C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	7	8	2						

C O M P A N Y N A M E

LIBERTY FLOUR MILLS, INC.

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

C O M P A N Y I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
447	May 27	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Liberty Flour Mills, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

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

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

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

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac

Gaile A. Macapinlac
Partner
CPA Certificate No. 98838
Tax Identification No. 205-947-572
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 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.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱50,648,045**	₱144,331,932
Receivables (Note 5)	**1,227,874,409**	1,106,467,560
Financial assets at fair value through profit or loss (FVTPL) (Note 6)	**15,051,011**	13,879,619
Inventories (Note 7)	**606,254,334**	190,338,015
Prepaid expenses and other current assets (Note 8)	**101,293,893**	76,360,941
Total Current Assets	**2,001,121,692**	1,531,378,067
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**344,009,270**	446,670,932
Investment properties (Note 11)	**720,876,609**	514,850,547
Investment in subsidiaries (Note 9)	**154,182,570**	242,184,450
Property, plant and equipment (Note 12)	**329,054,272**	298,414,001
Net retirement plan asset (Note 22)	**103,517**	–
Deferred tax assets - net (Note 24)	–	918,901
Other noncurrent assets (Note 13)	**2,220,598**	3,409,651
Total Noncurrent Assets	**1,550,446,836**	1,506,448,482
TOTAL ASSETS	**₱3,551,568,528**	₱3,037,826,549
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	**₱691,126,909**	₱541,808,739
Notes payable (Note 15)	**378,000,000**	–
Deposit (Note 25)	**130,000,000**	–
Total Current Liabilities	**1,199,126,909**	541,808,739
Noncurrent Liability		
Deferred tax liabilities (Note 23)	**1,176,649**	–
Net retirement plan liability (Note 22)	–	5,849,806
Total Noncurrent Liabilities	**1,176,649**	5,849,806
Total Liabilities	**1,200,303,558**	547,658,545
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)	**(271,337)**	30,299,837
Accumulated remeasurement losses on retirement benefits (Note 22)	**(6,609,975)**	(13,122,360)
Retained earnings (Note 16)	**858,146,282**	972,990,527
Total Equity	**2,351,264,970**	2,490,168,004
TOTAL LIABILITIES AND EQUITY	**₱3,551,568,528**	₱3,037,826,549

See accompanying Notes to Parent Company Financial Statements.

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

	Years Ended December 31	
	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 17)	**₱1,490,265,676**	₱1,195,546,511
COST OF SALES (Note 18)	**1,433,741,808**	1,043,012,020
GROSS PROFIT	**56,523,868**	152,534,491
OPERATING EXPENSES (Note 19)		
General and administrative expenses	**(98,567,928)**	(108,946,234)
Selling expenses	**(23,302,673)**	(37,284,219)
OTHER INCOME (CHARGES)		
Interest expense (Note 15)	**(32,972,900)**	(10,832,430)
Rental income - net (Notes 11, 25 and 26)	**26,338,555**	22,123,024
Interest income (Notes 4 and 10)	**11,727,315**	18,370,531
Dividend income (Notes 6 and 10)	**10,129,941**	21,140,737
Other income (charges) - net (Notes 6, 10 and 20)	**(18,890,560)**	(54,639,793)
INCOME (LOSS) BEFORE INCOME TAX	**(69,014,382)**	2,466,107
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	**905,107**	403,906
Deferred	**(75,244)**	14,677,478
	829,863	15,081,384
NET LOSS	**(69,844,245)**	(12,615,277)
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Fair value loss on debt instruments at FVOCI (Note 10)	**(19,022,185)**	(16,330,766)
Fair value gain (loss) on financial assets at FVOCI realized through sale (Note 10)	**494,880**	(1,800,000)
	(18,527,305)	(18,130,766)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Fair value loss on equity investments at FVOCI (Note 10)	**(12,043,869)**	(1,400,378)
Remeasurement gain on retirement benefits (Note 21)	**8,683,180**	5,441,909
Income tax effect	**(2,170,795)**	(2,507,397)
	(5,531,484)	1,534,134
TOTAL OTHER COMPREHENSIVE LOSS	**(24,058,789)**	(16,596,632)
TOTAL COMPREHENSIVE LOSS	**(93,903,034)**	(29,211,909)
BASIC/DILUTED LOSS PER SHARE (Note 15)	**(₱0.47)**	(₱0.08)

See accompanying Notes to Parent Company Financial Statements.

LIBERTY FLOUR MILLS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		Other Components of Equity			
	Capital Stock (Note 15)	Fair Value Changes on Financial Assets at FVOCI (Note 10)	Accumulated Remeasurement Losses on Retirement Benefits (Note 21)	Retained Earnings (Note 15)	Total
BALANCES AT JANUARY 1, 2022	**₱1,500,000,000**	**₱30,299,837**	**(₱13,122,360)**	**₱972,990,527**	**₱2,490,168,004**
Net loss	**–**	–	–	**(69,844,245)**	**(69,844,245)**
Other comprehensive income (loss)	**–**	**(30,571,174)**	**6,512,385**	**–**	**(24,058,789)**
Total comprehensive income (loss)	**–**	**(30,571,174)**	**6,512,385**	**(69,844,245)**	**(93,903,034)**
Cash dividends declared (Note 15)	**–**	**–**	**–**	**(45,000,000)**	**(45,000,000)**
BALANCES AT DECEMBER 31, 2022	**₱1,500,000,000**	**(₱271,337)**	**(₱6,609,975)**	**₱858,146,282**	**₱2,351,264,970**
BALANCES AT JANUARY 1, 2021	₱1,500,000,000	₱49,830,981	(₱16,056,872)	₱1,060,605,804	₱2,594,379,913
Net loss	–	–	–	(12,615,277)	(12,615,277)
Other comprehensive income (loss)	–	(19,531,144)	2,934,512	–	(16,596,632)
Total comprehensive income (loss)	–	(19,531,144)	2,934,512	(12,615,277)	(29,211,909)
Cash dividends declared (Note 16)	–	–	–	(75,000,000)	(75,000,000)
BALANCES AT DECEMBER 31, 2021	₱1,500,000,000	₱30,299,837	(₱13,122,360)	₱972,990,527	₱2,490,168,004

See accompanying Notes to Parent Company Financial Statements.

