

COVER SHEET

Nature of Application

S.E.C. Registration Number

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Company Name

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

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

L	I	B	E	R	T	Y		B	U	I	L	D	I	N	G		8	3	5		A	A	R	N	A	I	Z										
A	V	E	N	U	E			L	E	G	A	S	P	I		V	I	L	L	A	G	E															
M	A	K	A	T	I			C	I	T	Y																										

Company's Telephone Number/s

8898677

Contact Person

MICHAEL JOHN A. TANTOCO JR.

Contact Person's Telephone Number

8898677

Contact Person's Address

8th Floor DPC Place 2322 Chino Roces Avenue, Makati City

To be accomplished by CRMD Personnel

Date

Signature

Assigned Processor: _____

Document I.D.

Received by **Corporate Filing and Records Division (CFRD)**

Forwarded to:

- | | | | |
|--------------------------|---|--|--|
| <input type="checkbox"/> | Corporate and Partnership Registration Division | | |
| <input type="checkbox"/> | Green Lane Unit | | |
| <input type="checkbox"/> | Financial Analysis and Audit Division | | |
| <input type="checkbox"/> | Licensing | | |
| <input type="checkbox"/> | Compliance Monitoring Division | | |



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of **LIBERTY FLOUR MILLS, INC.** will be conducted virtually through remote communication on **July 26, 2023 at 4 o'clock in the afternoon**. However, if circumstances allow, the meeting may be held at the Liberty Building, 835 A. Arnaiz Avenue, Makati City. Stockholders will be notified through a disclosure on the PSE Edge or publication through Business Mirror or Manila Times if physical attendance will be allowed.

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2022 Annual Stockholders' Meeting
4. Annual Report of the President and the Chairman of the Board
5. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Only stockholders as of July 6, 2023 shall be entitled to notice and to vote at the meeting.

The Minutes of the last Annual Stockholders' Meeting and resolutions of the Board of Directors will be available for inspection during office hours at the Office of the Corporate Secretary. In addition, copies of the minutes will also be made available at the meeting.

Given the current circumstances, the annual stockholders' meeting will be held through remote communication. Stockholders who intend to participate by remote communication should notify the Company by email on or before July 19, 2023 at 5:00 p.m. Such requests may be sent to lfmcorporatesecretary@gmail.com.

Should you be unable to attend the meeting, please accomplish the proxy form attached hereto and return the same to us.

The procedures for participation in the Annual Meeting through remote communication and for casting votes are provided for in the Information Statement.

Copies of the Information Statement, Annual Report, and other pertinent documents shall be uploaded to the Company's website as well as the PSE EDGE.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Vicente S. Vargas".

VICENTE S. VARGAS
Corporate Secretary



RATIONALE AND EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDER APPROVAL

I. Approval of the Minutes of the Annual Stockholders' Meeting held on May 27, 2022

At the meeting, Stockholder approval for the minutes of the May 27, 2022 annual Stockholders' Meeting shall be sought.

Copies of the draft minutes will be made available upon request of the Stockholders, and copies of such minutes shall also be made available at the registration area on the date of the 2023 Stockholders' Meeting, or through online means. Shareholders who wish to request for a copy of the minutes may send an email to lfmcorporatesecretary@gmail.com.

II. Annual Report of the President and Chairman of the Board

The Chairman of the Board will present to the shareholders a summary of audited financial statements, and the current commercial standing of the company. This Audited Financial Statement is attached to the Definitive IS and shall be made available in LFM's website fifteen (15) days before the 2023 Stockholders' Meeting. The Chairman will also present to the Stockholders highlights and significant events that transpired during the previous year.

Upon the conclusion of the report by the Chairman, there will be an open forum where Stockholders shall be given the opportunity to give their comments and ask questions concerning the report given by the Chairman.

Upon the conclusion of such open forum, the Stockholders will note for the adoption of a resolution closing the Stockholders' open forum and approving the Annual Report and Audited Financial Statements of the Company for the year ended on December 31, 2022.

III. Ratification of all Acts and Proceedings of the Board of Directors

Stockholder ratification shall be sought for all the acts and resolution of the Board of Directors and corporate officers passed and made since the last Annual Stockholder's Meeting. This will cover acts done within the period of July 27, 2022 to July 26, 2023.

These acts, include among others, the declaration of dividends; appointment of officers, independent directors, members to the various board committees, sale of Liberty Building to LFM Properties Corporation, key officers other than those provided for in the by-laws (if any); approval of the I-ACGR, approval of the audit plans of both the external and internal auditor, and approval of the fees paid to such auditors.

The Stockholders will then, through a vote, pass a resolution approving, confirming, ratifying, and adopting, all acts, resolutions, proceedings of the Board of Directors and Corporate Officers for the



period including and between the 2022 Annual Stockholders' Meeting until the 2023 Stockholders' Meeting.

IV. Election of Directors

In accordance with the By-Laws, Manual on Corporate Governance, and SEC Rules on the matter – any Stockholder, including minority stockholders, may submit nominations to the Board.

The Stockholders will cast their votes during the meeting for the Election of the Board of Directors for the ensuing year. Upon the conclusion of such voting, the eleven (11) nominees with the greatest number of votes shall be deemed as elected as members of the Board of Directors beginning July 26, 2023 until their successors are elected and qualified.

