, Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008, the Parent Company extended its corporate life for another 50 years. The Parent Company is engaged primarily in the manufacture of flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded in the Philippine Stock Exchange (PSE) since then. Following are the Parent Company's subsidiaries and the respective ownership as at December 31, 2022 and 2021:

	Country of Incorporation	Principal Activities	Percentage of Ownership
LFM Properties Corporation (LPC) ^(a)	Philippines	Leasing out office spaces and condominium units	58.60
Liberty Engineering Corporation (LEC) ^(b)	Philippines	Sale, lease and purchase of equipment and machinery	100.00

(a) Registered with the SEC on December 18, 1995.

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

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

On November 25, 2020, the Parent Company's Board of Directors (BOD) approved the declaration of property dividends consisting of up to 10.35 billion shares of LPC. In August 2021, the Company secured the SEC's approval. In November 2021, the application for eCAR has been approved by the BIR but the release of eCARs was partially done for the 439 stockholders by BIR. The stock certificates for property dividends were distributed on June 30, 2022.

The accompanying consolidated financial statements were authorized for issue by the BOD on March 29, 2023.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

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



Basis of Consolidation

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

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

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

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

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

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

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

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

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



Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*



The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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 parent company financial statements.

Effective beginning on or after January 1, 2023

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the balance sheet date, or



- There is no unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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



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

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

“Day 1” Difference

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

Financial Instruments

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

a. Financial Assets

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

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

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

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

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

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



- *Financial assets at amortized cost (debt instruments)*. This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's cash and cash equivalents, receivables and refundable deposits recorded under "Other noncurrent assets" are included in this category as at December 31, 2022 and 2021.

- *Financial assets at FVOCI (debt instruments)*. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
 - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's debt instruments at FVOCI includes government and corporate bonds as at December 31, 2022 and 2021.

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

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

The Group's financial asset designated at FVOCI includes quoted and unquoted equity investments as at December 31, 2022 and 2021.

- *Financial assets at FVTPL*. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are



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

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

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

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

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

The Group has no derivative asset as at December 31, 2022 and 2021.

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

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

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



For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90-180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities consist only of loans and borrowings. As at December 31, 2022 and 2021, the Group's loans and borrowings consist of notes payable, accounts payable and other current liabilities and deposits on long-term leases. The Group has no financial liabilities at FVTPL or derivatives designated as hedging instruments in an effective hedge and no freestanding or embedded derivatives as at December 31, 2022 and 2021.

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

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

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



Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Offsetting of Financial Instruments

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

Cash and Cash Equivalents

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

Inventories

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



Prepaid Expenses and Other Current Assets

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

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

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

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

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

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

Investment Properties

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

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

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

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

	<u>Number of Years</u>
Condominium units	10-25
Building and building improvements	10

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



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

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

Property, Plant and Equipment

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

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

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

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

Impairment of Nonfinancial Assets

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



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

Capital Stock

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

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income (loss) includes gains and losses on changes in fair value of financial assets at FVOCI in 2022 and 2021, and remeasurement gains or losses on retirement benefits.

Retained Earnings

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

Dividend Distribution

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

Stock Issuance Costs

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

Basic/Diluted Earnings per Share

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

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

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



Revenue from Contracts with Customers

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

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

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

Sales

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

Bill-and-hold arrangement

The following criteria must be met for a customer to have obtained control of a product:

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

Rental Income

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred specifically to earn revenue from an operating lease are recognized as an expense in profit or loss in the period in which they are incurred.

Interest Income

Interest income is recognized as the interest on cash in banks, loans receivable and investment in debt securities accrues.

Dividend Income

Dividend income is recognized from investments in equity securities when the Group's right to receive the payment is established.

Other Income

Other income includes income from projects from which revenue is recognized when the performance of contractually agreed tasks has been rendered.



Costs and Expenses

Costs and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability, other than equity transactions with equity holders, has arisen that can be measured reliably.

Costs of Sales. Cost of sales is recognized as expense when the related goods are sold.

Costs of Services. Cost of services includes expenses incurred for the generation of revenue from rental income. Cost of services is expensed as incurred.

Administrative and Selling Expenses. Administrative expenses constitute costs of administering the business. Selling expenses are costs incurred to sell or distribute the merchandise. Administrative and selling expenses are expensed as incurred.

Leases

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

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

Borrowing Costs

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

Retirement Benefit Costs

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

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

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

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



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

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

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

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

Income Taxes

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

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

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

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

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

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

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

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



Provisions

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

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

Contingencies

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

Segment Reporting

The Group's operating business is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segment is presented in Note 30 to the consolidated financial statements. The Group revenue producing segments are located in the Philippines (i.e. geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period

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

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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



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

Estimates

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

- *Quantitative Criteria.* The borrower is more than 90-180 days past due on its contractual payments, which is consistent with the Company's definition of default, except for trade receivables from related parties which is 180 days past due on its contractual payments.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - a. The borrower is experiencing financial difficulty or is insolvent;
 - b. The borrower is in breach of financial covenant(s);
 - c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
 - d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

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

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

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

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 4 years. The



methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The allowance for expected credit losses amounted to ₱3.17 million and ₱2.64 million as at December 31, 2022 and 2021, respectively. The carrying value of receivables amounted to ₱1,257.61 million and ₱1,112.18 million as at December 31, 2021 (see Note 5).

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

The Group has no allowance for inventory obsolescence as at December 31, 2022 and 2021. The carrying value of inventories amounted to ₱606.25 million and ₱190.34 million as at December 31, 2022 and 2021, respectively (see Note 7).

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

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

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Management assessed that debt instruments classified as financial assets at FVOCI are impaired as of December 31, 2022 resulting to recognition of impairment loss amounting to ₱11.25 million (nil in 2021). The carrying value of investment in debt instruments classified as financial assets at FVOCI amounted to ₱192.11 million and ₱256.38 million as at December 31, 2022 and 2021, respectively (see Note 10).

Estimation of Fair Value of Investments in Unquoted Equity Securities. The fair values of the unquoted equity securities have been estimated using the adjusted net asset method which involves deriving the fair value of the investee's equity instruments by reference to the fair value of its assets and liabilities and assumes certain discount rates. The determination of discount factors for unquoted equity investments requires significant estimation. In valuing the Group's unquoted equity instruments at fair value, management applied judgment in selecting the valuation technique and used assumptions in estimating the fair value of assets and liabilities. The assets subject to adjustments are property, plant and equipment, financial assets at FVOCI and intangible assets.



As at December 31, 2022 and 2021, the carrying value of unquoted financial instruments amounting to ₱12.68 million and ₱12.31 million, respectively approximate their fair values (see Notes 10 and 28).

Fair value of investment properties. The Group is required to disclose for each class of investment properties the fair value of that class of assets in a way that permits it to be compared with the corresponding carrying amount in the consolidated statements of financial position, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these investment properties would affect the disclosures made by management. The fair values of the Group's investment properties are set out in Note 21.

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

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

The Group has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As at December 31, 2022 and 2021, no other impairment indicators were identified for the Group's investment properties.

The aggregate carrying value of these assets amounted to ₱1,535.49 million and ₱1,371.44 million, respectively (see Note 11).

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Group considers the interest rates in government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit obligation. Further details about defined benefit obligation are presented in Note 22.

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



The carrying value of the Group's net retirement plan asset and net retirement liability amounted to ₱6.69 million and nil as at December 31, 2022, respectively; and the Group's net retirement plan asset and net retirement liability amounted to ₱13.08 million and ₱5.85 million as at December 31, 2021, respectively (see Note 22).

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

As at December 31, 2022 and 2021, the Group recognized deferred tax assets on deductible temporary differences amounting to ₱1.34 million and ₱2.47 million, respectively (see Note 24).

As at December 31, 2022 and 2021, the Group did not recognize deferred tax assets on deductible temporary differences, unused NOLCO and MCIT amounting to ₱58.18 million and ₱40.53 million, respectively, as management assessed that there will be no sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized (see Note 24). The Group did not also recognize deferred tax asset amounting to ₱6.09 million on fair value loss on financial assets at FVOCI as management believes that that there is no expected sufficient capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset (see Note 24).

Provisions and Contingencies. The Group is involved in legal proceedings and tax assessments. The determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment and estimate by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the laws and regulations. The Group currently does not believe these tax assessments and claims could materially reduce its profitability. It is possible, however, that future financial performance could be materially affected by the changes in judgment and estimate or in the effectiveness of strategies relating to these tax assessments and claims (see Note 23).

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	₱321,197	₱179,396
Cash in banks	96,743,514	193,862,344
	₱97,064,711	₱194,041,740

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks and cash equivalents amounted to ₱0.14 million in 2022, ₱0.44 million in 2021 and ₱1.88 million in 2020.



5. Receivables

	2022	2021
Trade receivables from:		
Related parties (see Notes 17 and 26)	₱1,117,259,387	₱1,072,015,004
Third parties (see Notes 17)	70,539,451	-
Rent receivables from:		
Third parties	30,364,107	10,772,756
Related parties (see Note 26)	277,046	255,730
Receivable from a broker	4,303,908	-
Advances to officers and employees (see Note 26)	2,062,177	3,904,393
Others (see Note 26)	35,973,020	27,876,019
	1,260,779,096	1,114,823,902
Less allowance for expected credit losses	3,167,739	2,642,307
	₱1,257,611,357	₱1,112,181,595

Trade receivables arise from sale of flour and mill feeds. These are noninterest-bearing with average credit terms of 180 days and 90 days for related parties and third parties, respectively.

Rent receivables arise from leasing the Group's investment properties. These include interest-bearing receivables with average credit terms of 30 days. Interest income earned amounted to ₱0.02 million in 2022, ₱0.04 million in 2021 and 2020.

Receivable from a broker represents the Group's deposit to its agent of marketable securities, including unremitted proceeds from disposal of investments, which are liquidated through acquisition of additional investments in financial instruments for the Group. Interest income earned amounted to ₱0.18 million in 2020 (nil in 2022 and 2021). As at March 29, 2023, the receivable has been fully collected. As at March 29, 2023, the receivable has been fully collected.

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

Others include the Parent Company's receivable from its retirement plan (see Note 26).

Provision for expected credit losses amounted ₱0.53 million in 2022 and ₱1.05 million in 2021. No provision was recognized in 2020 (see Note 19).

6. Financial Assets at Fair Value through Profit or Loss

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

	2022	2021
Balance at beginning of year	₱194,328,610	₱94,377,416
Acquisitions	8,342,836	16,013,514
Changes in fair value of financial assets at FVTPL (see Note 21)	(57,472,265)	83,937,680
Disposals	(8,434,527)	-
	₱136,764,654	₱194,328,610



Realized gain on sale of financial assets at FVTPL amounted to ₱0.50 million and ₱0.10 million in 2022 and 2020, respectively (nil in 2021).