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

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱69,014,382)**	₱2,466,107
Adjustments to reconcile profit before income tax to net cash flows:		
Interest expense (Notes 7)	**32,972,900**	10,832,430
Depreciation and amortization (Notes 11 and 12)	**21,099,050**	14,947,363
Interest income (Notes 4 and 10)	**(11,727,315)**	(18,370,531)
Provision for impairment loss (Note 10)	**11,245,608**	–
Dividend income (Notes 6 and 10)	**(10,129,941)**	(21,140,737)
Change in net retirement liability (Note 21)	**2,729,857**	(48,081,165)
Unrealized foreign currency exchange loss (gain)	**(2,276,049)**	9,060,857
Fair value gain on financial assets at FVTPL (Notes 6 and 20)	**(1,327,245)**	(1,439,276)
Loss (gain) on sale of debt securities at FVOCI (Note 10)	**494,880**	(1,800,000)
Gain on sale of financial assets at FVTPL	**2,505**	–
Operating loss before working capital changes	**(25,930,132)**	(53,524,952)
Decrease (increase) in:		
Inventories	**(415,916,319)**	166,277,871
Receivables	**(121,406,849)**	(287,107,555)
Prepaid expenses and other current assets	**(24,932,952)**	(26,485,626)
Increase (decrease) in accounts payables and other current liabilities	**255,772,785**	(44,614,700)
Cash used for operations	**(332,413,467)**	(245,454,962)
Interest received	**11,727,315**	18,370,531
Income taxes paid	**(905,107)**	(403,906)
Net cash used in operating activities	**(321,591,259)**	(227,488,337)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of financial assets at FVOCI (Note 10)	**61,000,000**	391,457,500
Proceeds from disposal of financial assets at FVTPL (Note 6)	**999,507**	–
Acquisition of:		
Investment properties (Note 11)	**(208,047,910)**	(67,840)
Property, plant and equipment (Note 12)	**(49,717,473)**	(207,687,206)
Financial assets at FVTPL (Note 6)	**(846,159)**	–
Financial assets at FVOCI (Note 10)	**(650,000)**	(22,411,582)
Dividends received (Notes 6 and 10)	**10,129,941**	21,140,737
Increase in deposit (see Note 25)	**130,000,000**	–
Decrease in other noncurrent assets (Note 13)	**1,189,052**	143,987,661
Net cash provided by (used in) investing activities	**(55,943,042)**	326,419,270
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans	**378,000,000**	–
Dividends paid (Notes 15 and 28)	**(63,452,735)**	(62,737,921)
Interest paid (Note 7)	**(32,972,900)**	(10,832,430)
Net cash provided by (used in) financing activities	**281,574,365**	(73,570,351)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,276,049**	(9,060,857)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(93,683,887)**	16,299,725
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**144,331,932**	128,032,207
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱50,648,045**	₱144,331,932

See accompanying Notes to Parent Company Financial Statements.

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

1. Corporate Information

Liberty Flour Mills, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008, the Company extended its corporate life for another 50 years. The Company is engaged primarily in the manufacture of flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded in the Philippine Stock Exchange (PSE) since then. The Company's registered office is at 7F Liberty Building, 835 A. Arnaiz Avenue, Makati City.

The accompanying parent company financial statements were authorized and approved for issue by the Board of Directors (BOD) on March 29, 2023.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

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

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

Changes in Accounting Policies and Disclosures

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

- Amendments to PFRS 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 Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the parent company financial statements.

Effective beginning on or after January 1, 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 Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. Financial Assets

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

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

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

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

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

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

- *Financial assets at amortized cost (debt instruments).* This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- *Financial assets at FVOCI (debt instruments).* The Company measures debt instruments at FVOCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

The Company's financial asset designated at FVOCI includes quoted and unquoted equity investments as at December 31, 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 fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

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

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

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

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

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

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

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

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

b. Financial Liabilities

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

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

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

<u>Classification of Financial Instruments Between Liability and Equity</u>
A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

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

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

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

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

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

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

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

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

Inventories
Inventories are valued at the lower of cost (computed using the first-in, first-out method for raw materials and moving-average for finished goods) and net realizable value (NRV). Cost of finished goods such as flour and mill feeds and work in process represents the costs of direct materials, direct

labor and a proportion of production overhead. Cost of raw materials such as wheat grains represents the cost of purchase and other costs directly attributable to its acquisition. NRV is the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets

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

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

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

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

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

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

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

Investment in Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

	Number of Years
Land improvements	20
Mill machinery and equipment	10
Building and building equipment	10–20
Transportation equipment	3–5
Other equipment	2–5

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

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

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

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

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

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

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

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

Diluted earnings per share is calculated by dividing the income for the year attributable to common stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potentially dilutive common shares, if any. The 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 Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Bill-and-hold arrangement
The following criteria must be met for a customer to have obtained control of a product:
- the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer; and
- the entity cannot have the ability to use the product or to direct it to another customer.

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

Interest Income
Interest income is recognized as the interest accrues.

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

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

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

Costs of Services. Cost of services, netted against rental income in the parent company statement of comprehensive income, includes expenses incurred for the generation of revenue from rental income. Cost of services is expensed as incurred.

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

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

Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Retirement Benefit Costs
The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

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

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

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

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; and
- The date that the Company recognizes related restructuring costs

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

The Company recognizes the following changes in the net defined benefit obligation under "General and Administrative expenses" in the parent company statement of comprehensive income:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Income Taxes

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

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

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

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

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

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

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

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

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in profit or loss, net of reimbursement.

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

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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

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

Estimates

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

- *Quantitative Criteria.* The borrower is more than 90-180 days past due on its contractual payments, which is consistent with the Company's definition of default, except for trade receivables from related parties which is 180 days past due on its contractual payments.

- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent;
  b. The borrower is in breach of financial covenant(s);
  c. Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty; or
  d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

Grouping of Instruments for Losses Measured on Collective Basis
For expected credit loss 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 Company has only three customers, the Company 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 Company takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 4 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The allowance for expected credit losses amounted to ₱2.12 million and ₱1.59 million as at December 31, 2022 and 2021, respectively. The carrying value of receivables amounted to and ₱1,227.87 million and ₱1,106.47 million as at December 31, 2022 and 2021, respectively (see Note 5).

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

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

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

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

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

In 2022, management assessed that a debt instrument classified as financial assets at FVOCI is impaired. Provision for impairment loss on financial assets at FVOCI amounting to ₱11.25 million is recognized. 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 Company'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 assets at FVOCI approximate their fair value.

As at December 31, 2022 and 2021, the carrying value of unquoted equity securities amounted to ₱12.68 million and ₱12.31 million, respectively (see Notes 10 and 27).

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

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Company considers the interest rates in government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit obligation. Further details about defined benefit obligation are presented in Note 21. While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of retirement benefits and related obligation.

The carrying value of net retirement plan asset amounted to ₱0.10 million as at December 31, 2022 while the carrying value of net retirement liability amounted to ₱5.85 million as at December 31, 2021 (see Note 22).

Recognition of Deferred Tax Assets. The Company reviews the carrying amounts at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

As at December 31, 2022 and 2021, the Company recognized deferred tax assets on deductible temporary differences amounting to nil and ₱1.46 million, respectively (see Note 24).

As at December 31, 2022 and 2021, the Company did not recognize deferred tax assets amounting to ₱57.81 million and ₱39.72 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).