V. Appointment of the External Auditor

The Audit Committee will recommend to the Stockholders the reappointment of SGV & Co. as the external auditors of the Company for the ensuing fiscal year.

The Stockholders shall vote on a resolution on whether SGV and Co. shall serve as the external auditors of the Company for the 2022 fiscal year.

VI. Other Matters

The Chairman will open the floor to for the Stockholders to present any matter, business, or concern, for consideration of the Board and the Stockholders present at the meeting.

Finally, upon the conclusion of the above, the Chairman shall entertain any motion to adjourn the meeting.

PROXY

I, _____, a stockholder of record of LIBERTY FLOUR MILLS, INC. hereby name, constitute and appoint, the Chairman, Mr. WILLIAM CARLOS UY, to be my true and lawful attorney and for me and in my name, place and stead, to vote at the Annual Stockholders' Meeting on July 27, 2022 at 4:00PM at Liberty Building, 835 A. Arnaiz Avenue, Makati City, and at any adjournment thereof.

The following matters will be considered and I hereby authorize the above-named proxy to vote all my shares as follows:

Matter	Approve	Disapprove	Abstain
Approval of the Minutes of the 2021 Annual Stockholders' Meeting			
Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers			
Appointment of External Auditor			
Other Matters			

In addition, I authorize the above-named proxy to vote all my shares equally for election of the following persons who have been nominated as directors:

Nominees	
LOURDES J. CHAN	WILLIAM ANG
WILLIAM CARLOS UY	JOSE MA. S. LOPEZ
DANIEL R. MARAMBA	JOSE JALANDONI
SANDRA JUDY UY	JOSE A. FERIA JR.*
JOHN CARLOS UY	DAVID NG*
VICENTE S. VARGAS	

**Independent Director*

(Note: The Stockholder may withhold authority to vote for any of the nominees by lining through or striking out the name/s of the nominee/s. In which case, the total votes of the Stockholder shall be divided equally among the remaining nominees)

In the event that this Proxy is returned without a choice having been made in any or all of the above items, I hereby authorize the above-named proxy to vote all my shares at the above-named proxy's discretion. In which case, the above-named proxy intends to vote for the approval of all the above matters and for the election of all the nominees above-mentioned.

In addition, I hereby grant discretionary powers to the above-named proxy as to other matters incidental to the conduct of the meeting.

IN WITNESS WHEREOF, I have set my hand this ___ day of _____, 2022 at _____.

Signature

Name in Print

No. of Shares

THIS PROXY IS BEING SOLICITED ON BEHALF OF LIBERTY FLOUR MILLS, INC.



SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- [] Preliminary Information Statement
[X] Definitive Information Statement

2. Name of the Registrant as specified in its Charter: LIBERTY FLOUR MILLS, INC.

3. Province, country or other jurisdiction of incorporation or organization: Metro Manila

4. SEC Identification Number: 14782

5. BIR Tax Identification Code: 000-128-846-000

6. Address of principal office and Postal Code: Liberty Building, 835 A. Arnaiz Avenue, Makati City 1223

7. Registrant's telephone number, including area code: (632) 8892-5011

8. Date, time and place of the meeting of security holders:

26 July 2023
4:00 P.M.
Liberty Building, 835 A. Arnaiz Avenue, Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: July 5, 2023

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: Liberty Flour Mills, Inc.

Address and Telephone No.: Liberty Building, 835 A. Arnaiz Avenue, Makati City; (632) 8892-5011

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Table with 2 columns: Title of Each Class, Number of Shares of Common Stock Outstanding. Row 1: Common, 150,000,000

12. Are any or all of registrant's securities listed in a Stock Exchange?

YES [X] NO []

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Table with 2 columns: Name of the Exchange, Shares listed on the Exchange. Row 1: The Philippine Stock Exchange, Inc., Common Shares



INFORMATION STATEMENT

For the 2023 Annual Stockholders' Meeting

**Liberty Building, 835 A. Arnaiz Avenue, Makati City
26 July 2023
4:00 o'clock PM**



Liberty Flour Mills, Inc.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

Date, time and place of meeting of security holders and mailing address

Date of Meeting	July 26, 2023
Time of Meeting	4:00 o'clock in the Afternoon
Place of Meeting	Liberty Building, 835 A. Arnaiz Avenue, Makati City and via Videoconferencing
Complete Mailing address of Principal Office	Liberty Flour Mills, Inc. Liberty Building, 835 A. Arnaiz Avenue, Makati City

The Company intends to send the notice of Annual Stockholders' Meeting, copies of the definitive information statement, the proxy form and the 2022 Annual Report sometime on July 5, 2023. This shall be sent through traditional means, and the Company shall not use the alternative mode of distributing and providing notice of the Meeting as provided for in Securities and Exchange Commission Notice dated February 16, 2022.

Item 2. Dissenters' Right of Appraisal

Any stockholder of Liberty Flour Mills, Inc. (hereinafter the "Company") may exercise his appraisal right against any proposed corporate action which qualifies as an instance under Sections 41 and 80 of the Revised Corporation Code.

The Company does not reasonably foresee any stockholder exercising their right of appraisal during the Annual Stockholders' Meeting.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the members of the board of directors or senior management have any substantial interest in the matters to be acted upon by the stockholders in the Annual Stockholders Meeting.

As of June 30, 2023, the board of directors and senior management, as a group, own 14,233,735 common shares which is approximately 9.46% of the outstanding common stock.