Dividend income earned on financial assets at FVTPL amounted to ₱1.84 million in 2022, ₱1.74 million in 2021 and ₱1.14 million in 2020.

7. Inventories

	2022	2021
At cost:		
Wheat grains	₱569,302,090	₱143,036,659
Flour	26,852,600	40,208,914
Supplies	9,917,171	6,193,609
Mill feeds	182,473	898,833
	₱606,254,334	₱190,338,015

Costs of inventories which includes others not only material used recognized as expenses, presented under “Cost of sales” in the consolidated statements of comprehensive income, amounted to ₱1,433.74 million in 2022, ₱1,043.01 million in 2021 and ₱891.75 million in 2020 (see Note 18).

Under the terms of agreements covering trust receipts, certain inventories have been released to the Company during the year in trust for the banks. The outstanding liabilities under such trust receipts amounted to ₱583.90 million and ₱304.14 million as at December 31, 2022 and 2021, respectively (see Note 11). Interest expense recognized on liabilities under trust receipts amounted to ₱24.11 million in 2022 (based on annual interest of 3.00% to 6.20%) and ₱10.83 million in 2021 (based on annual interest of 2.63% to 3.50%), and ₱3.83 million in 2020 (based on annual interest of 2.63% to 5.00%).

Wheat grains inventories in transit amounted to ₱65.88 million and ₱54.24 million as at December 31, 2022 and 2021, respectively (see Note 15).

In 2020, the Group recognized provision for inventory obsolescence and decline in value of inventories amounting to ₱15.56 million (see Note 18). Allowance for inventory obsolescence amounted to nil as at December 31, 2022 and 2021.

8. Prepaid Expenses and Other Current Assets

	2022	2021
Creditable withholding taxes	₱40,594,638	₱25,042,627
Advance VAT on importation	26,016,888	9,455,854
Store supplies	17,828,877	23,340,152
Advances to suppliers	8,556,556	7,759,338
Prepaid taxes	3,315,834	2,664,832
Deferred input VAT (see Note 11)	2,287,668	2,336,775
Prepaid insurance	859,280	2,178,791
Input VAT	209,184	2,790,883
Prepaid importation cost	–	3,351,099
Others	5,209,103	3,543,924
	₱104,878,028	₱82,464,275



9. Partly-owned Subsidiary

On November 25, 2020, the BOD approved the declaration of property dividends in the form of 10,350 million common shares of LPC (with a par value of ₱0.01 per share), with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Parent Company, to eligible stockholders of the Parent Company as of record date of December 18, 2020. Accordingly, the Parent Company recognized dividends payable amounting to ₱88.0 million, equivalent to the proportionate carrying value of investment in LPC declared as property dividends representing 41.40% of LPC's outstanding capital stock. The declaration and distribution of the LPC shares to its shareholders as property dividends did not result in a loss of control as the Parent Company retains 58.60% of LPC's total shares outstanding.

In August 2021, the Parent Company secured the SEC's approval. In November 2021, the application for eCAR has been approved by the BIR but the release of eCARs was partially done for the 439 stockholders by BIR. The stock certificates for property dividends were distributed on June 30, 2022.

On October 13, 2022 and November 3, 2022, the SEC and Philippine Stock Exchange, Inc. (PSE), respectively approved the application of LPC for the listing by way of introduction of up to 24,802,384,828 common shares on the Main Board of the PSE. On November 9, 2022, LPC completed its IPO and was listed in the PSE under the stock symbol "LPC". On December 20, 2022, additional 137,438,271 common shares was approved by PSE for listing on the Main Board of the PSE. Total listed shares of LPC amounted to 24,939,823,099 common shares.

Financial information of subsidiary that has non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of Incorporation	2022	2021
LFM Properties Corporation (LPC)	Philippines	41.40%	nil

	Amount
Accumulated balances of non-controlling interest	₱97,950,664
Total comprehensive income allocated to non-controlling interest	(₱6,257,774)

The summarized financial information of LPC is provided below. This information is based on amounts before inter-company eliminations.

Summarized statement of comprehensive income for the year ended December 31, 2022:

	Amount
Rental income	₱230,739,119
Direct cost	(77,299,074)
Operating expenses	(25,418,019)
Other charges	(169,912,231)
Net loss before tax	(41,890,205)
Provision for income tax	(4,091,462)
Net loss after tax	(45,981,667)
Other comprehensive loss	(44,710,712)



Total comprehensive loss	(P90,692,379)
Net loss attributable to non-controlling interest	(P3,172,735)
Total comprehensive loss attributable to non-controlling interest	(P6,257,774)

Summarized statement of financial position as at December 31, 2022:

	Amount
Total Current Assets	P199,192,593
Total Noncurrent Assets	1,097,830,166
Total Assets	P1,297,022,759
Total Current Liabilities	P403,584,625
Total Noncurrent Liabilities	499,252,856
Total Liabilities	902,837,481
Total Equity	394,185,278
Total Liabilities and Equity	P1,297,022,759
Total Equity Attributable To	
Equity Holders of Parent Company	P296,234,614
Non-controlling Interest	97,950,664
Non-controlling Interest	P394,185,278

Summarized cash flow information for the year ended December 31, 2022:

	Amount
Net cash provided by (used in):	
Operating activities	P120,875,097
Investing activities	(129,608,256)
Financing activities	5,037,916
Net decrease in cash	(3,695,243)
Cash at beginning of the year	46,758,816
Cash at end of the year	P43,063,573

10. Financial Assets at Fair Value through Other Comprehensive Income

	2022	2021
Debt securities	P192,113,177	P256,380,970
Equity securities:		
Quoted	281,406,783	362,719,177
Unquoted	12,676,851	12,305,630
	P486,196,811	P631,405,777

The Group purchased equity securities amounting to P0.65 million in 2022, and debt and equity securities amounting to P14.31 million and P18.00 million, respectively, in 2021.

The Group has early redemption or sold upon maturity of debt securities with a carrying value amounting to P34.00 million and P195.00 million in 2022 and 2021, respectively. The Group also sold quoted equity securities with a carrying amount of P27.00 million and P196.46 million in 2022 and 2021, respectively.



Financial assets at FVOCI includes equity securities with a cost and carrying value amounting to ₱40.60 million and nil, respectively, as at December 31, 2022 and 2021.

Fair value changes on financial assets at FVOCI in 2022 and 2021 follow:

	2022	2021
Balance at beginning of year	(₱110,631,636)	(₱55,344,426)
Fair value loss recognized in other comprehensive income	(73,613,358)	(53,487,210)
Fair value gain (loss) realized through sale (see Note 21)	494,880	(1,800,000)
Balance at end of year	(₱183,750,114)	(₱110,631,636)
	2022	2021
Attributable to:		
Equity of holder of the Parent Company	(₱174,278,934)	(₱110,631,636)
Non-controlling interest	(9,471,180)	-
	(₱183,750,114)	(₱110,631,636)

Interest income earned on debt securities amounted to ₱11.61 million in 2022, ₱17.98 million in 2021 and ₱20.83 million in 2020. Dividend income earned on equity securities amounted to ₱11.14 million in 2022, ₱22.23 million in 2021 and ₱26.98 million in 2020.

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

The Group considers the events as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2021. Due to ongoing war between Russia and Ukraine and continuous decline in market value, the Group recognized provision for impairment loss in debt securities amounting to ₱11.25 million in 2022 (see Note 21).

11. Investment Properties

	2022			
	Land (see Note 14)	Building and Building Improvements (see Note 14)	Condominium Unit	Total
Cost				
Balance at beginning of year	₱784,008,458	₱1,004,652,666	₱11,419,656	₱1,800,080,780
Additions	208,456,405	-	-	208,456,405
Balance at end of year	992,464,863	1,004,652,666	11,419,656	2,008,537,185
Accumulated Depreciation				
Balance at beginning of year	-	418,006,583	10,631,002	428,637,585
Depreciation	-	44,328,863	77,054	44,405,917
Balance at end of year	-	462,335,446	10,708,056	473,043,502
Net book values	₱992,464,863	₱542,317,220	₱711,600	₱1,535,493,683



	2021			
	Land (see Note 14)	Building and Building Improvements (see Note 14)	Condominium Unit	Total
Cost				
Balance at beginning of year	₱591,977,625	₱1,004,652,666	₱11,419,656	₱1,608,049,947
Additions	192,030,833	–	–	192,030,833
Balance at end of year	784,008,458	1,004,652,666	11,419,656	1,800,080,780
Accumulated Depreciation				
Balance at beginning of year	–	373,538,661	10,553,948	384,092,609
Depreciation	–	44,467,922	77,054	44,544,976
Balance at end of year	–	418,006,583	10,631,002	428,637,585
Net book values	₱784,008,458	₱586,646,083	₱788,654	₱1,371,443,195

The Group leases out spaces in its building and condominium units under various operating leases (see Note 27).

In 2022, the Company purchased several lots in Lemery, Batangas.

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

	2022	2021
Rental income	₱265,224,164	₱253,989,256
Direct operating expenses:		
Depreciation and amortization	44,405,917	44,544,976
Real estate tax	21,089,511	20,892,774
Outside services	12,351,745	11,740,915
Repairs and maintenance	3,362,743	4,402,732
Communication, light and water	2,605,807	2,708,390
Insurance and others	2,146,460	2,042,240
	85,962,183	86,332,027
	₱179,261,981	₱167,657,229

Direct operating expenses incurred for non-income generating properties amounted to ₱4.43 million in 2022, ₱2.46 million in 2021 and ₱3.42 million in 2020.

The Group has refundable deposits for utilities installation on its investment properties amounting to ₱3.15 million and ₱3.16 million as at December 31, 2022 and 2021, respectively, presented as part of "Other noncurrent assets" in the consolidated statements of financial position (see Note 13).

The aggregate fair value of investment properties amounted to ₱7.93 billion and ₱5.53 billion as at December 31, 2022 and 2021, respectively. These have been determined based on valuations performed by a qualified and independent appraiser in 2022 and 2021. The key assumptions used for valuation reports include growth rate and discount rate of 5% and 11-13%, respectively. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3). The valuation undertaken considered the highest and best use of the properties and established estimated value by processes involving comparison (Level 3). Management has determined that the fair value of investment properties did not significantly change from the last valuation date. Management assessed that the fair value of these investment properties as at December 31, 2021 approximates its fair value as at December 31, 2022 as no significant changes on the properties have taken place since the latest appraisal, or will take place in the near future, in the market, economic or legal environment in which the Group operates or in the market to which the investment property is dedicated.