Provisions and Contingencies. The Company is involved in certain tax assessments and claims. The estimation of the potential liability resulting from these tax assessments and claims requires significant judgment and estimate by management. The inherent uncertainty over the outcome of these tax examinations is brought about by the differences in the interpretation and implementation of the laws and tax rulings. The Company currently does not believe these tax assessments and claims could materially reduce its profitability. It is possible, however, that future financial performance could be materially affected by the changes in judgement and estimate or in the effectiveness of strategies relating to these tax assessments and claims (see Note 23).

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	**₱307,697**	₱165,896
Cash in banks	**50,340,348**	144,166,036
	₱50,648,045	₱144,331,932

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks and cash equivalents amounted to ₱0.12 million in 2022 and ₱0.39 million in 2021, respectively.

5. Receivables

	2022	2021
Trade receivables from:		
Related parties (see Notes 17 and 25)	**₱1,117,259,387**	₱1,072,015,004
Third parties (see Note 17)	**70,539,451**	–
Rent receivables from:		
Third parties	**4,376,078**	4,411,341
Related parties (see Note 25)	**338,292**	309,025
Advances to officers and employees	**1,965,722**	3,788,279
Others (see Note 25)	**35,513,537**	27,536,537
	1,229,992,467	1,108,060,186
Less allowance for expected credit losses	**2,118,058**	1,592,626
	₱1,227,874,409	₱1,106,467,560

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 Company's investment properties. These include interest-bearing receivables with average credit terms of 30 days. In 2022, no interests have been charged to tenants as the Company's rent receivables were normally collected within the credit term.

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

Others include the Company's receivable from its retirement plan (see Note 25).

6. Financial Assets at Fair Value through Profit or Loss

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

	2022	2021
Balance at beginning of year	**₱13,879,619**	₱12,440,343
Acquisitions	**846,159**	–
Fair value gain recognized in profit or loss (see Note 21)	**1,327,245**	1,439,276
Disposals	**(1,002,012)**	–
	₱15,051,011	₱13,879,619

Realized loss on sale of financial assets at FVTPL amounted to ₱0.002 million in 2022.

Dividend income earned on financial assets at FVTPL amounted to ₱0.77 million in 2022 and ₱0.63 million in 2021.

7. Inventories

	2022	2021
At cost:		
Wheat grains	**₱569,302,090**	₱143,036,659
Flour	**26,759,187**	40,208,914
Supplies	**9,917,171**	6,193,609
Mill feeds	**275,886**	898,833
	₱606,254,334	₱190,338,015

Costs of inventories which includes others not only material used recognized under "Cost of sales" in the parent company statements of comprehensive income amounted to ₱1,433.74 million in 2022 and ₱1,043.01 million in 2021 (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. 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%).

Wheat grains inventories in transit amounted to ₱65.88 million and ₱54.24 million as at December 31, 2022 and 2021, respectively (see Note 14).

The Company has no allowance for inventory obsolescence 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
Prepaid insurance	**859,280**	1,203,115
Prepaid importation cost	–	3,351,099
Others	**4,121,820**	3,543,924
	₱101,293,893	₱76,360,941

9. Investments in Subsidiaries

As at December 31, 2022, this account represents the Company's 58.60% ownership in LFM Properties Corporation (LPC) and 100% ownership in Liberty Engineering Corporation (LEC). As at December 31, 2021, Company has 100% ownership both in LPC and LEC.

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

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 Company, to eligible stockholders of the Parent Company as of record date of December 18, 2020. Accordingly, the Company recognized dividends payable amounting to ₱88.0 million, equivalent to the proportionate carrying value of investment in LPC declared as property dividends representing 41.40% of LPC's outstanding capital stock. 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 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 LPC's application for 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 listing process with the PSE under the stock symbol "LPC".

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

	2022	2021
LPC (see Note 16)	**₱124,562,020**	₱212,563,900
LEC	**29,620,550**	29,620,550
	₱154,182,570	₱242,184,450

10. Financial Assets at Fair Value through Other Comprehensive Income

	2022	2021
Debt securities	**₱192,113,177**	₱256,380,970
Equity securities:		
Quoted	**139,219,242**	177,984,332
Unquoted	**12,676,851**	12,305,630
	₱344,009,270	₱446,670,932

The Company purchased equity securities amounting to ₱0.65 million in 2022, and debt and equity securities amounting to ₱14.31 million and ₱18.00 million, respectively, in 2021.

The Company has early redemption or sold upon maturity of debt securities with a carrying amount of ₱34.00 million and ₱195.00 million in 2022 and 2021, respectively. The Company also sold quoted equity securities with a carrying amount of ₱27.00 million and ₱196.46 million in 2022 and 2021, respectively.

Fair value changes on financial assets at FVOCI follow:

	2022	2021
Balance at the beginning of year	**₱30,299,837**	₱49,830,981
Fair value loss recognized in other comprehensive income	**(31,066,054)**	(17,731,144)
Fair value gain (loss) realized through sale (see Note 21)	**494,880**	(1,800,000)
Balance at the end of year	**(₱271,337)**	₱30,299,837

Interest income earned on debt securities amounted to ₱11.61 million in 2022 and ₱17.98 million in 2021. Dividend income earned on investments in equity securities amounted to ₱9.36 million in 2022 and ₱20.51 million in 2021.

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

The Company considers the events as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2021. However, due to ongoing war between Russia and Ukraine and continuous decline in market value, the Company recognized provision for impairment loss on debt securities amounting to ₱11.25 million in 2022 (see Note 19).

11. Investment Properties

	2022		
	Land	**Building and Building Improvements**	**Total**
Cost			
Beginning balances	**₱482,105,340**	**₱71,385,161**	**₱553,490,501**
Additions	**208,047,910**	**–**	**208,047,910**
Ending balances	**690,153,250**	**71,385,161**	**761,538,411**
Accumulated Depreciation			
Beginning balances	**–**	**38,639,954**	**38,639,954**
Depreciation	**–**	**2,021,848**	**2,021,848**
Ending balances	**–**	**40,661,802**	**40,661,802**
Net book values	**₱690,153,250**	**₱30,723,358**	**₱720,876,609**

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

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

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

	2022	2021
Rental income (see Notes 25 and 26)	**₱35,001,664**	₱30,754,792
Direct operating expenses:		
Security services	**3,763,750**	3,799,130
Depreciation	**2,021,848**	2,066,413
Utilities	**1,057,323**	1,187,864
Janitorial services	**849,695**	717,485
Salaries and wages	**305,078**	214,636
Repairs and Maintenance	**184,064**	189,527
Insurance	**35,136**	43,118
Others	**446,215**	413,595
	8,663,109	8,631,768
	₱26,338,555	₱22,123,024

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

The Company has refundable deposits for utilities installation on its investment properties amounting to ₱0.45 million as at December 31, 2022 and 2021, presented as part of "Other noncurrent assets" in the parent company statements of financial position (see Note 13).