None of the Company's directors have manifested any intention of opposing any action intended to be taken by the Company during the scheduled annual stockholders meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of June 30, 2023, One Hundred Fifty Million (150,000,000) common shares of the Company have been issued and One hundred Fifty Million (150,000,000) are outstanding.

All stockholders of record at the close of business on July 6, 2023 ("Record Date") shall be entitled to notice and to vote at the said meeting, provided that those who shall be attending by proxy, must



have had their respective proxies validated by the Company at least seven (7) days before the meeting.

Voting Trust Holders of 5% or more

The Company does not have knowledge of persons holding more than 5% of common shares under a voting trust or similar agreement.

Manner of Voting

For the purpose of electing directors during the scheduled Annual Stockholders’ Meeting, each shareholder shall have the option of cumulating his votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal as of Record Date, or he may distribute them on the same principle among as many candidates as he shall see fit, in accordance with Section 23 of the Revised Corporation Code; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company as of Record Date multiplied by the whole number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company for the election of directors is computed as follows: number of shares held on record as of Record Date x 11 directors.

For all other matters requiring a vote in the Annual Stockholders’ Meeting, each share shall be entitled to one vote.

Changes in Control

No change in control of the Company has occurred since the beginning of the previous fiscal year.

Item 5. Directors and Executive Officers

The Articles of Incorporation of the Company provide that the Directors of the Company shall hold office for one (1) year and until their successors are elected and qualified.

The Directors of the Company are as follows:

Name of Directors	Age [^]	Citizenship	Position
William Carlos Uy	81	Filipino	Chairman of the Board
Sandra Judy Uy	46	Filipino	Director
John Carlos Uy	72	Filipino	Director
Vicente Vargas	67	Filipino	Director
William Ang	72	Filipino	Director
David Ng*	61	Filipino	Director
Jose Ma. S. Lopez	79	Filipino	Director
Loudes J. Chan	63	Filipino	Director
Jose S. Jalandoni	68	Filipino	Director
Daniel Maramba	50	Filipino	Director
Jose A. Feria Jr.*	75	Filipino	Director

* Independent Director

[^] The Ages of the directors are as of June 21, 2023.



Liberty Flour Mills, Inc.

The Officers and Senior Management of the Company are as follows:

Name	Age	Citizenship	Position
Sandra Judy Uy	46	Filipino	President
Vicente Vargas	67	Filipino	Corporate Secretary
Jose Ma. Lopez	79	Filipino	Senior Vice President & Treasurer

Attendance of the Directors at the Meetings of the Board of Directors held in 2022:

NAME	NUMBER OF MEETINGS WITHIN TERM OF OFFICE	NUMBER OF MEETINGS ATTENDED
William Carlos Uy	14	14
Jose Ma. S. Lopez	14	14
John Carlos Uy	14	14
William Ang	14	14
Vicente Vargas	14	14
David Ng	14	14
Sandra Judy Uy	14	14
Daniel R. Maramba	14	14
Jose A. Feria Jr.	14	14
Jose S. Jalandoni	14	14
Lourdes J. Chan	14	14

Attendance in Committee Meetings

Audit Committee

NAME	NUMBER OF MEETINGS WITHIN TERM OF OFFICE	NUMBER OF MEETINGS ATTENDED
David Ng	2	2
Jose A. Feria Jr.	2	2
Jose S. Jalandoni	2	2

Nominations Committee

NAME	NUMBER OF MEETINGS WITHIN TERM OF OFFICE	NUMBER OF MEETINGS ATTENDED
Jose A. Feria Jr.	1	1
Vicente S. Vargas	1	1
John Carlos Uy	1	1

Compensation and Remuneration Committee

NAME	NUMBER OF MEETINGS WITHIN TERM OF OFFICE	NUMBER OF MEETINGS ATTENDED
David Ng	1	1
William Ang	1	1
Jose Ma. S. Lopez	1	1

Risk Oversight Committee

NAME	NUMBER OF MEETINGS WITHIN TERM OF OFFICE	NUMBER OF MEETINGS ATTENDED
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Liberty Flour Mills, Inc.

Jose A. Feria Jr.	1	1
David Ng	1	1
William Ang	1	1

Attendance in Stockholders’ Meetings

NAME	NUMBER OF MEETINGS WITHIN TERM OF OFFICE	NUMBER OF MEETINGS ATTENDED
William Carlos Uy	1	1
Jose Ma. S. Lopez	1	1
John Carlos Uy	1	1
William Ang	1	1
Vicente Vargas	1	1
David Ng	1	1
Sandra Judy Uy	1	1
Daniel R. Maramba	1	1
Jose A. Feria Jr.	1	1
Jose S. Jalandoni	1	1
Lourdes J. Chan	1	1

*for 2022, the Company only had an Annual Stockholders’ Meeting.

Background of the Directors and Senior Management

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

William Carlos Uy. 81 years old. He serves as the Chairman of the Board of Directors. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a Corporate Treasurer of Malayan Bank.

John Carlos Uy. 72 years old. He is a Director of the Company. He also serves as a director and the general manager of Parity Values, Inc., one of the stockholders of the Company.

Vicente S. Vargas. 67 years old. He is a director and Corporate Secretary of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., JM Cold Storage, Inc., JM Kool Corporation. He also serves as the Executive Vice-President and Chief Operating Officer of JM & Company, Inc. and Treasurer of McJola, Inc. and L&J Agricultural, Inc.