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

2022 and 2021			
	Current use	Valuation technique	Significant unobservable input
Land	Commercial Parking space	Market Approach	Adjusted sales price of comparable properties
	Capital appreciation	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business and opportunity cost of capital
Building and building improvements	Commercial	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business and opportunity cost of capital
		Market Approach	Adjusted sales price of comparable properties
		Cost Approach	Current market prices of similar materials, labor, contractors' overhead and manufactured equipment
Condominium units	Residential	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business and opportunity cost of capital
		Sales Comparison Approach	Adjusted sales price of comparable properties

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

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

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

Land and building and building improvements owned by the Group with an aggregate carrying value of ₱44.10 million and ₱57.60 million as at December 31, 2022 and 2021 served as collateral to secure the loans obtain from a bank (see Note 14).

Developmental Rights

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



In December 2020, the parties executed an agreement for the determination of the consideration amounting to ₱99.70 million. The initial payment amounting to ₱9.97 million was paid on the date of execution of the agreement while the remaining balance in the amount of ₱89.73 million, subject to 5.25% interest, shall be paid through a single payment or partial payments, as LPC may deem necessary, within a period of 5 years, from the execution of the agreement and no later than December 14, 2025. Accordingly, LPC recognized an asset amounting to ₱99.70 million and a liability presented as “Payable to a related party” amounting to ₱37.73 million as at December 31, 2022 and 2021 (see Note 26).

Land Acquisition

In December 2021, LPC entered into a Contract to Sell for the purchase of land for a consideration of ₱214.46 million (exclusive of VAT) payable on monthly installment basis until year 2026. Payments made in 2022 and 2021 amounted to ₱18.38 million and ₱31.56 million, respectively (exclusive of VAT). As at December 31, 2022 and 2021, the corresponding unpaid purchase price, net of VAT, were recorded at present value using the discount rate of 4.25% amounting to ₱142.43 million and ₱160.41 million, respectively. Current and noncurrent portion of the liability amounting to ₱19.45 million and ₱142.73 million, respectively, inclusive of VAT, are presented as part of “Accounts payable” under “Accounts payable and other current liabilities” and “Other noncurrent liability” accounts, respectively, in the 2022 consolidated statement of financial position (see Note 16). While current and noncurrent portion of the liability amounting to ₱20.18 million and ₱162.18 million, respectively, inclusive of VAT, are presented as part of “Accounts payable” under “Accounts payable and other current liabilities” and “Other noncurrent liability” accounts, respectively, in the 2021 consolidated statement of financial position (see Note 16). Total discount of liability amounted to ₱22.08 million and ₱22.49 million as at December 31, 2022 and 2021, respectively. Accretion of interest expense capitalized as part of investment property amounted to ₱0.41 million for the year ended December 31, 2022.

The related deferred input VAT amounting to ₱17.54 million and ₱19.74 million, net of current portion of ₱2.21 million, as at December 31, 2022 and 2021, respectively, is recognized as part of “Other noncurrent assets” account in the consolidated statements of financial position (see Notes 8 and 13). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

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

Year	2022	2021
2022	₱-	₱18,381,857
2023	18,381,857	18,381,857
2024	26,219,677	26,219,677
2025	65,408,775	65,408,775
2026	54,507,313	54,507,313
	₱164,517,622	₱182,899,479



12. Property, Plant and Equipment

	2022							
	Land and Land Improvements	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment	Construction In Progress	Total
Cost								
Beginning balances	₱25,335,572	₱233,467,237	₱115,921,668	₱51,009,544	₱839,842	₱44,123,577	₱245,865,649	₱716,563,089
Additions	–	3,783,100	590,645	127,834	–	2,203,837	44,239,736	50,945,152
Reclassification	–	211,699,459	78,405,926	–	–	–	(290,105,385)	–
Ending balances	25,335,572	448,949,796	194,918,239	51,137,378	839,842	46,327,414	–	767,508,241
Accumulated Depreciation								
Beginning balances	17,425,223	220,482,168	97,174,808	45,198,013	839,842	34,916,973	–	416,037,027
Depreciation and amortization (see Notes 18 and 19)	978,535	9,790,456	4,660,340	1,566,305	–	3,360,568	–	20,356,204
Ending balances	18,403,758	230,272,624	101,835,148	46,764,318	839,842	38,277,541	–	436,393,231
Net Book Values	₱6,931,814	₱218,677,172	₱93,083,091	₱4,373,060	₱–	₱8,049,873	₱–	₱331,115,010

	2021							
	Land and Land Improvements	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Leasehold Improvements	Other Equipment	Construction In Progress	Total
Cost								
Beginning balances	₱25,335,572	₱232,722,654	₱115,881,489	₱48,885,651	₱839,842	₱41,029,942	₱42,028,557	₱506,723,707
Additions	–	744,583	40,179	2,123,893	–	3,093,635	203,837,092	209,839,382
Ending balances	25,335,572	233,467,237	115,921,668	51,009,544	839,842	44,123,577	245,865,649	716,563,089
Accumulated Depreciation								
Beginning balances	16,446,688	215,055,333	94,492,716	43,740,103	839,842	32,090,547	–	402,665,229
Depreciation and amortization (see Notes 18 and 19)	978,535	5,426,835	2,682,092	1,457,910	–	2,826,426	–	13,371,798
Ending balances	17,425,223	220,482,168	97,174,808	45,198,013	839,842	34,916,973	–	416,037,027
Net Book Values	₱7,910,349	₱12,985,069	₱18,746,860	₱5,811,531	₱–	₱9,206,604	₱245,865,649	₱300,526,062

As at December 31, 2021, construction in progress pertains to costs incurred for the renovation of the Group's manufacturing facility is in operation and reclassified in 2022.

13. Other Noncurrent Assets

	2022	2021
Deferred input VAT - net of current portion (see Note 11)	₱17,536,292	₱19,742,115
Refundable deposits (see Note 10)	3,146,706	3,157,180
Advances to suppliers	773,391	2,062,443
Others	1,022,000	1,022,000
	₱22,478,389	₱25,983,738

Advances to suppliers primarily pertain to advance payments to supplier for the purchase of machineries which has been delivered in 2022 but final payment to be made in 2023.

Amortization of computer software amounted to nil in 2022, ₱0.10 million in 2021 and ₱0.25 million in 2020 (see Note 18).



14. Notes Payable

Notes payable consists of:

	2022	2021
Principal	₱1,008,529,412	₱580,000,000
Add: unamortized premium, net of debt issue cost	271,370	456,514
	1,008,800,782	580,456,514
Less current portion	701,609,473	136,655,732
Noncurrent portion	₱307,191,309	₱443,800,782

On various dates during 2022, the Group availed short-term loans (with interest ranging from 4.7% to 5.95%) amounting to ₱565.00 million for land acquisitions, and for payment of trust receipts for the importation of wheat grains, with terms of 360 days at 3.00% to 7.00% interest per annum for 2022.

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

All loans are secured by a real estate mortgage on certain land and building and building improvements owned by the Company (see Note 11).

The details of the term loans follow:

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

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

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

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

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

Debt Covenants

The 2021 term loan agreement contains, among others, covenants that require LPC to comply with specified financial ratios which are current ratio (minimum of 1.0), debt to equity ratio (maximum of 2.33) and debt service coverage ratio (minimum of 1.25). As at December 31, 2022, the Company has complied with debt to equity ratio. On December 21, 2022, LPC was able to secure a waiver from the bank for current ratio and debt service coverage ratio.



As at December 31, 2021, the Group has complied with these covenants.

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

	2022	2021
Within one year	₱701,470,588	₱136,470,588
Beyond one year but less than five years	307,058,824	443,529,412
	₱1,008,529,412	₱580,000,000

Total interest expense on notes amounted to ₱35.42 million in 2022 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱0.19 million), ₱29.21 million in 2021 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱0.18 million) and ₱33.25 million in 2020.

15. Accounts Payable and Other Current Liabilities

	2022	2021
Liabilities under trust receipts (see Note 7)	₱583,904,323	₱304,142,352
Trade payables (see Note 10)	55,325,340	41,339,772
Dividends payable	26,379,956	44,832,691
Output VAT – net	15,781,221	4,370,872
Customers and tenants' deposits	14,941,543	12,701,186
Construction bond	6,001,007	6,432,077
Withholding tax, HDMF and SSS payable	3,015,493	1,897,791
Accrued selling, freight and outside services	5,308,548	5,641,584
Deferred output VAT	1,042,371	–
Accrued liability for inventories in transit (see Note 7)	–	54,237,448
Accrued other expenses	14,817,432	13,374,676
	₱726,517,234	₱488,970,449

Liabilities under trust receipts are short-term loan with the banks for importation of wheat grains, with terms of 180 days at 3.00% to 6.20% interest per annum for 2022 and 2.625% to 3.50% interest per annum for 2021.

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

Dividends payable consist of dividends declared but not yet claimed.

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

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

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



16. Equity

Capital Stock

The Parent Company's capital stock as at December 31, 2022 and 2021 follows:

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

Issued and outstanding shares as at December 31, 2022 and 2021 are held by 447 and 439 equity holders, respectively.

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

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

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

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

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

- a) that the 19,951 shares with a par value of ₱199,510 are to be issued out of the remaining unissued common stock presently authorized; and
- b) that 64,000 shares with a par value of ₱640,000 are to be issued out of the increase in the common stock of 320,000 common shares.

In April 1966, the Parent Company paid out 20% stock dividends and in November 1966, the Parent Company paid out again 10% stock dividends.

On March 17, 1966, the SEC approved the increase in the common stock to ₱9.6 million divided in 960,000 common shares from ₱9.6 million divided into 760,000 common shares as authorized by the stockholders last September 24, 1965.



On March 19, 1968, the stockholders approved the increase of authorized capital stock from ₱9.6 million to ₱12.00 million to be divided into 1.20 million shares with a par value of ₱10.00 each to wit:

	No. of shares	Amount
Common stock	1,000,000 shares	₱10,000,000
Preferred stock	200,000 shares	2,000,000

The application for the proposed increase in the Parent Company's capitalization was approved by the SEC in November 1968.

In 1970, the Parent Company declared 17.64% stock dividends on common shares amounting to ₱1,499,620 (149,833 shares and ₱1,290 in cash for fractional shares).

In 1971, the Parent Company redeemed the outstanding preferred shares represented by 160,049 preferred shares.

On May 4, 1972, the stockholders approved to eliminate and retire all the 200,000 preferred shares with a par value of ₱10.00 each, thereby, decreasing its capital stock from ₱12.00 million to ₱10.00 million and to create 1,000,000 more common shares at a par value of ₱10.00 each thereby increasing the capital stock of the corporation from ₱10.00 million to ₱20.00 million to be divided into 2.00 million common shares at a par value of ₱10.00 per share. In relation to such an increase, the stockholders declared stock dividend of 20% on the issued and outstanding shares of ₱10.00 million. On October 6, 1972, the SEC approved the application for the retirement of its preferred shares and the increase of its common shares.