The aggregate fair value of investment properties amounted to ₱3.71 billion and ₱1.57 billion as at December 31, 2022 and 2021, respectively. These have been determined based on valuation performed by a qualified and independent appraiser in 2022 and 2019. The valuation undertaken considered the highest and best use and established estimated value by processes involving comparison (Level 3).

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

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

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

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

12. Property, Plant and Equipment

	2022						
	Mill Machinery and Equipment	**Building and Building Equipment**	**Transportation Equipment**	**Land and Land Improvements**	**Other Equipment**	**Construction In progress**	**Total**
Cost							
Beginning balances	**₱233,467,237**	**₱115,921,668**	**₱50,809,544**	**₱25,335,572**	**₱38,886,406**	**₱245,865,649**	**₱710,286,076**
Additions	**3,783,100**	**590,645**	**127,834**	**–**	**976,158**	**44,239,736**	**49,717,473**
Reclassification	**211,699,459**	**78,405,926**	**–**	**–**	**–**	**(290,105,385)**	**–**
Ending balances	**448,949,796**	**194,918,239**	**50,937,378**	**25,335,572**	**39,862,564**	**–**	**760,003,549**
Accumulated Depreciation and Amortization							
Beginning balances	**220,482,168**	**97,174,808**	**44,998,013**	**17,425,223**	**31,791,863**	**–**	**411,872,075**
Depreciation and amortization (see Notes 18 and 19)	**9,790,456**	**4,660,340**	**1,566,305**	**978,535**	**2,081,566**	**–**	**19,077,202**
Ending balances	**230,272,624**	**101,835,148**	**46,564,318**	**18,403,758**	**33,873,429**	**–**	**430,949,277**
Net Book Values	**₱218,677,172**	**₱93,083,091**	**₱4,373,060**	**₱6,931,814**	**₱5,989,135**	**₱–**	**₱329,054,272**

	2021						
	Mill Machinery and Equipment	Building and Building Equipment	Transportation Equipment	Land and Land Improvements	Other Equipment	Construction In progress	Total
Cost							
Beginning balances	₱232,722,654	₱115,881,489	₱48,685,651	₱25,335,572	₱37,944,947	₱42,028,557	₱502,598,870
Additions	744,583	40,179	2,123,893	–	941,459	203,837,092	207,687,206
Ending balances	233,467,237	115,921,668	50,809,544	₱25,335,572	38,886,406	245,865,649	710,286,076
Accumulated Depreciation and Amortization							
Beginning balances	215,055,333	94,492,716	43,540,103	16,446,688	29,456,285	–	398,991,125
Depreciation and amortization (see Notes 18 and 19)	5,426,835	2,682,092	1,457,910	978,535	2,335,578	–	12,880,950
Ending balances	220,482,168	97,174,808	44,998,013	17,425,223	31,791,863	–	411,872,075
Net Book Values	₱12,985,069	₱18,746,860	₱5,811,531	₱7,910,349	₱7,094,543	₱245,865,649	₱298,414,001

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

13. Other Noncurrent Assets

	2022	2021
Advances to suppliers	**₱752,911**	₱1,941,964
Refundable deposits (see Note 11)	**445,687**	445,687
Others	**1,022,000**	1,022,000
	₱2,220,598	₱3,409,651

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.

14. Accounts Payable and Other Current Liabilities

	2022	2021
Liabilities under trust receipts (see Note 7)	**₱583,904,323**	₱304,142,352
Trade payables	**33,328,154**	17,301,792
Dividends payable (see Note 9)	**26,379,956**	132,834,571
Output VAT - net	**15,237,418**	4,370,872
Customers and tenants' deposits	**14,941,543**	12,701,186
Accrued selling, freight and outside services	**5,308,548**	5,641,584
Withholding tax, HDMF and SSS payable	**2,461,923**	1,503,839
Accrued liability for inventories in transit (see Note 7)	–	54,237,448
Accrued other expenses	**9,565,044**	9,075,095
	₱691,126,909	₱541,808,739

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.

Dividends payable consist of dividends declared but not yet claimed.

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

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

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

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

15. Notes Payable

On various dates during 2022, the Company availed short-term loans amounting to ₱378.00 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.

Total interest expense on notes payable amounted to ₱8.87 million in 2022 (nil in 2021).

16. **Equity**

Capital Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retained Earnings

Cash Dividends

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

Date of Declaration	Date of Record	Date of Payment	Dividend per Share	Total Amount
November 28, 2022	December 16, 2022	December 28, 2022	₱0.30	₱45,000,000
June 11, 2021	May 26, 2021	June 30, 2021	₱0.50	₱75,000,000

Property Dividends

On November 25, 2020, the BOD approved the declaration of property dividends in the form of 10.35 billion common shares of LPC (with a par value of ₱0.01 per share), with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Company, to eligible stockholders of the Company as of record date of December 18, 2020. Accordingly, the Company recognized dividends payable amounting to ₱88.0 million, equivalent to the proportionate carrying value of investment in LPC declared as property dividends representing 41.40% of LPC's outstanding capital stock. 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 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).

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

	2022	2021
Net loss	**(₱69,844,245)**	(₱12,615,277)
Divided by weighted average number of shares	**150,000,000**	150,000,000
Basic/diluted loss per share	**(₱0.47)**	(₱0.08)

The Company does not have potentially dilutive common shares as at December 31, 2022 and 2021.

17. Revenue from Contracts with Customers

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

	2022	2021
Sales of bakery flour	**₱1,308,868,276**	₱1,095,526,069
Sales of mill feeds	**181,397,400**	100,020,442
	₱1,490,265,676	₱1,195,546,511

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

Contract Balances
The Company's trade receivables from related and third parties amounting to ₱1,187.80 million and ₱1,072.02 million at December 31, 2022 and 2021, respectively, 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 (see Note 5).

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

18. Cost of Sales

	2022	2021
Materials used	**₱1,329,305,118**	₱938,510,410
Direct labor (see Note 20)	**47,433,320**	55,786,668
Overhead:		
Utilities	**33,993,884**	32,435,238
Depreciation (see Note 12)	**12,426,697**	6,455,658
Repairs and maintenance	**3,162,338**	2,219,411
Other factory overhead	**7,420,451**	7,604,635
	₱1,433,741,808	₱1,043,012,020

19. Operating Expenses

General and Administrative Expenses

	2022	2021
Outside services	**₱33,697,180**	₱27,745,288
Employee benefits and bonuses (see Notes 20, 22 and 25)	**22,048,443**	36,065,982
Salaries and wages (see Notes 20 and 25)	**17,169,897**	20,916,922
Taxes and licenses	**7,455,094**	6,532,019
Depreciation and amortization (see Note 12)	**5,305,179**	5,030,920
Membership and subscription	**2,600,177**	3,319,591
Insurance	**1,721,900**	2,002,963
Communication, light and water	**1,311,679**	1,202,553
Per diem	**830,000**	825,000
Travel and representation	**542,524**	317,323
Provision for expected credit losses (see Note 5)	**525,432**	–
Repairs and maintenance	**486,404**	378,913
Office supplies	**280,371**	320,974
Others	**4,593,648**	4,287,786
	₱98,567,928	₱108,946,234