William L. Ang, 72 years old. He is a Director of the Company. He serves as Vice President and Treasurer starting March 1, 2022 of LFM Properties Corporation (LPC). Mr. Ang holds the position of First Vice President and Treasurer of Parity Values, Inc. He is also a stockholder and Treasurer of Trade Demands Corporation and a Director of Securities Clearing Corporation of the Philippines.

Jose Ma. S. Lopez. 79 years old. He is a director and Senior Vice President and Treasurer of the Company. Likewise, he is a Director in other corporations including Agchem Manufacturing Corporation, LFM Properties Corporation and Liberty Commodities Corporation. He is also the Senior Vice President for Lopez Sugar Corporation.

Jose S. Jalandoni. 68 years old. He is a director of the Company and Audit Committee Member. He serves as the President of LFM Properties Corporation (LPC) starting April 19, 2021. He is a currently the Chairman of Valueline Realty Development Corp and Unicomm Ingredients Phils Inc., Chairperson of Kanlaon Farms, Inc., Vice Chairman of Enterprise Car Lease Phils Inc, President of Beechwood Corp and Percom OPC., He also serves as Corporate Secretary of Kanlaon Development Corporation, Piliwood Bacolod Corp, Jayjay Realty Corporation JM & Company, Inc., Assistant Treasurer of JM



Profreeze, Assistant Corporate Secretary of JM Brenton, and Director and Officer in Charge in Agchem Manufacturing Corporation.

David Ng, 61 years old. He is an independent director of the Company. He is presently holding the President of Merlin Mining Corporation, Sandalfold Estate Development Corporation, and Lucky Jade Corporation. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc. and a Partner in CNP Architects. He also serves as an independent Director of LFM Properties Corporation (LPC).

Lourdes Chan, 63 years old. She is the Treasurer & Board Member of Kanlaon Development Corporation; Kanlaon Farms, Inc. and Jayjay Realty Corporation; Board Member of JM & Company; Alegria Development Corporation and Valueline Realty & Development Corporation.

Sandra Judy Uy. 46 years old. She serves as a President of the Company. She is also a director of Uniguarantee Insurance Brokerage, Inc.

Daniel R. Maramba. 50 years old. He is a Director of the Company. He is also the President of Agchem Manufacturing Corp.; Treasurer of New Now Next, Inc. and Mac2 Group Manila, Inc. and Director of Uniguarantee Insurance Brokerage.

Jose A. Feria Jr., 75 years old. He serves as the Company's Independent Director. He is presently the Senior Partner of Feria Tantoco Daos Law Offices. Atty. Feria holds the Chairman position for the following Companies: Assessment Analytichs, Inc., Cyan Management Corporation, Philippine Multimedia Systems, Inc., MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Spencer Food Corp., Vinnel Belvoir Corp. and Padre Burgos Realty, Inc. He also serves as Vice Chairman of Directories Philippines Corp. Moreover, Atty. Feria is a Director of the following Companies: LFM Properties Corporation., EYP.PH Corporation, AeroAsia, Inc., HL&F Management Corp., Macawiwili Gold Mining & Development Corporation, Metropolitan Insurance Corp., Montecito Properties, Inc, Padre Burgos, Pru-Life Insurance Corp.-UK, Telephilippines Inc. and lastly, he is the Corporate Secretary of AisAsia Inc., All Asian Counter Tarde, Inc., Felvisol Development Corp. and Sanara Inc.

Independent Directors

The Nominations Committee of the Company, which was constituted in accordance with the Company's Manual on Corporate Governance, pre-screens and shortlists all candidates in accordance with the Manual on Corporate Governance.

In a meeting of the Nominations Committee of the Company on June 21, 2023, Mr. John Carlos Uy nominated Mr. David Ng and Atty. Jose A. Feria, Jr. to be the Company's independent directors for the ensuing corporate year.

Other than as stated above, no new persons were named and nominated to be the Company's independent directors for the ensuing corporate year.

Committee Membership

The members of the Company's Nomination Committee are: Jose A. Feria Jr., Vicente Vargas and John Carlos Uy, with Jose A. Feria Jr. presiding as Chairman.

The members of the Company's Audit Committee are: David Ng, Jose Jalandoni, and Jose A. Feria, Jr. as members, with David Ng presiding as the Chairman.

The members of the Risk Oversight Committee are: Jose A. Feria Jr., William Ang, and David Ng, with Jose A. Feria Jr. presiding as Chairman.



The members of the Compensation and Remuneration Committee are: David Ng, Jose Ma. S. Lopez, and William Ang, with David Ng presiding as Chairman.

Family Relationships

William Carlos Uy and John Carlos Uy are siblings.

Sandra Judy Uy is the daughter of William Carlos Uy and niece of John Carlos Uy.

Jose S. Jalandoni and Lourdes J. Chan are siblings.

Jose S. Jalandoni, Lourdes J. Chan, Jose Ma. S. Lopez and Vicente S. Vargas are first cousins.

Other than the above, the Company is not aware of any family relationships among the directors, senior management or persons nominated or chosen by the Company to become directors or senior managers.