On May 6, 1977, the stockholders approved a resolution to increase the capital stock from ₱20.00 million (2.00 million shares at ₱10.00 par value) to ₱30.00 million (3.00 million shares at ₱10.00 par value) and that subscription to the capital stock increase in the amount of ₱2.00 million shall be paid through stock dividend. In December 1977, the SEC approved the registration of the capital stock increase and stock dividend declaration.

On February 9, 1981, the SEC approved the Parent Company's application for the registration of its increase in authorized capital stock from ₱30.00 million (3.00 million shares at ₱10.00 par value) to ₱50.00 million (5.00 million shares at ₱10.00 par value). Capital base went up from ₱30.00 million to ₱40.25 million due to the ₱10.25 million given as stock dividend.

In 1982, the Parent Company distributed ₱9.75 million stock dividend to complete the outstanding capital stock to the full ₱50.00 million which is also the authorized capitalization.

On November 9, 1983, the stockholders approved the increase in authorized capital stock from ₱50.00 million (5.00 million shares at ₱10.00 par value) to ₱100.00 million (10.00 million shares at ₱10.00 par value) and the declaration of a 25% stock dividend or an equivalent sum of ₱12.50 million on such increase to stockholders of record as at November 9, 1983. The increase in authorized capital stock and stock dividend declaration was approved by the SEC on May 4, 1984.

On June 10, 1985, a 10% stock dividend was declared to stockholders of record as at May 10, 1985. The weighted average shares outstanding and all per share amounts included in the financial statements are based on the increased number of shares giving retroactive effect to these stock dividends.



On February 21, 1985, the Makati Stock Exchange approved the listing of 10.00 million common shares of the Parent Company's capital stock which are duly registered with the SEC.

On May 9, 1986, a stock dividend of 21.212% was declared to stockholders of record as at May 28, 1986. The weighted average shares outstanding and all per share amounts included in the financial statements are based on the increased number of shares giving retroactive effect to these stocks dividend.

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

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

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

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

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

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

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

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

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

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

Retained Earnings

As at December 31, 2022 and 2021, the consolidated retained earnings include undistributed net accumulated earnings of subsidiaries amounting to ₱259.71 million and ₱323.84 million,



respectively. Such undistributed net earnings are not currently available for dividend distribution unless declared by the BOD of the subsidiaries.

Cash Dividends

Below is the summary of cash dividends declared for the years ended 2022, 2021 and 2020:

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Date of payment</u>	<u>Dividend per share</u>	<u>Total amount</u>
November 28, 2022	December 16, 2022	December 28, 2022	₱0.30	45.0 million
June 11, 2021	May 26, 2021	June 30, 2021	₱0.50	75.0 million
June 30, 2020	July 14, 2020	July 28, 2020	₱0.50	75.0 million

Property Dividends

On November 25, 2020, the BOD approved the declaration of property dividends in the form of 10.35 billion common shares of LPC (with a par value of ₱0.01 per share), with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Parent Company, to eligible stockholders of the Company as of record date of December 18, 2020. Accordingly, the Parent Company recognized dividends payable amounting to ₱88.0 million, equivalent to the proportionate carrying value of investment in LPC declared as property dividends representing 41.40% of LPC's outstanding capital stock. The declaration and distribution of the LPC shares to its shareholders as property dividends did not result in a loss of control as the Company retains 58.60% of LPC's total shares outstanding.

In August 2021, the Parent Company secured the SEC's approval. In November 2021, the application for eCAR has been approved by the BIR but the release of eCARs was partially done for the 439 stockholders by BIR. The stock certificates for property dividends were distributed on June 30, 2022.

LPC's listing by way of introduction has been concluded on November 9, 2022 (see Note 9).

17. Revenue from Contracts with Customers

Disaggregated Revenue Information

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

	2022	2021	2020
Sales of bakery flour	₱1,308,868,276	₱1,095,526,069	₱967,591,233
Sales of mill feeds	181,397,400	100,020,442	121,027,781
	₱1,490,265,676	₱1,195,546,511	₱1,088,619,014

LPC has only one source of revenue arising from its rental contracts and it operates in one geographical area where it derives its revenue. Accordingly, LPC did not present segment information in its financial statements as it has only one reportable segment.

Obligations

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



Contract Balances

The Group's trade receivables from related parties and third parties amounting to ₱1,187.80 million and ₱1,072.02 million as at December 31, 2022 and 2021, respectively, arise from sale of flour and mill feeds with its related parties and third parties. These are noninterest-bearing with average credit terms of 180 days and 90 days for related parties and third parties, respectively (see Note 5).

The Group has no contract assets and contract liabilities as at December 31, 2022 and 2021.

18. Cost of Sales

	2022	2021	2020
Materials used	₱1,329,305,118	₱938,510,410	₱776,556,835
Direct labor (see Note 19)	47,433,320	55,786,668	53,076,543
Overhead:			
Utilities	33,993,884	32,435,238	30,942,881
Depreciation (see Note 11)	12,426,697	6,455,658	7,470,835
Repairs and maintenance	3,162,338	2,219,411	2,067,025
Other factory overhead	7,420,451	7,604,635	6,079,105
Provision for inventory write-down	-	-	15,556,883
	₱1,433,741,808	₱1,043,012,020	₱891,750,107

19. Expenses

Administrative Expenses

	2022	2021	2020
Outside services	₱37,437,301	₱32,306,738	₱36,102,521
Salaries and wages (see Notes 19 and 25)	29,225,722	32,916,428	32,327,091
Employee benefits and bonuses (see Notes 19, 21 and 25)	22,995,628	37,546,668	32,509,901
Taxes and licenses	11,393,248	10,546,025	10,379,901
Depreciation and amortization (see Notes 11 and 12)	6,584,181	5,620,867	3,961,534
Membership and subscription	4,174,783	4,203,743	8,732,391
Insurance	1,721,900	2,002,963	2,236,390
Communication, light and water	1,486,367	1,377,795	1,311,521
Provision for expected credit losses (see Note 5)	525,432	1,049,681	-
Repairs and maintenance	850,848	914,956	475,337
Per diem	830,000	825,000	715,000
Representation	704,863	444,498	491,910
Office supplies	280,371	320,974	421,552
Commission	240,420	250,500	114,000
Donations and contribution	6,000	142,412	604,631
Others	6,130,052	4,762,479	4,484,147
	₱124,587,116	₱135,231,727	₱134,867,827



Selling Expenses

	2022	2021	2020
Promotional and marketing expenses (see Note 25)	₱17,514,598	₱35,033,335	₱35,087,784
Depreciation and amortization (see Note 11)	1,345,327	1,394,372	1,412,722
Freight and handling fees	4,442,748	856,512	1,330,077
	₱23,302,673	₱37,284,219	₱37,830,583

Interest Expense

	2022	2021	2020
Notes payable (see Note 13)	₱35,419,022	₱29,214,581	₱33,247,765
Liabilities under trust receipts (see Note 7)	24,106,525	10,832,430	3,826,720
Deposits on long-term leases (see Note 26)	1,338,309	1,469,963	1,500,960
	₱60,863,856	₱41,516,974	₱38,575,445

20. Personnel Costs

	2022	2021	2020
Direct Labor (see Note 17)	₱47,433,320	₱55,786,668	₱53,076,543
Salaries and wages (see Notes 18 and 25)	29,225,722	32,916,428	32,327,091
Bonus and allowances (see Note 18)	10,732,945	23,382,969	15,962,272
Retirement benefit costs (see Notes 18, 21 and 25)	6,805,035	7,786,215	9,244,201
Other employee benefits (see Notes 18 and 25)	5,457,648	6,377,484	7,303,428
	₱99,654,670	₱126,249,764	₱117,913,535

21. Other Income (Charges) - Net

	2022	2021	2020
Fair value gain (loss) on financial assets at FVTPL (see Note 6)	(₱57,472,265)	₱83,937,680	₱56,462,370
Provision for impairment loss on financial assets at FVOCI (see Note 10)	(11,245,608)	-	-
Unrealized foreign exchange gain (loss)	2,276,049	(9,060,857)	(3,941,890)
Gain on sale of financial assets at FVTPL (see Note 6)	499,541	-	100,685
Gain (loss) on sale of debt securities at FVOCI (see Note 9)	(494,880)	1,800,000	52,938
Loss on modification of loan	-	(4,981,822)	-
Other income (charges) - net	(10,170,222)	(48,417,668)	6,220,238
	(₱76,607,385)	₱23,277,333	₱58,894,341

In 2022 and 2021 other income (charges) - net mainly include provision for losses, realized foreign exchange losses and taxes.



22. Retirement Benefits Costs

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

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

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

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

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

Changes in net retirement asset as at December 31, 2022 and 2021 follow:

	Net Retirement Cost in Profit or Loss in the Consolidated Statements of Comprehensive Income				Benefits Directly Paid by the Group	Benefits Paid from Plan Assets	Contributions to the Plan Asset	Remeasurements in Other Comprehensive Income						Balance at End of Year
	Balance at Beginning of Year	Current Service Cost	Net Interest	Subtotal				Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from Demographic Assumptions	Effect of Asset Ceiling	Subtotal	
December 31, 2022														
Present value of defined benefit obligation	₱106,192,475	₱7,204,057	₱4,559,800	₱11,763,857	₱-	(₱50,207,696)	₱-	₱-	(₱12,177,501)	(₱1,165,050)	₱-	₱-	(₱13,342,551)	₱50,282,469
Fair value of plan assets	(113,419,155)	-	(4,958,822)	(4,958,822)	(4,123,616)	50,207,696	-	16,405,025	-	-	-	(5,207,777)	11,197,248	(56,973,033)
Net defined benefit asset	(₱7,226,680)	₱7,204,057	(₱339,022)	₱6,805,035	(₱4,123,616)	₱-	₱-	₱16,405,025	(₱12,177,501)	(₱1,165,050)	₱-	(₱5,207,777)	(₱2,145,303)	(₱6,690,564)
December 31, 2021														
Present value of defined benefit obligation	₱12,832,815	₱780,820	₱486,364	₱1,267,184	₱-	(₱4,307,168)	₱-	₱-	(₱773,538)	(₱13,174)	(₱2,168)	₱-	(₱788,880)	₱9,003,951
Fair value of plan assets	(18,089,328)	-	(603,965)	(603,965)	-	4,307,168	-	(19,416,986)	-	-	-	11,722,674	(7,694,312)	(22,080,437)
Net defined benefit asset	(₱5,256,513)	₱780,820	(₱117,601)	₱663,219	₱-	₱-	₱-	(₱19,416,986)	(₱773,538)	(₱13,174)	(₱2,168)	₱11,722,674	(₱8,483,192)	(₱13,076,486)
Present value of defined benefit obligation	₱127,649,590	₱5,338,028	₱4,863,449	₱10,201,477	(₱5,204,161)	(₱24,953,371)	₱-	₱-	(₱12,154,576)	₱1,664,993	(₱15,428)	₱-	(₱10,505,011)	₱97,188,524
Fair value of plan assets	(68,276,710)	-	(3,078,481)	(3,078,481)	-	24,953,371	(50,000,000)	5,063,102	-	-	-	-	5,063,102	(91,338,718)
Net defined benefit liability	₱59,372,880	₱5,338,028	₱1,784,968	₱7,122,996	(₱5,204,161)	₱-	(₱50,000,000)	₱5,063,102	(₱12,154,576)	₱1,664,993	(₱15,428)	₱-	(₱5,441,909)	₱5,849,806



The Parent Company is expected to contribute ₱20.00 million to its defined benefit pension plan in 2023 while LPC has no expected contribution in the next financial period.