Selling Expenses

	2022	2021
Promotional and marketing expenses (see Note 25)	**₱17,514,598**	₱35,033,335
Depreciation and amortization (see Note 12)	**1,345,327**	1,394,372
Freight and handling fees	**4,442,748**	856,512
	₱23,302,673	₱37,284,219

Interest Expense

	2022	2021
Liabilities under trust receipts (see Note 7)	**₱24,106,525**	₱10,832,430
Notes payable (see Note 15)	**8,866,375**	–
	₱32,972,900	₱10,832,430

20. Personnel Costs

	2022	2021
Direct labor (see Note 18)	**₱47,433,320**	₱55,786,668
Salaries and wages (see Notes 18 and 24)	**17,169,897**	20,916,922
Bonus and allowances (see Note 19)	**9,737,322**	23,382,969
Retirement benefits costs (see Notes 19, 22 and 25)	**6,853,473**	7,122,996
Other employee benefits (see Notes 19 and 25)	**5,457,648**	5,560,017
	₱86,651,660	₱112,769,572

21. Other Income (Charges) - Net

	2022	2021
Impairment loss on financial assets at FVOCI (see Note 10)	**(₱11,245,608)**	₱–
Unrealized foreign exchange gain (loss)	**2,276,049**	(9,060,857)
Fair value gain on financial assets at FVTPL (see Note 6)	**1,324,740**	1,439,276
Gain (loss) on sale on financial assets at FVOCI (see Note 10)	**(494,880)**	1,800,000
Loss on sale on financial assets at FVTPL	**(2,505)**	–
Other income (charges) - net	**(10,748,356)**	(48,818,212)
	(₱18,890,560)	(₱54,639,793)

Other income (charges) - net include provision for losses, realized foreign exchange gains and losses and other miscellaneous income and expenses.

22. **Retirement Benefits Costs**

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

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

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

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

Changes in net retirement plan liability(asset) as at December 31, 2022 and 2021 follows:

		Net Retirement Cost in Profit or Loss in the Parent Company Statements of Comprehensive Income							Remeasurements in Other Comprehensive Income						
	Balance at Beginning of Year	Current Service Cost	Settlement loss	Net Interest	Subtotal	Benefits Directly Paid by the Company	Benefits Paid from Plan Assets	Contributions to the Plan Asset	Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from Demographic Assumptions	Effe ct of Asset Ceiling	Subtotal	Balance at End of Year
December 31, 2022															
Present value of defined benefit obligation	**₱97,188,524**	**₱3,249,966**	**₱3,385,342**	**₱4,107,802**	**₱ 7,357,768**	**₱ (4,123,616)**	**(₱48,643,835)**	**₱ –**	**₱ –**	**(₱10,796,921)**	**(₱2,025,031)**	**₱ –**	**₱ –**	**(₱12,821,952)**	**₱42,342,231**
Fair value of plan assets	**(91,338,718)**	**–**	**–**	**(3,889,637)**	**(3,889,637)**	**–**	**48,643,835**	**–**	**4,131,226**	**–**	**–**	**–**	**7,546**	**4,138,772**	**(42,445,748)**
Net defined benefit asset	**₱5,849,806**	**₱3,249,966**	**₱ 3,385,342**	**₱218,165**	**₱ 3,468,131**	**(₱4,123,616)**	**₱–**	**₱ –**	**₱4,131,226**	**(₱10,796,921)**	**(₱2,025,031)**	**₱ –**	**₱ 7,546**	**(₱8,683,180)**	**(₱103,517)**
December 31, 2021															
Present value of defined benefit obligation	₱127,649,590	₱5,338,028	₱–	₱4,863,449	₱10,201,477	(₱5,204,161)	(₱24,853,371)	₱–	₱ –	(₱12,154,576)	₱1,664,993	(₱15,428)	₱–	(₱10,505,011)	₱97,188,524
Fair value of plan assets	(68,276,710)	–	–	(3,078,481)	(3,078,481)	–	24,853,371	(50,000,000)	5,063,102	–	–	–	–	5,063,102	(91,338,718)
Net defined benefit liability	₱59,372,880	₱5,338,028	₱ –	₱1,784,968	₱7,122,996	(₱5,204,161)	₱ –	(₱50,000,000)	₱5,063,102	(₱12,154,576)	₱1,664,993	(₱15,428)	₱–	(₱5,441,909)	₱5,849,806

The Company is expected to contribute ₱20.00 million to its defined benefit pension plan in 2023.

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	**₱15,300,234**	₱14,630,781
Money market placements	**2,588**	14,239,723
Receivables	**–**	779,261
Investments in equity securities:		
Industrial	**5,082,182**	5,489,157
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	**(29,886,619)**	(16,016,154)
Effect of asset ceiling	**(7,546)**	–
	₱42,445,748	₱91,338,718

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

Investments in equity securities can be transacted through the PSE. The plan assets include shares of stock of the Company with fair value of ₱4.63 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 Company amounted to loss of ₱0.30 million in 2022 and in ₱4.27 million in 2021. With respect to the plan's investment in the Company's shares of stock:

a. There are no restrictions or limitations on the shares provided in the plan,
b. The Board of Trustees 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 compromise the PSEi in the same weight as the index.

The latest actuarial valuation of the Company'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	**7.29%**	5.08%
Future salary increases	**5.00%**	5.00%

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

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

	2022	
	Increase (Decrease) in Rate	**Increase (Decrease) in DBO**
Discount rate	**8.00%**	**₱3,402,572**
	(6.80%)	**(2,890,391)**
Salary increase rate	**8.10%**	**3,447,603**
	(7.00%)	**(2,974,574)**

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

The average duration of the defined benefit obligation at the end of the period is 7.4 years in 2022 and 8.9 years in 2021.