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than five percent (5%) of the Company’s voting securities, are as follows:

Title of Class	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Parity Values, Inc. Ground Floor, Liberty Building 835 A. Arnaiz Avenue, Makati City.	William Carlos Uy is the Chairman and CEO of Parity Values Inc. John Carlos Uy is a Director and General Manager of Parity Values, Inc. William Ang is a Director and 1 st Vice President and Treasurer of Parity Values, Inc.	Filipino	60,521,231	40.35%
Common	PCD Nominee Corp. 37/F The Enterprise Center, Ayala Ave., Makati City	PSE Member Brokers	Filipino	48,640,043	32.43%
Common	William Carlos Uy <i>Chairman</i>	Beneficial Owner	Filipino	12,561,557	8.37%

Security Ownership of the Board of Directors

Title of class	Name of Beneficial Owners	Amount and nature of beneficial ownership	Citizenship	Percent of ownership
Common	William Carlos Uy	12,561,557 Sole Voting	Filipino	8.37%
Common	Daniel R. Maramba	433,596 Sole Voting	Filipino	0.28%
Common	Jose Ma. S. Lopez	624,465 Sole Voting	Filipino	0.41%



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Common	Jose S. Jalandoni	140,601	Sole Voting	Filipino	0.09%
Common	Vicente S. Vargas	472,353	Sole Voting	Filipino	0.31%
Common	William Ang	373	Sole Voting	Filipino	Negligible
Common	Lourdes J. Chan	1	Sole Voting	Filipino	Negligible
Common	Jose A. Feria, Jr.*	36	Sole Voting	Filipino	Negligible
Common	David Ng*	377	Sole Voting	Filipino	Negligible
Common	John Carlos Uy	374	Sole Voting	Filipino	Negligible
Common	Sandra Judy Uy	2	Sole Voting	Filipino	Negligible

*Independent Director

The above are likewise nominees for the Company's Board of Directors.

Security Ownership of Officers and Senior Management

Title of class	Name of Beneficial Owners	Position	Amount and nature of beneficial ownership		Citizenship	Percent of ownership
Common	Jose Ma. S. Lopez	Senior Vice President & Treasurer	624,465	Sole Voting	Filipino	0.41%
Common	Sandra Judy Uy	President	2	Sole Voting	Filipino	Negligible
Common	Vicente S. Vargas	Corporate Secretary	472,353	Sole Voting	Filipino	0.31%

Security Ownership of All directors and officers as a group

Title of class	Name of Beneficial Owners	Amount and nature of beneficial ownership		Percent of class
Common	All directors and officers as a group	14,233,735	Sole Voting	9.46%

Significant Employees

While the Company believes that its employees are a valuable resource, other than the persons named above, the Company does not expect any other person to individually make a significant contribution to the business of the Company.

Certain Relationships and Related Transactions

There are directors of the Company that are also directors and stockholders of the different distributors of the different brands of flour of the Company. All transactions, however, between the Company and the distributors are at arm's length and above board.

These directors are as follows:

Directors	Related Distribution Companies
William Carlos Uy	Parity Values, Inc. Trade Demands Corporation Liberty Commodities Corporation
Jose Ma. S. Lopez	Liberty Commodities Corporation



Liberty Flour Mills, Inc.

John Carlos Uy	Parity Values, Inc. Trade Demands Corporation Liberty Commodities Corporation
William Ang	Parity Values, Inc. Trade Demands Corporation

The business purpose between the Company and the related parties mentioned is as distributors of the Company’s flour and feed products. Transaction prices are between the company and the related parties are determined by the costing of products plus a mark-up; likewise. In any event, the prices offered to the related parties are dictated by market competition.

The transactions with related parties are always evaluated with fairness and are accounted for at arms’ length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Involvement in Certain Legal Proceedings

None of the directors or officers have been declared bankrupt nor have there been any petitions filed by or against any of the directors, nor to any businesses of which they were a part of. Neither have any of them been convicted of any crime, domestic or foreign; and there are no criminal proceedings or threatened material litigation presently pending against any of them or any of their properties; or between any of them and the Company which are material to an evaluation of the ability or integrity of any director or officer of the Company as described in Part II, Paragraph (c) of the Securities Regulation Code (“SRC”) Rule 12.

None of the directors and officers of the Company have been temporarily or permanently barred, suspended, or otherwise limiting any of their involvement in any type of business. The Company is presently not involved in any material legal proceeding affecting any of its properties.

Item 6. Compensation of Directors and Executive Officers

Compensation of Executive Officers

The Company adopts a performance-based compensation scheme. The aggregate compensation paid to the President and top three (3) highly compensated executives amounted to ₱16.98 Million in 2021 and to the President and top two (2) highly compensated executives amounted to ₱10.10 Million in 2022. The projected total annual compensation for the current year is ₱10.30 Million.

Information as to the aggregate compensation paid or accrued by the Company during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company’s Chief Executive Officer and three (3) most highly compensated executive officers are as follows:

Estimated Compensation for 2023

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Sandra Judy Uy	President	2023	₱10.30 Million	₱10.16 Million	₱0.14 Million
Jose Ma. S. Lopez	SVP-Treasurer				
Stella Marie Jill Uy	Asst. Treasurer				

** The 2023 figures are only estimates of the compensation to be given to the aforementioned Executive Officers. The actual compensation given for 2023 may vary from what is provided above.*

Actual Compensation for 2022

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
Sandra Judy Uy	President	2022	₱10.10 Million	₱9.96 Million	₱0.14 Million
Jose Ma. S. Lopez	SVP-Treasurer				
Stella Marie Jill Uy	Asst. Treasurer				

* There are no other corporate officers apart from those mentioned above.