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

The composition of the plan assets follows:

	2022	2021
Cash in banks	₱15,626,570	₱15,105,392
Receivables	–	779,261
Money market placements	2,588	14,239,723
Investments in equity securities:		
Industrial	27,299,751	39,694,434
Services	3,260,816	4,022,816
Financials	2,920,000	2,813,384
Mining and oil	305,250	305,250
Others	121,001	253,560
BPI Philippine Equity Index Fund	2,005,501	3,904,576
Investment in bonds	43,342,341	60,916,364
Liabilities (see Note 25)	(29,886,619)	(16,016,154)
Effect of asset ceiling	(8,024,166)	(12,599,451)
	₱56,973,033	₱113,419,155

Investments in equity securities can be transacted through the PSE. The plan assets include shares of stock of the Parent Company with fair value of ₱4.61 million and ₱4.91 million as at December 31, 2022 and 2021, respectively. Fair value changes recognized by the retirement plan assets for the changes in market values of the shares of stock of the Parent Company amounted to ₱0.30 million loss in 2022 and ₱4.27 million gain in 2021. With respect to the plan's investment in the Parent Company's shares of stock:

- a. There are no restrictions or limitations on the shares provided in the plan,
- b. The Board of Trustees of the plan exercises voting rights over the shares, and
- c. There was no material gain or loss over the shares in 2022.

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

The carrying amount of the Group's plan assets represents their fair values as at December 31, 2022 and 2021.

The latest actuarial valuation of the Group's plan is as at December 31, 2022. The principal actuarial assumptions used to determine retirement benefits costs as at January 1 are as follows:

	2022	2021
Discount rate	7.20%-7.29%	5.02%-5.08%
Future salary increases	5.00%	5.00%

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



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

		2022		2021	
		Increase (decrease) in DBO	Increase (decrease) in DBO	Increase (decrease) in DBO	Increase (decrease) in DBO
Discount rate	+100 bps	8.00%	₱3,402,572	9.60%	₱9,358,070
	- 100 bps	(6.80%)	(2,890,391)	(8.20%)	(8,010,569)
Salary increase rate	+100 bps	8.10%	3,447,603	9.50%	9,270,194
	-100 bps	(7.00%)	(2,974,574)	(8.30%)	(8,087,602)

In 2022, the average duration of the defined benefit obligation at the end of the period is 7.4 years for the Parent Company and 6.8 years for LPC. In 2021, the average duration of the defined benefit obligation at the end of the period is 8.9 years for the Parent Company and 6.4 years for LPC.

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

	2022	2021
Year 1	₱17,393,021	₱16,421,270
Year 2	688,503	5,133,501
Year 3	6,833,828	3,684,026
Year 4	1,472,852	9,952,029
Year 5	795,831	8,340,493
Year 6- 10	23,321,093	60,677,805

Other Comprehensive Income

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

	2022	2021
Beginning balance	₱449,165	(₱9,328,350)
Remeasurement gains (losses) on retirement benefits in other comprehensive income:		
Actuarial gain on defined benefit obligation	13,342,551	11,293,891
Remeasurement gain (loss) on plan assets	(11,197,248)	2,631,210
Total	2,145,303	13,925,101
Income tax effect	(536,326)	(4,147,586)
	1,608,977	9,777,515
Ending balance	₱2,058,142	₱449,165

	2022	2021
Attributable to:		
Equity Holders of the Parent Company	₱1,460,042	₱449,165
Non-controlling interest	598,100	–
Ending balance	₱2,058,142	₱449,165



23. Provisions and Contingencies

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

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

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

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

As of December 31, 2022, the Company has not yet received any resolution of the Motion for Execution. The case is still pending in the Office of the President.

b. Tax Assessments

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

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

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

24. Income Taxes

Provision for current income tax represents RCIT, except for the Parent Company's provision which represents MCIT in 2022 and 2021.



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

	2022	2021	2020
Income tax at statutory income tax rate	(₱27,592,379)	₱42,966,040	₱72,671,637
Additions to (reductions in) income tax resulting from:			
Movement in unrecognized deferred tax assets	17,775,500	17,362,991	2,983,613
Loss on sale and fair value changes on financial assets at FVTPL	14,196,268	(20,984,420)	(16,968,917)
Nondeductible expenses	6,576,302	5,950,002	2,033,776
Dividend income exempt from tax	(3,155,761)	(5,990,955)	(8,435,111)
Interest income subjected to final tax	(2,935,734)	(4,604,838)	(2,145,583)
Expired NOLCO	458,199	2,769,809	246,509
Rental income from deposits on long-term leases	(401,070)	(443,327)	(575,242)
Impact of CREATE Act	-	(3,336,096)	-
	₱4,921,325	₱33,689,206	₱49,813,682

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

	2022	2021
Deferred tax assets:		
Net retirement plan liability	₱-	₱1,462,452
Unrealized foreign exchange loss	-	-
Deferred tax liabilities:		
Accrued rent	(581,758)	(543,550)
Unrealized foreign exchange gain	(569,012)	-
Net retirement plan asset	(25,879)	-
Net deferred tax assets (liabilities)	(₱1,176,649)	₱918,902
Deferred tax liability:		
Accrued rent	(₱2,410,945)	(₱19,651,813)
Net retirement plan asset	(1,646,763)	(3,269,122)
Deferred tax assets:		
Advance rental	1,036,759	744,527
Provision for expected credit losses and others	306,534	262,420
Net deferred tax liabilities	(₱2,714,415)	(₱21,913,988)



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

	2022	2021
Unamortized past service cost	₱74,378,232	₱85,627,459
NOLCO	139,265,243	48,826,684
Provision for:		
Probable losses	6,228,390	6,228,390
Expected credit losses	2,118,058	1,592,626
MCIT	2,726,130	1,821,023
Unrealized foreign exchange loss	–	12,545,831
	₱224,716,053	₱156,642,013

As at December 31, 2022 and 2021, the Group did not recognize deferred tax asset on fair value loss on financial assets at FVOCI amounting to ₱40.60 million as management believes that that there is no sufficient capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset.

Revenue Regulations No. 25-2020

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

As at December 31, 2021, the Group’s NOLCO and MCIT that can be claimed as deduction against taxable income and regular income tax due, respectively, are as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
2019	2022	2,290,993	–
2020	2025	438,547	–
2021	2026	46,097,144	1,821,023
2022	2025	92,729,552	905,107
		141,556,236	2,726,130
Less: Expired in 2022		2,290,993	–
		₱139,265,243	₱2,726,130

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land



on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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

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

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

25. Basic/Diluted Earnings Per Share

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

	2022	2021	2020
Consolidated net income (loss)	(₱111,984,347)	₱138,174,951	₱192,425,105
Divided by weighted average number of shares (see Note 15)	150,000,000	150,000,000	150,000,000
Basic/diluted earnings per share	(₱0.75)	₱0.92	₱1.28

The Group does not have potentially dilutive common shares as at December 31, 2022, 2021 and 2020. Therefore, the basic and diluted earnings per share are the same.

26. Related Party Transactions

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



Related party receivables are generally settled in cash.

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

	Amount/Volume Income (Expense)			Outstanding Receivable Balance		Terms	Conditions
	2022	2021	2020	2022	2021		
Stockholder							
Parity Values, Inc. (PVI)							
Sales	₱651,824,553	₱809,658,786	₱700,284,741	₱823,221,056	₱802,787,076	120 days	Unsecured, with impairment of ₱1,984,176 as at December 31, 2022.
Developmental Rights	–	52,000,000	(99,700,000)	(37,730,000)	(37,730,000)	5 years; 5.25% interest per annum	Unsecured, not impaired
Rent income	2,377,584	2,346,499	2,346,499	–	–	30 days	Unsecured, not impaired
Promotional and marketing expenses	(14,875,000)	(29,750,000)	(29,750,000)	–	–	On demand	–
Others	–	93,004	(99,700)	–	–	30 days	Unsecured, not impaired
Under Common Control							
Liberty Commodities Corporation							
Sales	339,402,189	236,749,097	237,017,234	166,044,791	104,604,795	120 days	Unsecured, not impaired
Rent income	3,218,815	3,204,388	3,060,458	277,046	255,730	30 days	Unsecured, not impaired
Promotional and marketing expenses	(2,625,000)	(5,250,000)	(5,250,000)	–	–	On demand	–
Trade Demands Corporation (TDC)							
Sales	200,330,721	149,138,627	151,317,039	127,993,540	164,623,133	120 days	Unsecured; with impairment of ₱1,592,626 as at December 31, 2021.
Other related parties							
Retirement Plan							
Others	–	–	–	7,227,090	7,227,090	On demand	Unsecured; not impaired
Trade receivables from related parties (see Note 5)				₱1,117,259,387	₱1,072,015,004		
Rent receivables from related parties (see Note 5)				₱277,046	₱255,730		
Payable to a related party (see Note 10)				(₱37,730,000)	(₱37,730,000)		
Others (see Note 5)				₱7,227,090	₱7,227,090		

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

Outstanding balances of the intercompany receivables at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees received for any related party receivables. Allowance for expected credit losses on receivables from related parties has been recognized as at December 31, 2022 and 2021.

- b. The Parent Company also has a receivable from its retirement plan amounting to ₱7.23 million as at December 31, 2022 and 2021 which is recorded under "Receivables - others" account in the consolidated statements of financial position. The members of the Retirement Plan Committee are directors or officers of the Parent Company.



c. The key management personnel compensation is as follows:

	2022	2021	2020
Short-term employee benefits	₱13,065,859	₱19,945,876	₱18,112,090
Post-employment benefits and others	396,360	7,330,962	8,797,885
	₱	₱27,276,838	₱26,909,975

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

27. Leases

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

Under the lease contracts, the lessees are required to pay security deposits and advance rental. These are shown under "Deposits on long-term leases" account in the consolidated statements of financial position and are recorded at their accreted values which amounted to ₱42.77 million and ₱31.33 million as at December 31, 2022, and 2021, respectively. Accretion of interest, included in interest expense in profit or loss, amounted to ₱1.34 million in 2022, ₱1.47 million in 2021 and ₱1.50 million in 2020.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and will be amortized on a straight-line basis over the lease term, amounted to ₱5.51 million and ₱13.01 million as at December 31, 2022 and 2021, respectively.