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

Year	**2022**	2021
Year 1	**₱15,869,406**	₱13,208,364
Year 2	**587,387**	5,053,877
Year 3	**3,759,612**	3,588,934
Year 4	**714,546**	6,933,608
Year 5	**736,962**	7,586,369
Year 6 – 10	**21,100,630**	58,579,260

Other Comprehensive Income (Loss)

Movements in remeasurement gains (losses) on retirement benefits recognized in "other components of equity" under the equity section of the parent company statements of financial position follows:

	2022	2021
Beginning balance	**(₱13,122,360)**	(₱16,056,872)
Remeasurement losses in other comprehensive income:		
Actuarial loss on defined benefit obligation	**12,821,952**	10,505,011
Remeasurement gain (loss) on plan assets	**(4,138,772)**	(5,063,102)
Total	**8,683,180**	5,441,909
Income tax effect	**(2,170,795)**	(2,507,397)
	6,512,385	2,934,512
Ending balance	**(₱6,609,975)**	(₱13,122,360)

23. **Provisions and Contingencies**

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

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

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

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

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

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

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

24. **Income Taxes**

The Company's provision for current income tax 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 parent company statements of comprehensive income is as follows:

	2022	2021
Income before tax at 25%	**(₱17,253,594)**	₱616,527
Additions to (reductions in) income tax resulting from:		
Movement in unrecognized deferred tax asset	**18,088,141**	20,011,072
Nondeductible expenses	**5,790,814**	4,238,162

(Forward)

	2022	2021
Interest income subjected to final tax	**(₱2,931,828)**	(₱4,592,633)
Dividend income	**(2,532,485)**	(5,285,185)
Fair value changes of financial assets at FVTPL	**(331,185)**	(359,819)
Impact of CREATE Act	**–**	453,260
Provision for income tax	**₱829,863**	₱15,081,384

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

	2022	2021
Deferred tax assets:		
Net retirement plan liability	**₱–**	₱1,462,452
	–	1,462,452
Deferred tax liabilities:		
Accrued rent	**(581,758)**	(543,551)
Unrealized foreign exchange gain	**(569,012)**	
Net retirement plan asset	**(25,879)**	–
	(1,176,649)	(543,551)
Net deferred tax assets (liability)	**(₱1,176,649)**	₱918,901

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

	2022	2021
NOLCO	**₱137,611,989**	₱45,610,225
Unamortized past service cost	**74,378,232**	85,627,459
Provision for:		
Probable losses	**6,228,390**	6,228,390
Expected credit loss	**2,118,058**	1,592,626
MCIT	**2,726,130**	1,821,023
Unrealized foreign exchange loss	**–**	12,545,831
	₱223,062,799	₱153,425,554

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, 2022, the Company's NOLCO and MCIT that can be claimed as deduction against taxable income and regular income tax due, respectively, are as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
2021	2026	₱45,610,225	₱1,821,023
2022	2025	92,001,764	905,107
		₱137,611,989	₱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 Company was subjected to lower RCIT rate of 25% or MCIT rate of 1% effective July 1, 2020.

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

25. Related Party Transactions

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

Related party receivables and payables are generally settled in cash.

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

	Amount/Volume Income (Expense)		Outstanding Balance Receivable (Payable)		
	2022	2021	**2022**	2021	Terms and Conditions
Stockholder					
Parity Values, Inc.					
Sale	**₱651,824,553**	₱809,658,786	**₱823,221,056**	₱802,787,076	120 days; Unsecured, not impaired
Rent income	**2,377,584**	2,346,499	–	–	30 days; Unsecured, not impaired
Promotional and marketing expenses	**(14,875,000)**	(29,750,000)	–	–	On demand
Under Common Control					
Liberty Commodities Corp.					
Sale	**339,402,189**	236,749,097	**166,044,791**	104,691,752	120 days; Unsecured, not impaired
Rent income	**3,218,815**	3,204,388	**277,046**	255,730	30 days; Unsecured, not impaired
Promotional and marketing expenses	**(2,625,000)**	(5,250,000)	–	–	On demand
Trade Demands Corp.					
Sale	**200,330,721**	149,138,627	**127,993,540**	164,623,133	120 days; Unsecured, with impairment of ₱1,592,626 as at December 31, 2021.
Subsidiaries					
LFM Properties Corporation					
Rental income	**516,619**	503,494	**63,703**	53,295	30 days; Unsecured, not impaired
Deposit	**(130,000,000)**	–	**(130,000,000)**		On demand; Unsecured
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)			**₱340,749**	₱309,025	
Deposit			**(₱130,000,000)**	–	
Others (see Note 5)			**₱7,227,090**	₱7,227,090	

Promotional and marketing expenses

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

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

Deposit

On November 28, 2022, Memorandum of Understanding and Deed of Conditional Sale have been executed with its Parent Company, for the potential sale of land building to the 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. Accordingly, the initial amount tendered by the Company is recognized as deposit subject to terms indicated in the aforementioned agreements. As at March 29, 2023, issuance of the fairness opinion is still pending.

Retirement Fund
The 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 parent company statements of financial position. The members of the Retirement Plan Committee are directors or officers of the Company.

Key Management Personnel
The key management personnel compensation are as follows:

	2022	2021
Short-term employee benefits	**₱10,782,934**	₱16,975,151
Post-employment benefits and others	**(779,511)**	7,122,996
	₱10,003,423	₱24,098,147

Short-term employee benefits include management bonus given to the Company’s directors and officers (see Notes 19 and 20).

26. **Leases**

The Company leases out office spaces principally to third parties under various operating lease arrangements. The leases are for a term of one to five years and may be renewed upon mutual agreement of the parties. Rental income amounted to ₱35.00 million in 2022 and ₱30.75 million in 2021 (see Note 11).

Accrued rent, which represents the excess of rental income recognized using the straight-line method over the rental income based on the terms of the lease agreements, amounted to ₱0.15 million and ₱2.17 million as at December 31, 2022 and 2021, respectively.

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

	2022	2021
Year 1	**₱18,853,929**	₱20,507,837
Year 2	**8,816,299**	8,882,299
Year 3	**7,581,647**	7,647,647
Year 4	**6,020,718**	6,070,218
Year 5	–	–
	₱41,272,593	₱43,108,001

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

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

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

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

The Company is potentially subject to concentrations of credit risk in its accounts receivable. Majority of the Company's entire trade receivables and revenues are concentrated with its four distributors as at December 31, 2022 and 2021. The Company has been transacting business with these distributors for a long time and has not encountered any credit issue with them. While there is delay in collection of some trade receivables (those classified under "Past due but not impaired"), the Company is in close coordination with the distributor to bring their accounts to current. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

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

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents*	**₱50,340,348**	₱144,166,036
Trade and other receivables**	**1,228,026,745**	1,104,271,907
Other noncurrent assets***	**1,467,687**	1,467,687
Debt securities at FVOCI	**192,113,177**	256,380,970
	₱1,471,947,957	₱1,506,286,600

**excluding cash on hand amounting to ₱0.31 million and ₱0.17 million as at December 31, 2022 and 2021, respectively.*
*** excluding advances to officers and employees amounting to ₱1.97 million and ₱3.79 million as at December 31, 2022 and 2021, respectively; before considering provision for expected credit loss amounting to ₱2.12 million and ₱1.59 million as at December 31, 2022 and 2021, respectively.*
****excluding advances to suppliers amounting to ₱0.75 million and ₱1.94 million as at December 31, 2022 and 2021, respectively.*

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

	2022			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Low	**₱279,434,749**	**₱302,574,385**	**₱–**	**₱582,009,134**
Moderate	**–**	**889,938,823**	**–**	**889,938,823**
High	**–**	**–**	**–**	**–**
Gross carrying amount	**₱279,434,749**	**₱1,192,513,208**	**–**	**1,471,947,957**
ECL	**–**	**2,118,058**	**–**	**2,118,058**
Carrying amount	**₱279,434,749**	**₱ 1,190,395,150**	**₱–**	**₱1,469,829,899**

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Low	₱429,551,230	₱912,112,237	₱–	₱1,341,663,467
Moderate	–	164,623,133	–	164,623,133
High	–	–	–	–
Gross carrying amount	429,551,230	1,076,735,370	–	1,506,286,600
ECL	–	1,592,626	–	1,592,626
Carrying amount	₱429,551,230	₱1,075,142,744	₱–	₱1,504,693,974

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

Low Risk - This includes cash and cash equivalents to counterparties with good credit or bank standing, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies. For receivables, this consists of counterparties with no history of default on the agreed contract terms. This includes receivable from credit-worthy customers and lessees.