Actual Compensation for 2021

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman & President	2021	₱16.98 Million	₱10.98 Million	₱6.00 Million
Sandra Judy Uy	SVP Manufacturing				
Jose Ma. S. Lopez	SVP-Treasurer				
Stella Marie Jill Uy	Asst. Treasurer				
Vicente S. Vargas	Corp. Secretary				

The amount of compensation for the above-named executive officers as a group for the last two (2) fiscal years are as follows:

Name and Principal Position	Year	Salaries (₱)	Bonus (₱)	Others (₱)	Total (₱)
Total compensation for the President and top three (3) highest paid executives	2023*	₱10,159,965.99	₱-	₱140,000.00	₱10,299,965.99
	2022	₱9,960,750.97	₱-	₱140,000.00	₱10,100,750.97
	2021	₱10,980,588.54	₱5,829,562.47	₱165,000.00	₱16,975,151.01
All other directors as a group	2023*	₱-	₱-	₱690,000.00	₱690,000.00
	2022	₱-	₱-	₱690,000.00	₱690,000.00
	2021	₱-	₱6,449,728.72	₱660,000.00	₱7,109,728.72

* The 2023 figures are only estimates of the compensation to be given to the Executive Officers and members of the Board. The actual compensation given for 2023 may vary from what is provided above.

There are no special compensatory arrangements between the Company and any of its directors or officers.

Compensation of Directors

Article II, Section 6 of the Corporation's By Laws provide:

“Directors, as such, shall receive such compensation for their services as may be from time to time fixed by the stockholders.”

Standard Arrangement and Other Arrangement for Director Compensation



The per diems of the directors are based on an attendance per board meeting basis. The amount of per diem per meeting equivalent of P5,000.00. There are no additional per diems that are given for attendance at committee meetings.

Apart from the executive directors who are compensated for their holding of executive positions, there are no other agreements between the Company and any member of the Board of Directors under which the latter would be compensated or is to be compensated for any service provided as a director. There are no special compensatory arrangements between the Company and any of its directors or officers.

For the year 2022 the directors of the Corporation received the following per diems and bonuses:

NAME	Per Diem		Bonus	Total
	Board Meetings	Committee Meetings		
William Carlos Uy				
Sandra Judy Uy				
Jose Ma. S. Lopez				
William L. Ang				
John Carlos Uy				
Jose S. Jalandoni				
Vicente S. Vargas				
David Ng				
Jose A. Feria, Jr				
Daniel R. Maramba				
Lourdes Elisa J. Chan				
Total	₱830,000.00	₱-	₱-	₱830,000.00

For the year 2021 the directors of the Corporation received the following per diems and bonuses:

NAME	Per Diem		Bonus	Total
	Board Meetings	Committee Meetings		
William Carlos Uy				
Sandra Judy Uy				
Jose Ma. S. Lopez				
William Ang				
John Carlos Uy				
Jose S. Jalandoni				
Jesus S. Jalandoni Jr.				
Vicente Vargas				
David Ng				
Jose Feria, Jr				
Daniel Maramba				
Lourdes Elisa J Chan				
Total	₱825,000.00	-	₱12,279,291.19	₱13,104,291.19



Liberty Flour Mills, Inc.

For the year 2020 the directors of the Corporation received the following per diems and bonuses:

NAME	Per Diem		Bonus	Total
	Board Meetings	Committee Meetings		
William Carlos Uy				
Sandra Judy Uy				
Jose Ma. S. Lopez				
William Ang				
John Carlos Uy				
Jose S. Jalandoni				
Jesus S. Jalandoni Jr.				
Vicente Vargas				
David Ng				
Jose Feria, Jr				
Daniel Maramba				
Total	₱715,000.00	-	₱5,078,068.78	₱5,793,068.78

There are no special compensatory arrangements between the Company and any of its directors or officers

Item 7. Independent Public Accountants

Sycip Gorres Velayo & Co (“SGV”) is presently the Company's independent external auditor. The audit services provided by Sycip Gorres Velayo & Co. for the fiscal year ended 31 December 2022 included the examination of the financial statements of the Company, preparation of the final income tax returns, and other services related to the filing of reports with the Securities and Exchange Commission. Other than the preparation and filing of income tax return, the Company has not engaged SGV for any tax services.

There have been no changes in nor disagreements with accountants on accounting and financial disclosure. In compliance with the Code of Corporate Governance and SEC Memorandum Circular No. 8, Series of 2003, the Corporation replaced its former external auditor KPMG Manabat San Agustin (formerly, Laya Mananghaya & Co) with Sycip Gorres Velayo & Co. effective October 2007.

The audit committee at the start of the calendar year discusses, evaluates and reviews the nature and scope of the audit including the appointment of external auditor, the audit fees and any question of resignation or dismissal. Further, the audit committee reviews the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on any change in the accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumption, compliance with accounting standards and compliance with tax, legal and stock exchange requirements.

Representatives of the Company’s external auditor are expected to be present in the 2023 Annual Stockholders’ Meeting. They are expected to have an opportunity to make statements if they so desire, and to be available to respond to appropriate questions.



Item 8. Compensation Plans

There are no actions to be taken with respect to any plan pursuant to which cash or non-cash compensation will be paid or distributed to the Directors and Officers.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no actions to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the registrant.