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱9.64 million and ₱78.61 million as at December 31, 2022 and 2021, respectively.

As a result of the pretermination of lease contract with a lessee during the year, accrued rent receivable, security deposits and unearned rental income amounting to ₱84.69 million, ₱8.28 million and (₱7.57 million), respectively, were derecognized resulting to pretermination loss - net of ₱85.40 million shown separately in the 2022 consolidated statement of comprehensive income (see Notes 5 and 30).

As a result of the COVID-19 pandemic, the Group provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2022, 2021 and 2020. Certain lease agreements were also pre-terminated. The Group accounted for the deferment of payment, rent-free periods and discounts provided as not a lease modification since there were no substantive changes to the terms and conditions of the lease; while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to ₱2.66 million, ₱5.48 million and ₱4.96 million in 2022, 2021 and 2020, respectively. Lease termination resulted in a decrease in accrued rent amounting to ₱84.69 million, ₱2.93 million and ₱0.29 million in 2022, 2021 and 2020, respectively, and rental income amounting to ₱2.22 million, ₱2.38 million and ₱0.97 million in 2022, 2021 and 2020, respectively.



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

	2022	2021
Year 1	₱114,194,741	₱178,827,580
Year 2	49,714,318	153,271,093
Year 3	38,371,880	149,167,755
Year 4	32,705,474	149,775,751
Year 5	9,844,652	147,580,396
More than 5 years	823,656	379,604,597
	₱245,654,721	₱1,158,227,172

28. Financial Instruments and Financial Risk Management Objectives and Policies

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

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

Credit Risk

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

The Group is also potentially subject to concentrations of credit risk in its accounts receivable. Majority of the Group's entire trade receivables and revenues are concentrated with its four distributors as at December 31, 2022. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. While there is delay in collection of some trade receivables (those classified under "Past due but not impaired") the Group is in close coordination with the distributor to bring their accounts to current. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.



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

	2022	2021
Financial assets at amortized cost		
Cash and cash equivalents*	₱96,743,514	₱193,862,344
Trade and other receivables**	1,258,716,919	1,110,919,509
Other noncurrent assets***	4,168,706	4,179,180
Debt securities at FVOCI	192,113,177	256,380,970
	₱1,551,742,316	₱1,565,342,003

*excluding cash on hand, amounting to ₱0.32 million and ₱0.18 million as at December 31, 2022 and 2021, respectively.

**excluding advances to officers and employees amounting to ₱2.62 million and ₱3.90 million as at December 31, 2022 and 2021, respectively; before considering provision for expected credit losses ₱3.17 million and ₱2.64 million for past due and impaired accounts as at December 31, 2022 and 2021, respectively.

***pertains to refundable deposits and others in 2022 and 2021

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

	2022			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Credit Impaired	
Low	₱333,302,325	₱327,059,887	₱-	₱660,362,212
Moderate	-	891,380,104	-	891,380,104
High	-	-	-	-
Gross carrying amount	333,302,325	1,218,439,991	-	1,551,742,316
ECL	-	3,167,739	-	3,167,739
Carrying amount	₱333,302,325	₱1,215,272,252	₱-	₱1,548,574,577

	2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Credit Impaired	
Low	₱482,298,513	₱916,949,076	₱-	₱1,399,247,589
Moderate	-	166,094,414	-	166,094,414
High	-	-	-	-
Gross carrying amount	482,298,513	1,083,043,490	-	1,565,342,003
ECL	-	2,642,307	-	2,642,307
Carrying amount	₱482,298,513	₱1,080,401,183	₱-	₱1,562,699,696

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

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

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

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



As at December 31, 2022 and 2021, the COVID-19 outbreak has no significant impact to the Group's credit risk.

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

	2022								Total
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	
Trade receivables -									
PVI									
Expected credit loss rate	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	
Estimated total gross carrying amount at default	₱258,534,830	₱54,952,870	₱62,607,700	₱58,270,540	₱71,833,320	₱64,920,050	₱56,394,800	₱195,706,946	₱823,221,056
Expected credit loss	623,136	132,451	150,901	140,447	173,137	156,474	135,926	471,704	1,984,176
Third parties									
Expected credit loss rate	0.20%	0.20%	-	-	0.20%	0.20%	-	0.20%	
Estimated total gross carrying amount at default	₱26,292,500	₱16,758,750	₱-	₱-	₱9,012,500	₱2,032,607	₱-	₱12,621,410	₱66,717,767
Expected credit loss	52,761	33,630	-	-	18,085	4,079	-	25,327	133,882
Rent receivables from third parties									
Expected credit loss rate	0.20%	0.20%	-	-	64.20%	-	-	-	
Estimated total gross carrying amount at default	₱14,357,454	₱3,286,060	₱-	₱11,085,674	₱1,634,919	₱-	₱-	₱-	₱30,364,107
Expected credit loss	-	-	-	-	1,049,681	-	-	-	1,049,681
	2021								Total
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	
Trade receivables -									
TDC									
Expected credit loss rate	0.34%	1.36%	1.36%	1.36%	1.36%	1.36%	1.41%	1.27%	
Estimated total gross carrying amount at default	₱61,677,610	₱13,928,472	₱13,654,350	₱14,782,214	₱14,178,710	₱12,180,646	₱13,968,246	₱20,252,885	₱164,623,133
Expected credit loss	206,958	188,826	185,110	200,401	192,219	165,131	195,893	258,088	1,592,626
Rent receivables from third parties									
Expected credit loss rate	-	-	-	-	71.34%	-	-	-	
Estimated total gross carrying amount at default	₱8,096,979	₱431,393	₱-	₱773,103	₱1,471,281	₱-	₱-	₱-	₱10,772,756
Expected credit loss	-	-	-	-	1,049,681	-	-	-	1,049,681

As at December 31, 2022, allowance for expected credit losses are recognized for trade receivables other than receivable from Parity Values, Inc., a third party, and rent receivables subjected to impairment. As at December 31, 2021, allowance for expected credit losses are recognized for trade receivables other than receivable from Trade Demands Corporation and rent receivables subjected to impairment.

As at December 31, 2022 and 2021, the COVID-19 outbreak has no significant impact to the Company's credit risk.



Equity Price Risk

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

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

As at December 31, 2022 and 2021, the effect on profit or loss and equity as a result of an increase (decrease) in fair value of equity securities classified as financial assets at FVTPL and in fair value of financial assets classified at FVOCI follows:

	2022	
	Increase (decrease) in rate	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	24%	3,612,243
	(24%)	(3,612,243)
Financial assets at FVOCI	7%	9,706,199
	(7%)	(9,706,199)
	2021	
	Increase (decrease) in rate	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	24%	3,331,108
	(24%)	(3,331,108)
Financial assets at FVOCI	(1%)	(1,779,843)
	1%	1,779,843

Liquidity Risk

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



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

	2022			Total
	Less than 3 Months	3 to 12 Months	More than 12 months	
Financial Assets				
Loans and receivables:				
Cash and cash equivalents:	₱97,064,711	₱–	₱–	₱97,064,711
Trade receivables from related parties	297,860,015	889,938,823	–	1,187,798,838
Rent receivables:				
Third parties	33,033,096	1,634,919	–	34,668,015
Related parties	277,046	–	–	277,046
Other receivables	35,973,020	–	–	35,973,020
Other noncurrent assets	–	–	4,168,706	4,168,706
Financial assets at FVTPL	136,764,654	–	–	136,764,654
Financial assets at FVOCI:				
Equity securities	–	–	294,083,634	294,083,634
Debt securities	–	–	192,113,177	192,113,177
Total financial assets	600,972,542	891,573,742	490,365,517	1,982,911,801
Financial Liabilities				
Notes payable, including interest	–	704,143,740	307,058,824	1,011,202,564
Accounts payable and other current liabilities:				
Liabilities under trust receipts	583,904,323	–	–	583,904,323
Dividends payable	26,379,956	–	–	26,379,956
Trade payables	41,025,802	15,440,760	–	56,466,562
Customers and tenants' deposits	14,941,543	–	–	14,941,543
Construction bond	6,001,007	–	–	6,001,007
Accrued selling, freight, outside services and other expenses	17,452,828	–	–	17,452,828
Payable to a related party	–	–	37,730,000	37,730,000
Deposits on long-term leases	–	34,937,485	9,314,667	44,252,152
Other noncurrent liability	–	–	163,672,057	163,672,057
Total financial liabilities	689,705,459	754,521,985	517,775,548	1,962,002,992
Net financial asset (liabilities)	₱88,732,917	(₱137,051,757)	(₱27,410,031)	₱20,908,809

	2021			Total
	Less than 3 Months	3 to 12 Months	More than 12 months	
Financial Assets				
Loans and receivables:				
Cash and cash equivalents:	₱194,041,740	₱–	₱–	₱194,041,740
Trade receivables from related parties	907,391,871	164,623,133	–	1,072,015,004
Rent receivables:				
Third parties	9,301,475	1,471,281	–	10,772,756
Related parties	255,730	–	–	255,730
Other receivables	27,876,019	–	–	27,876,019
Other noncurrent assets	–	–	4,179,180	4,179,180
Financial assets at FVTPL	194,328,610	–	–	194,328,610
Financial assets at FVOCI:				
Equity securities	–	–	375,024,807	375,024,807
Debt securities	–	10,236,100	246,144,870	256,380,970
Total financial assets	1,333,195,445	176,330,514	625,348,857	2,134,874,816
Financial Liabilities				
Notes payable, including interest	–	139,515,588	443,529,412	583,045,000
Accounts payable and other current liabilities:				
Liabilities under trust receipts	304,142,352	–	–	304,142,352
Accrued liabilities – inventory in transit	54,237,448	–	–	54,237,448
Dividends payable	44,832,691	–	–	44,832,691
Trade payables	20,752,092	20,996,175	–	41,748,267
Customers and tenants' deposits	12,701,186	–	–	12,701,186
Construction bond	6,432,077	–	–	6,432,077
Accrued selling, freight, outside services and other expenses	15,971,260	–	–	15,971,260

(Forward)



	2021			Total
	Less than 3 Months	3 to 12 Months	More than 12 months	
Payable to a related party	₱-	₱-	₱37,730,000	₱37,730,000
Deposits on long-term leases	-	12,920,071	29,012,790	41,932,861
Other noncurrent liability	-	-	184,259,737	184,259,737
Total financial liabilities	459,069,106	173,431,834	694,531,939	1,327,032,879
Net financial asset (liabilities)	₱874,126,339	₱2,898,680	(₱69,183,082)	₱807,841,937

As at December 31, 2022 and 2021, the COVID-19 outbreak has no significant impact to the Group's liquidity risk.