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

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

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

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

	2022								
	Current	**1-30 days**	**31 - 60 days**	**61-90 days**	**91-120 days**	**121-150 days**	**151-180 days**	**More than 180 days**	**Total**
Trade receivables - 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**

	2021								
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	Total
Trade receivables - TDC									
Expected credit loss rate	0.34%	1.36%	1.36%	1.36%	1.36%	1.36%	1.41%	1.27%	
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

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 Company is exposed to equity price risk because of investments in quoted equity securities, which are classified in the Company's statement of financial position as financial assets at FVTPL and financial assets at FVOCI.

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

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

	2022	
	Increase (decrease) in market price	**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 market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	24%	3,331,108
	(24%)	(3,331,108)
Financial assets at FVOCI	1%	1,779,843
	(1%)	(1,779,843)

Liquidity Risk

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

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments as at December 31:

	2022			
	Less than 3 Months	**3 to 12 Months**	**More than 12 months**	**Total**
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:	**₱50,648,045**	**₱–**	**₱–**	**₱50,648,045**
Trade receivables	**297,860,015**	**889,938,823**		**1,187,798,838**
Rent receivables:				
Third parties	**4,376,078**	–	–	**4,376,078**
Related parties	**338,292**	–	–	**338,292**
Other receivables	**35,513,537**	–	-	**35,513,537**
Other noncurrent assets	–	–	**1,467,687**	**1,467,687**
Financial assets at FVTPL	**15,051,011**	–	–	**15,051,011**
Financial assets at FVOCI:				
Equity securities	–	–	**151,896,093**	**151,896,093**
Debt securities	–	–	**192,113,177**	**192,113,177**
Total financial assets	**₱403,786,978**	**₱889,938,823**	**₱345,476,957**	**₱1,639,202,758**
Financial Liabilities				
Notes payable, inc. interest	**₱–**	**₱378,000,000**	**₱–**	**₱378,000,000**
Liabilities under trust receipts	**583,904,323**	–	–	**583,904,323**
Trade payables	**33,328,154**	–	–	**33,328,154**
Dividends payable	**26,379,956**	–	–	**26,379,956**
Customers and tenants' deposits	**14,941,543**	–	–	**14,941,543**
Accrued selling, freight expense and outside services	**5,308,548**	–	–	**5,308,548**
Accrued other expenses	**9,565,044**	–	–	**9,565,044**
Total financial liabilities	**673,427,568**	**378,000,000**	–	**1,051,427,568**
Net financial asset (liabilities)	**(₱269,640,590)**	**₱ 511,938,823**	**₱345,476,957**	**₱587,775,190**

	2021			
	Less than 3 Months	3 to 12 Months	More than 12 months	Total
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents:	₱144,166,036	₱–	₱–	₱144,166,036
Trade receivables	907,391,871	164,623,133		1,072,015,004
Rent receivables:				
Third parties	4,411,341	–	–	4,411,341
Related parties	309,025	–	–	309,025
Other receivables	27,536,537	–	-	27,536,537
Financial assets at FVTPL	13,879,619	–	–	13,879,619
Financial assets at FVOCI:				
Equity securities	–	–	190,289,962	190,289,962
Debt securities	–	10,236,100	246,144,870	256,380,970
Other noncurrent assets	–	–	1,467,687	1,467,687
Total financial assets	₱1,097,860,325	₱174,859,233	₱437,902,519	₱1,710,456,181
Financial Liabilities				
Liabilities under trust receipts	₱304,142,352	₱–	₱–	₱304,142,352
Dividends payable	132,834,571	–	–	132,834,571
Accrued liability for inventories in transit	54,237,448	–	–	54,237,448
Trade payables	17,277,792	–	–	17,277,792
Customers and tenants' deposits	12,701,186	–	–	12,701,186
Accrued selling, freight expense and outside services	5,641,584	–	–	5,641,584
Accrued other expenses	9,075,095	–	–	9,075,095
Total financial liabilities	535,910,028	–	–	535,910,028
Net financial asset (liabilities)	₱561,926,297	₱174,859,233	₱437,902,519	₱1,174,546,153

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

Fair Value

The carrying values of cash and cash equivalents, receivables, accounts payable and other current liabilities approximate their fair values due to their short-term nature. The carrying value of unquoted equity securities approximate their fair values based on the adjusted net asset method.

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

	2022	2021
Financial assets at FVTPL	**₱15,051,011**	₱13,879,619
Financial assets at FVOCI	**344,009,270**	446,670,932

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

Fair Value Hierarchy

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

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVTPL	**₱15,051,011**	**₱15,051,011**	**₱–**	**₱–**
Financial assets at FVOCI				
Quoted debt securities	**192,113,177**	**192,113,177**	**–**	**–**
Quoted equity securities	**139,219,242**	**139,219,242**	**–**	**–**
Unquoted equity securities	**12,676,851**	**–**	**–**	**12,676,851**
Nonfinancial assets for which fair values are disclosed				
Investment properties	**3,706,839,271**	**–**	**–**	**3,706,839,271**

	2021			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVTPL	₱13,879,619	₱13,879,619	₱–	₱–
Financial assets at FVOCI				
Quoted debt securities	256,380,970	256,380,970	–	–
Quoted equity securities	177,984,332	177,984,332	–	–
Unquoted equity securities	12,305,630	–	–	12,305,630
Nonfinancial assets for which fair values are disclosed				
Investment properties	1,567,118,490	–	–	1,567,118,490

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 among the fair value measurement hierarchy levels.

28. Capital Management Policies

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

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

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

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

	2022	2021
Capital stock	**₱1,500,000,000**	₱1,500,000,000
Retained earnings	**858,146,282**	972,990,527
	₱2,358,146,282	₱2,472,990,527

29. **Note to Parent Company Statements of Cash Flows**

The changes in the Company's liability arising from financing activities (dividends payable) in 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	**₱ 132,834,571**	₱120,572,492
Cash flows	**(63,452,735)**	(62,737,921)
Property dividends declared	**(88,001,880)**	–
Dividends declared (see Note 16)	**45,000,000**	75,000,000
Balance at end of year	**₱26,379,956**	₱132,834,571

30. **Segment Information**

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

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

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

The following tables on business segments present the segment assets as at December 31, 2022 and 2021 and the revenue and profit information for the period then ended.

	2022			
	Bakery Flour	**Mill Feed**	**Real Estate and Investment**	**Total**
Revenue				
Sales - related and third parties	**₱1,308,868,276**	**₱181,397,400**	**₱–**	**₱1,490,265,676**
Rental income	–	–	**35,001,664**	**35,001,664**
Interest income	–	–	**11,727,315**	**11,727,315**
Dividend income	–	–	**10,129,941**	**10,129,941**
	₱1,308,868,276	**₱181,397,400**	**₱56,858,920**	**₱1,547,124,596**
Cost of sales/services	**1,308,228,306**	**125,513,502**	**8,663,109**	**1,442,404,917**
Gross profit on sales/income	**₱639,970**	**₱55,883,898**	**₱48,195,811**	**₱104,719,679**
Selling and administrative expenses	**(107,036,326)**	**(14,834,275)**	–	**(121,870,601)**
Interest expense	–	–	**(32,972,900)**	**(32,972,900)**
Other income (charges) - net	**(15,981,424)**	**(2,214,882)**	**(694,254)**	**(18,890,560)**
Provision for income tax	–	–	–	**(829,863)**
Net income	**(₱122,377,780)**	**₱38,834,741**	**₱14,528,657**	**(₱69,844,245)**
Property, plant and equipment	**₱309,819,068**	**₱19,235,204**	**₱–**	**₱329,054,272**
Investment properties	–	–	**₱720,876,609**	**₱720,876,609**
Depreciation and amortization	**₱17,962,025**	**₱1,115,177**	**₱ 2,021,849**	**₱21,099,050**
Additions to property, plant and equipment and investment properties	**₱46,811,186**	**₱2,906,286**	**₱208,047,911**	**₱257,765,383**

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

31. Supplementary Information Required Under Revenue Regulations 15-2010

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

a. Net Sales/Receipts and Output VAT

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

	Net Sales/ Receipt	Output VAT
Goods:		
Sale of goods	₱1,308,868,276	₱157,064,193
VAT-exempt sales	181,397,400	–
Scrap sales	3,732,159	447,859
Services:		
Rental income	34,848,839	4,181,861
Common utilities service area income	8,314,098	997,691
	₱1,537,160,772	₱162,691,604

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

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

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

b. Input VAT

Balance at January 1	₱–
Current year's domestic purchases/payments of importations for:	
Purchase of services	18,686,815
Capital goods subject to amortization	–
Goods for resale/manufacture or further processing	3,199,135
Goods other than for resale or manufacture	–
	21,885,950
Application against output VAT	21,885,950
Balance at December 31	₱–

c. Landed Costs and Customs Duties

Landed costs paid in 2022 amounted to ₱1,591,549,281.

d. Other Taxes and Licenses

Real estate taxes	₱5,311,778
License and permits fees	2,222,221
	₱7,533,999

e. Documentary Stamp Taxes

Documentary stamp taxes paid in 2022 amounting to ₱6,410,464 cover charges from the banks for importation and form part of inventory costs.

f. Excise Tax

The Company has no transactions subject to excise tax in 2022.

g. Withholding Taxes

Withholding taxes on compensation and benefits	₱4,380,841
Expanded withholding taxes	5,567,468
Final withholding taxes on royalties and dividends	1,650,499

h. Tax Assessments/Cases

As at December 31, 2022, the Company has the following outstanding tax assessments/cases:

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

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

On September 01, 2020 the Commissioner of Internal Revenue (Petitioner) filed an appeal by way of Petition for Review before the Court of Tax Appeals ("CTA") En Banc – CTA EB No. 2321 (CTA Case No. 9603). The Petitioner is praying for the reversal of the Decision dated March 2, 2020 and the Resolution dated July 27, 2020 of the CTA Second Division that held that the Bureau of internal Revenue's TY 2009 deficiency tax assessments of Liberty Flour Mills, Inc. ("Respondent") cancelled and set aside. Respondent filed its Comment / Opposition (to the Petition for Review) dated November 09, 2020.

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

On September 15, 2022, SC Resolution dated July 27, 2022, the Court resolves to GRANT OSG's motion for extension of 30 days within which to file a petition for review on certiorari.

On January 30, 2023, SC Notice of Resolution dated 10/05/2022 has denied the petition for review on certiorari and affirm the decision dated 02 March 2022 and resolution dated 9 June 2022 of CTA EnBanc for failure of CIR to show that the CTA EB committed any reversible error in affirming the decision dated 02 March 2020 and the resolution dated 27 July 2020.

On February 15, 2023, SC Motion for Reconsideration dated Feb 6, 2023was filed by CIR.

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

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

   On May 24, 2021, the Company filed an appeal, Petition for Review before the Court of Tax Appeals (CTA Case No. 10532) praying for the cancellation of the deficiency tax assessments on income tax, value-added tax, expanded withholding tax and withholding tax on compensation in the aggregate amount of ₱98,294,548.84, inclusive of increments, for taxable year ended December 31, 2012. The Company no longer contests the BIR's findings with respects to the fringe benefits and documentary stamp tax.

   On November 25, 2022, the Company has already filed its Formal Offer of Evidence.

   On January 16, 2023, no comment was filed by CIR on the Company's Formal Offer of Evidence despite the period granted as per Records Verification Report dated January 3, 2023.

Liberty
Liberty Flour Mills, Inc.

LIBERTY FLOUR MILLS, INC.
MANAGEMENT OFFICE :
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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 RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

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

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

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

WILLIAM CARLOS UY
Chairman of the Board

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this **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. 76
Book No. XVI
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

Gmail Junaila Mendoza <jrmendoza@libertygroup.com.ph>

Fwd: Your BIR AFS eSubmission uploads were received

1 message

Maria Luisa Quizon <mlquizon@libertygroup.com.ph> Mon, Apr 17, 2023 at 3:19 PM
To: Junaila Mendoza <jrmendoza@libertygroup.com.ph>

---------- Forwarded message ---------
From: <eafs@bir.gov.ph>
Date: Mon, Apr 17, 2023 at 3:18 PM
Subject: Your BIR AFS eSubmission uploads were received
To: <MLQUIZON@libertygroup.com.ph>
Cc: <MLQUIZON@libertygroup.com.ph>

Hi LIBERTY FLOUR MILLS, INC.,

Valid files

- EAFS000128846OTHTY122022.pdf
- EAFS000128846TCRTY122022-01.pdf
- EAFS000128846RPTTY122022.pdf
- EAFS000128846ITRTY122022.pdf
- EAFS000128846AFSTY122022.pdf

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- <None>

Transaction Code: **AFS-0-9F5BJLDK0CC9L998CMQZQ4Q1M08C7AEEAE**
Submission Date/Time: **Apr 17, 2023 02:58 PM**
Company TIN: **000-128-846**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.