Fair Value

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

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

	Carrying Value		Fair Value	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Financial Assets				
Financial assets at FVTPL	₱136,764,654	₱194,328,610	₱136,764,654	₱194,328,610
Financial assets at FVOCI	486,196,811	631,405,777	486,196,811	631,405,777

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

Fair Value Hierarchy

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

	2022			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱136,764,654	₱136,764,654	₱-	₱-
Financial assets at FVOCI:				
Quoted debt securities	192,113,177	192,113,177	-	-
Quoted equity securities	256,130,783	256,130,783	-	-
Unquoted equity securities	12,676,851	-	-	12,676,851
Nonfinancial assets for which fair values are disclosed				
Investment properties	7,926,339,271	-	-	7,926,339,271



	2021			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱194,328,610	₱194,328,610	₱–	₱–
Financial assets at FVOCI:				
Quoted debt securities	256,380,970	256,380,970	–	–
Quoted equity securities	362,719,177	362,719,177	–	–
Unquoted equity securities	12,305,630	–	–	12,305,630
Nonfinancial assets for which fair values are disclosed				
Investment properties	5,496,196,490	–	–	5,496,196,490

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

In 2022 and 2021, there were no transfers between the fair value measurement hierarchy levels.

29. Capital Management Policies

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

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

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

	2022	2021
Capital stock	₱1,500,000,000	₱1,500,000,000
Retained earnings	1,195,917,457	1,462,898,283
	₱2,695,917,457	₱2,962,898,283

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

30. Events After the Reporting Period

On March 27, 2023, BOD of LFM and LPC has approved the purchase of Liberty Building of the Parent Company at a price equivalent to 28%, more or less, of the asset value of the Parent Company. The consummation and determination of final terms and conditions of the sale shall be conditioned on the issuance of the fairness opinion from an independent third-party financial adviser. If a favorable opinion is secured, the LPC and the Parent Company intend to execute a deed of absolute sale on or before April 30, 2023. As at March 29, 2023, issuance of the fairness opinion is still pending (see Note 20).



On March 29, 2023, LPC entered into a Memorandum of Agreement with Sunshine Star Holdings, Inc. (SSHI) for the pretermination of the lease contract effective October 31, 2022, to formalize the parties' mutual understanding as to the necessary steps that will be undertaken as a result of the pretermination. SSHI has notified LPC of its pretermination plan in November 2022 due to significant negative impact of the COVID 19 pandemic to the former's business. As at December 31, 2022, the parties had agreed in principle the pretermination of the lease contract but negotiations on certain terms of the final settlement are still being finalized, allowing both parties to reach an optimum solution to mitigate the impact to both parties' business operations. Accordingly, appropriate adjustments have been reflected in the 2022 financial statements (see Note 27).

31. Note to Consolidated Statements of Cash Flows

- a. The Group has no noncash investing and financing activities except for the capitalized accretion of interest related to the purchase of land in 2021, purchase of land and development rights in 2022, 2021 and 2020, respectively, amounting to ₱0.41 million, ₱160.41 million and ₱89.73 million, respectively (see Note 10).
- b. Changes in liabilities arising from financing activities

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

	2022			
	January 1	Cash flows	Noncash charges*	December 31
Notes payable	₱580,456,514	₱428,529,412	(₱185,144)	₱1,008,800,782
Other noncurrent liability	164,517,622	(18,381,857)	-	146,135,765
Payable to related party	37,730,000	-	-	37,730,000
Interest payable	3,045,000	(60,082,539)	59,710,691	2,673,152
Dividends payable (see Note 14)	44,832,691	(63,452,735)	45,000,000	26,379,956
Total liabilities	₱666,064,205	₱286,612,281	₱71,552,647	₱1,057,927,887

	2021			
	January 1	Cash flows	Noncash charges*	December 31
Notes payable	₱580,000,000	(₱4,350,000)	₱4,806,514	₱580,456,514
Payable to related party	89,730,000	(52,000,000)	-	37,730,000
Interest payable	890,139	(38,067,458)	40,222,319	3,045,000
Dividends payable (see Note 14)	32,570,612	(62,737,921)	75,000,000	44,832,691
Total liabilities	₱703,190,751	(₱157,155,379)	₱109,196,403	₱666,064,205

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

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



32. Segment Information

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

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

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

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

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

The following tables on business segments present the revenue and profit information for each of the two years in the period ended December 31, 2022 and the segment assets as at December 31:

	2022			
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱1,308,868,276	₱181,397,400	₱–	₱1,490,265,676
Rental income	–	–	265,224,164	265,224,164
Interest income	–	–	11,762,966	11,762,966
Dividend income	–	–	12,979,179	12,979,179
Total	1,308,868,276	181,397,400	289,966,309	1,780,231,985
Cost of sales/services	1,308,228,306	125,513,502	85,962,183	1,519,703,991
Gross profit on sales/income	639,970	55,883,898	204,004,126	260,527,994
Selling and administrative expenses	(107,036,326)	(14,834,275)	(26,019,188)	(147,889,789)
Interest expense	–	–	(60,863,856)	(60,863,856)
Other charges – net	(7,586,245)	(1,051,386)	(67,969,754)	(76,607,385)
Provision for income tax	–	–	–	(4,878,409)
Net income	(₱113,982,601)	₱39,998,237	₱49,151,328	(₱29,711,445)
Property, plant and equipment	₱309,819,068	₱19,235,204	₱2,060,738	₱331,115,010
Investment properties	₱–	₱–	₱1,535,493,683	₱1,535,493,683
Depreciation and amortization	₱17,962,024	₱1,115,177	45,684,920	₱64,762,121
Additions to property, plant and equipment and investment properties	₱46,811,187	₱2,906,286	₱209,684,084	₱259,401,557



2021				
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱1,095,526,069	₱100,020,442	₱–	₱1,195,546,511
Rental income	–	–	253,989,256	253,989,256
Interest income	–	–	18,464,200	18,464,200
Dividend income	–	–	23,963,824	23,963,824
	1,095,526,069	100,020,442	296,417,280	1,491,963,791
Cost of sales/services	887,597,423	155,414,597	86,332,027	1,129,344,047
Gross profit on sales/income	207,928,646	(55,394,155)	210,085,253	362,619,744
Selling and administrative expenses	(133,996,688)	(12,233,765)	(26,285,493)	(172,515,946)
Interest expense	–	–	(41,516,974)	(41,516,974)
Other charges – net	(4,804,103)	(17,227,231)	45,308,667	23,277,333
Provision for income tax	–	–	–	(33,689,206)
Net income	₱69,127,855	(84,855,151)	₱187,591,453	₱138,174,951
Property, plant and equipment	₱280,969,905	₱17,444,096	₱2,112,061	₱300,526,062
Investment properties	–	–	₱1,371,443,195	₱1,371,443,195
Depreciation and amortization	₱11,803,319	₱1,077,631	₱45,134,923	₱58,015,873
Additions to property, plant and equipment and investment properties	₱195,546,638	₱12,140,568	₱194,183,009	₱401,870,215
2020				
	Bakery Flour	Mill Feed	Real Estate and Investment	Consolidated
Revenue				
Sales – related parties	₱967,591,233	₱121,027,781	₱–	₱1,088,619,014
Rental income	–	–	262,842,161	262,842,161
Interest income	–	–	22,925,763	22,925,763
Dividend income	–	–	28,117,038	28,117,038
	967,591,233	121,027,781	313,884,962	1,402,503,976
Cost of sales/services	709,778,070	181,972,037	131,819,933	1,023,570,040
Gross profit on sales/income	257,813,163	(60,944,256)	182,065,029	378,933,936
Selling and administrative expenses	(129,101,659)	(16,095,380)	(27,501,371)	(172,698,410)
Interest expense	–	–	(38,575,445)	(38,575,445)
Other charges – net	(2,398,272)	8,815,943	68,161,035	74,578,706
Provision for income tax	–	–	–	(49,813,682)
Net income	126,313,232	(₱68,223,693)	184,149,248	192,425,105
Property, plant and equipment	₱97,551,248	₱6,056,497	₱450,733	₱104,058,478
Investment properties	₱–	₱–	₱1,223,957,338	₱1,223,957,338
Depreciation and amortization	₱11,812,243	₱543,030	₱45,037,196	₱57,392,469
Additions to property, plant and equipment and investment properties	₱54,383,550	₱1,793,681	₱100,838,657	₱157,015,888

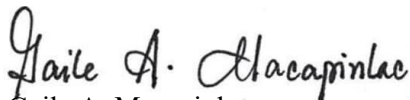


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Liberty Flour Mills, Inc. and its subsidiaries (the Group), as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 98838-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564648, January 3, 2023, Makati City

March 29, 2023



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2022

- Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration
- Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered
- Annex C : Supplementary Schedules Required by Annex 68-J
- Schedule A. Financial Assets
 - Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
 - Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
 - Schedule D. Long-term Debt
 - Schedule E. Indebtedness to Related Parties
 - Schedule F. Guarantees of Securities of Other Issuers
 - Schedule G. Capital Stock

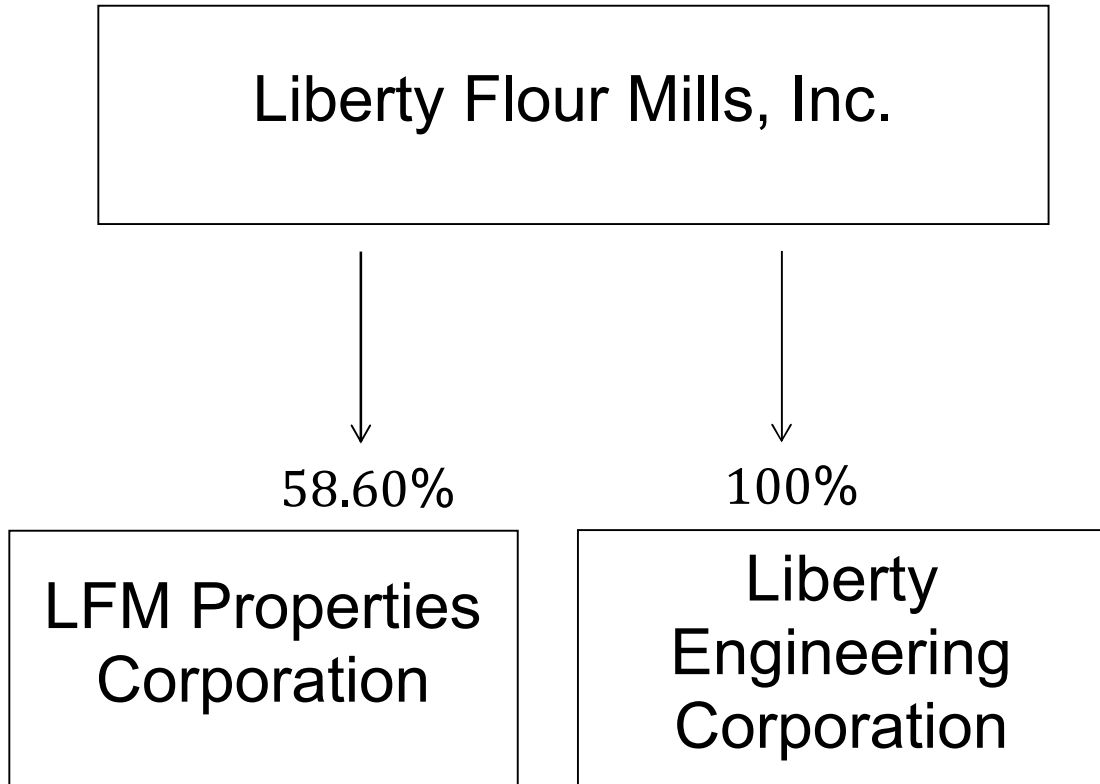
LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**ANNEX A: RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION****DECEMBER 31, 2022**

Unappropriated retained earnings, beginning	₱972,990,527
Less:	
Cumulative fair value on financial assets at FVTPL as at December 31, 2021	(6,166,492)
Deferred tax assets	(1,462,452)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	965,361,583
Add: Net income actually earned/realized during the year	
Net loss closed to retained earnings	(69,844,245)
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(1,327,245)
Movement in deferred tax assets	1,462,452
Net income actually earned/realized during the year	(69,709,038)
Less: Cash dividend declaration during the year	(45,000,000)
Total retained earnings available for dividend declaration, end	₱850,652,545

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

ANNEX B: MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2022



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

ANNEX C: SCHEDULE A. FINANCIAL ASSETS

DECEMBER 31, 2022

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
<i>Financial Assets at Amortized Cost</i>					
Cash in banks	N/A	N/A	₱97,064,711	N/A	₱131,986
Receivables:					
Trade receivables from related parties, net of allowance	N/A	N/A	1,117,259,387	N/A	–
Trade receivables From third parties, net of allowance	N/A	N/A	70,539,451	N/A	–
Rent receivables:					
Third parties	N/A	N/A	30,364,107	N/A	18,837
Related parties	N/A	N/A	277,046	N/A	–
Other receivables	N/A	N/A	35,967,615	N/A	–
Other noncurrent assets*	N/A	N/A	4,168,706	N/A	–
			₱1,359,950,336		₱150,823

(Forward)

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
<i>Financial Assets at FVTPL</i>					
Equity investments	AC Energy Philippines Inc.	14,256,757	₱108,636,488	₱108,636,488	₱—
Equity investments.	ACE Enexor, Inc	300,000	4,212,000	4,212,000	855,405
Equity investments	Aboitiz Power Corporation.	212,000	7,218,600	7,218,600	307,400
Equity investments	Security Bank Corp.	35,000.00	3,045,000	3,045,000	105,000
Equity investments	Philex Mining Corporation	1,000,000.00	3,040,000	3,040,000	50,000
Equity investments	Nickel Asia Corporation	584,208	3,411,775	3,411,775	262,894
Equity investments	Union Bank of the Philippines	32,314	2,782,235	2,782,235	90,322
Equity investments	GMA Holdings Inc.	74,000	784,400	784,400	107,300
Equity investments	PXP Energy CorporationAce Enexor Inc.	150,000.00	1,150,500	1,150,500	—
Equity investments	Philippine National Bank	27,531	523,089	523,089	—
Equity investments	Cebu Air, Inc	8,640	330,912	330,912	—
Equity investments	Cebu Landmasters, Inc.	223,000	624,400	624,400	33,450
Equity investments	Lepanto Consolidated Mining Company	3,545,455	386,455	386,455	—
Equity investments	SFA Semicon Philippines Corporation	400,000	596,000	596,000	24,7045
Equity investments	Universal Rightfield Property Holdings, Inc.	600,000.00	22,800	22,800	—
			136,764,654	136,764,654	2,058,816
<i>Financial Assets at FVOCI</i>					
Debt instruments	Deutsche Bank	600,000	65,356,800	65,356,800	4,140,000
Debt instruments	PLDT, Inc.	300,000	29,446,350	29,446,350	1,267,512
Debt instruments	San Miguel Brewery, Inc.	250,000	24,862,828	24,862,828	1,200,000
Debt instruments	Philippine National Bank	200,000	18,027,200	18,027,200	980,000
Debt instruments	Ayala Corporation	440,000	19,998,000	19,998,000	1,623,200
Debt instruments	Gaz Finance PLC	3,000	—	—	522,944
Debt instruments	Metropolitan Bank & Trust Company	100,000	9,960,000	9,960,000	360,000
Debt instruments	Government bonds	100,000	—	—	370,000
Debt instruments	SM Investments Corporation	250,000	24,462,000	24,462,000	1,148,340
			192,113,178	192,113,178	11,611,996

(Forward)

	Name of Issuing Entity and Association of each issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income and Received and Accrued
Equity investments	Philippine Bank of Communication	₱8,965,609	₱116,911,541	₱116,911,541	₱-
Equity investments	Ayala Corporation	138,060	65,308,200	65,308,200	3,456,792
Equity investments	San Miguel Corporation	400,000	30,453,390	30,453,390	1,897,802
Equity investments	GT Capital Holdings, Inc.	30,000	28,552,000	28,552,000	1,509,870
Equity investments	Double Dragon Corporation	200,000	19,600,000	19,600,000	1,295,560
Equity investments	Monde Nissin Corporation	600,000	6,648,000	6,648,000	42,000
Equity investments	DDMP REIT, Inc.	4,400,000	5,676,000	5,676,000	365,116
Equity investments	First Gen Corporation	70,000	-	-	544,656
Equity investments	Asian Terminal, Inc.	392,133	5,395,750	5,395,750	316,843
Equity investments	Manila Bulletin Publishing Corporation	5,789,685	1,592,163	1,592,163	-
Equity investments	BDO Unibank, Inc.	4,730	499,961	499,961	10,406
Equity investments	Arthaland Corporation	327,550	741,960	741,960	42,915
Equity investments	Global-Estate Resorts, Inc.	20,000	18,600	18,600	-
Equity investments	PLDT, Inc.	7,000	9,219	9,219	-
Equity investments	BDO Leasing and Finance, Inc.	25,000	-	-	-
Equity investments	Liberty Commodities Corporation	17,733	8,086,358	8,086,358	335,480
Equity investments	UPCC Securities Corporation	35,907	4,590,493	4,590,493	-
Equity investments	UPCC Holdings Corporation	40,396	-	-	-
			294,083,635	294,083,635	9,817,440
Total Financial Assets			₱1,982,911,801	₱622,961,465	₱13,821,635
<i>*excluding deferred input VAT - noncurrent portion and advances to suppliers amounting ₱17,536,292 and ₱773,391, respectively, as at December 31, 2022</i>					

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

**ANNEX C: SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
N/A	₱-	₱-	₱-	₱-	₱-	₱-	₱-

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

**ANNEX C: SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non-Current	Balance at End of Period
			Amounts Collected	Amounts Written off			
LFM Properties Corporation	₱53,295	₱516,619	₱508,668	₱-	₱61,246	₱-	₱61,246
	₱53,295	₱516,619	₱508,668	₱-	₱61,246	₱-	₱61,246

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**ANNEX C: SCHEDULE D. LONG - TERM DEBT****DECEMBER 31, 2022**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption “Current portion of notes payable” in related Statement of Financial Position	Amount shown under Caption “Notes payable – net of current portion” in related Statement of Financial Position
Five-year secured term loan	₱290,000,000	₱67,752,307	₱ 153,068,669
Five-year secured term loan	290,000,000	68,857,166	154,122,640
Total	₱580,000,000	₱136,609,473	₱307,191,309

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

ANNEX C: SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written off	Current	Non-Current	Balance at End of Period
<i>Affiliate</i> Parity Values, Inc	₱37,730,000	₱-	₱-	₱-	₱-	₱37,730,000	₱37,730,000

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

ANNEX C: SCHEDULE F. GURANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amounts Owned by Person for which Statement is Filed	Nature of Gurantee
N/A	N/A	P-	P-	N/A

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**ANNEX C: SCHEDULE G. CAPITAL STOCK****DECEMBER 31, 2022**

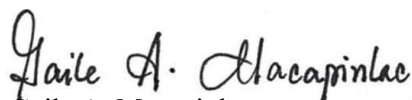
Title of Issue	Number of shares Authorized	Number of Shares Outstanding	Number of Shares Reserved	Number of Shares held by Related Parties	Number of Shares held by Directors and Officers	Number of Shares held by Others
Common	200,000,000	150,000,000			14,233,735	135,766,265
	200,000,000	150,000,000			14,233,735	135,766,265

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Liberty Flour Mills, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 98838-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-126-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564648, January 3, 2023, Makati City

March 29, 2023



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)****DECEMBER 31, 2022**

		December 31	
	Formula	2022	2021
Current Ratio	Total current assets/Total current liabilities	1.50	2.75
Acid Test Ratio	(Cash and cash equivalents + Receivable) / Total current liabilities	0.92	2.03
Solvency Ratio	(Net income + Depreciation) / Total liabilities	(0.03)	0.15
Debt-to-Equity Ratio	Total liabilities/Total equity	0.75	0.47
Asset-to-Equity Ratio	Total assets/Total equity	1.75	1.47
Interest Rate Coverage Ratio	Earnings before interest and tax/Interest expense	(0.81)	5.14
Return on Equity	Net income/Total equity	(0.04)	0.05
Return on Assets	Net income/Total assets	(0.03)	0.03
Net Profit Margin	Net income/Revenue	(0.07)	0.10
Debt Service Coverage Ratio	Income before interest expense, tax, depreciation and amortization/Total debt service (interest expense + principal payments)	0.01	6.92



Liberty Flour Mills, Inc.

LIBERTY FLOUR MILLS, INC.
MANAGEMENT OFFICE :
7TH FLOOR, LIBERTY BUILDING
835 A. ARNAIZ AVENUE, MAKATI CITY 1229
TEL +63 88925011 TO 20
FAX +63 88932644
WEBSITE : www.libertygroup.com.ph

PLANT :
528 F. BLUMENTRITT EXT.
MANDALUYONG CITY, 1500
TEL +63 85322001 TO 04
EMAIL : info@libertygroup.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

WILLIAM CARLOS UY
Chairman of the Board

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this 29th day of March 2023

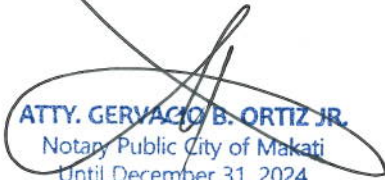
REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI CITY) S.S.

APR 14 2023

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

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

Doc. No. 371
Page No. 74
Book No. XVII
Series of 2023.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729-Lifetime Member
MCLE Compliance No. VII-0022734
valid until April 14, 2025
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023/ Makati
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City