Item 10. Modification or Exchange of Securities

There are no plans or actions to be taken with respect to the modification of any class of outstanding securities of the Company; nor the issuance or authorization for issuance of one class of securities of the registrant in exchange for the outstanding securities of another class.

Item 11. Financial and Other Information

Please see the attached Annual Report and Audited Financial Statements for the year 2022.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no intended merger, consolidation, acquisition or other similar matters.

Item 13. Acquisition or Disposition of Property

Liberty Building is an 8-story building located along A. Arnaiz Avenue. This building houses multiple commercial tenants with eight (8) office floors and one (1) basement parking area.

On March 27, 2023, the Board of Directors of the Company approved the sale of Liberty Building to LFM Properties Corporation (hereafter "LPC"). The terms of the sale were subjected to a fairness opinion from an independent third-party adviser. On May 3, 2023, the third-party adviser advised that the fair price for LFM Building is valued at 27% of LFM's Assets.

On May 31, 2023, after being given an opportunity to study the fairness opinion provided by the third-party adviser, and upon negotiations of the Parties, the Board of Directors of the Company and LPC have approved the entering into a Contract to Sell covering the sale of Liberty Building. The terms of payment will be deposit of 22% of the Purchase Price on or before April 20, 2023, the balance of the purchase price will be in installments which must be fully paid on or before November 30, 2024. The Deed of Absolute Sale will be executed and the absolute transfer of Liberty Building to LPC will be made upon the tender of the Final Installment Payment.

The sale of Liberty Building is to restructure its real estate portfolio and to focus more on primary purpose of being a flour milling company and other related food business.

The purchase of Liberty Building will be on an installment basis, with full payment to be tendered by November 30, 2024. The Deed of Absolute Sale will be executed and the absolute transfer of Liberty Building to LPC will be made upon the tender of the Final Installment Payment.



The assets and improvements were being used by LFM for commercial purposes to generate income.

Item 14. Restatement of Accounts

For the year 2022 there were no actions to be taken with respect to the restatement of an asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

During the scheduled Annual Stockholders Meeting, the following reports shall be submitted to the stockholders for their approval:

1. The Minutes of the Annual Stockholders Meeting held on July 27, 2022; and
2. The Financial Statements for the fiscal year ended 31 December 2022.

The Minutes of the last Annual Stockholders' Meeting and resolutions of the Board of Directors will be made available to stockholders upon request.

Summary of 2022 Annual Stockholders' Meeting

Quorum for the 2022 Annual Stockholders' Meeting

At the 2022 Annual Stockholders' Meeting of the Corporation, there were the stockholders present through person or proxy represented 91,168,499 shares which corresponds to 60.78% of the issued and outstanding capital stock entitled to vote.

Voting and Vote Tabulation Procedures used in the Meeting

In the 2022 Regular Meeting voting was done during the meeting and was conducted in person (through remote communication), through proxy; and by voting in absentia.

Votes through Proxy

Stockholders had the option to vote through proxy where the proxy form included with the information statement would be filled up and sent to the LFM's principal office address or electronically to the Corporate Secretary at to lfmcorporatesecretary@gmail.com.

Voting in Absentia

Stockholders were given the option of using the online web address provided to the shareholders. This online web address led them to a Microsoft Form which contained the matters to be voted on, as well as a mechanism for stockholders to cast their votes. Stockholders who casted their votes *in absentia* were considered as present for the purposes of the quorum.

Voting at the Meeting

For the stockholders that were present in the remote communication meeting, the shareholders may cast their vote either by *viva voce*, show of hands, or by leaving comments in the chat box.

Tabulation and Counting of Results



The Corporate Secretary, Vicente S. Vargas, along with the Assistant Corporate Secretary, Maria Elisa G. Ledesma, counted and tabulated all the votes cast during the meeting, which shall be in accordance with the provisions of the Revised Corporation Code, or any subsequent amendment thereto.

Opportunity Given to Stockholders to Ask Questions and a Record of Questions Asked and Answers Given

Before a matter is put to vote by the Chairman of the Board, the Stockholders shall be given an opportunity to ask questions and raise concerns regarding the matters that are up for vote. Such questions shall be recorded and taken note of by the Corporate Secretary.

For the 2022 Annual Stockholders' Meeting, after each matter on the agenda, the stockholders were given an opportunity to ask their questions or give their comments relevant to the matter being presented. However, despite being given such opportunities, no questions were raised to the Board of Directors and Management.

Matters Discussed and Resolutions Reached and the Record and Voting Results for Each Agenda Item

Approval of the Minutes of the 2022 Annual Stockholder's Meeting

There was a total of 91,168,499 shares present by person and/or by proxy in the 2022 Annual Shareholders' Meeting, representing 60.78% of the Company's total issued and outstanding capital stock.

For Agenda matter concerning the approval of the Minutes of the 2021 Stockholders' Meeting, this was affirmed, approved, and ratified by the affirmative vote of the 99.34%¹ of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers

For this matter on Agenda the ratification of the Shareholders present at the meeting shall be sought for all the acts and resolution of the Board of Directors and Corporate Officers had taken, adopted, or implemented since the 2021 Annual Stockholders' Meeting.

For the Agenda matter concerning the ratification of all acts and proceedings of the Board of directors and corporate officers, such acts affirmed, approved and ratified by the affirmative vote of the 99.34%² of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Election of Directors

The shareholders unanimously elected the following as Directors of the Company:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente S. Vargas;
6. Jose S. Jalandoni;
7. David Ng (Independent Director);
8. Sandra Judy Uy;

¹ Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.

² Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.



9. Daniel R. Maramba;
10. Lourdes J. Chan; and
11. Jose A. Feria Jr. (Independent Director).

Given that there were 11 nominees and 11 seats for the Board of Directors, there was a motion that was made to instruct the corporate secretary to cast the votes of those present in person and/or through proxy, and/or voting through remote communication equally among the nominees. This motion was duly seconded, and affirmed, approved, and ratified by the affirmative vote of the 99.34%³ of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Appointment of an External Auditor

For the fiscal year of 2022 the Chairman Proposed the SyCip Gorres & Velayo serve as the external auditor of the Company.

For the Agenda matter concerning the appointment of SyCip Gorres & Velayo as the external auditor, such appointment was affirmed, approved and ratified by the affirmative vote of the 99.34%⁴ of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Directors Present During the Meeting and their Voting Rights

The following Directors were present during the meeting.

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente S. Vargas;
6. Jose S. Jalandoni;
7. David Ng (Independent Director);
8. Sandra Judy Uy;
9. Daniel R. Maramba;
10. Lourdes J. Chan; and
11. Jose A. Feria Jr. (Independent Director).

Stockholders Present and their Voting Rights

The voting rights of Shareholders shall be reckoned per share of stock and not per capita.

The following Shareholders were actually present and not through proxy during the 2022 Annual meeting:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente Vargas;
6. David Ng;
7. Sandra Judy Uy;
8. Daniel R. Maramba;
9. Jose A. Feria Jr.;
10. Lourdes J. Chan;
11. Feria Tantoco Daos Law Offices (represented by Michael B. Tantoco);

³ Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.

⁴ Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.



12. Anna J. Davis; and
13. Wayne Patrick Hsu.

Item 16. Matters Not Required to be Submitted

The acts and proceedings of the board of directors covering the period of July 27, 2022 to July 26, 2023 shall also be discussed and submitted to the stockholders for their ratification to obtain a confirmation of support from the stockholders for all the acts and decisions taken by the board of directors and management during the above-mentioned period. If the action of the stockholders is a negative vote, the board of directors and management shall have the option to disregard the action completely or study the matter further.

Copies of the resolutions of the board of directors and the Minutes of their meetings will be available upon request.

Item 17. Amendment of Charter, Bylaws or Other Documents

There are no actions to be taken relating to the amendment of the Company's By-Laws or Articles of Incorporation.

Item 18. Other Proposed Action

Ratification of the Acts of the Board of Directors and Corporate Officers

The acts of the Board of Directors and Corporate Officers include:

1. Reactivation of the Company's Peso Current Account with Land Bank of the Philippines;
2. Reactivation of the Company's Peso Current Account with Development Bank of the Philippines;
3. Authorization to appoint BPI Asset and Trust Corporation as a trustee for the trust and investment products offered by BPI AMTC;
4. Updating of signatories of bank accounts;
5. Authority to deposit funds in Rizal Commercial Banking Corporation;
6. Purchase of property in Lemery Batangas;
7. Authority of Magsalin Fernandez & Quirologico Law Offices to represent the Corporation in the following cases: Liberty Flour Mills, Inc. vs. The National Labor Relations Commission, Gilmar M. Marquez, *et al.* docketed as CA-G.R. SP No. 158906, "Asiapro Multi-Purpose Cooperative and Kaakbay sa Kinabukasan Labor Service Cooperative vs. The National Labor Relations Commission (Fifth Division), and Joseph J. Palima, *et al.*, docketed as CA-G.R. SP No. 158930 and "Gilmar M. Marquez and Sonny M. De Vera vs. The National Labor Relations Commission, Liberty Flour Mills, Inc. *et al.*", docketed as CA-G.R. SP No. 159035;
8. Declaration of cash dividends;
9. Sale of Liberty Building to LFM Properties Corporation;
10. Designation of an authorized representative to transact with the BIR on behalf of the Corporation;
11. Designation of an authorized signatory for the entering into a contract of lease with PH Global Jet Express Inc.;
12. Approval of an Omnibus Credit Line with China Banking Corporation;
13. Designation of an authorized representative to transact and liaise with the Bureau of Fire Protection;
14. Approval to use Computer Generated BIR Withholding Tax Certificates; and
15. Designation of an authorized representative to submit reports to the Philippine Ports Authority.



Approval of the Minutes of the Previous Meeting

The summary of the minutes of the 26 May 2021 meeting is as follows:

After the opening prayer and upon the certification of the quorum the first matter that was raised for the approval of the stockholders was the approval of the minutes of the 2021 Annual Meeting. Upon motion made, and duly seconded, there being no objections, the Minutes of the 2021 Annual Meeting were approved.

After the approval of the minutes of the 2021 Annual Stockholders' Meeting the President, Sandra Judy Uy, delivered her annual report. In this report the President gave an update of the current business standing of the Company, the challenges faced by the Company, as well as its future plans. Upon the conclusion of the report, the stockholders were given the opportunity to ask questions and raise any matter they wish to the President. There being none, the meeting moved onto the next matter, which was the ratification of all acts and proceedings of the Board of Directors and Management.

The stockholders were given the opportunity to ask questions concerning any acts of the Company's Board of Directors and officers for the period covering May 26, 2021 to July 27, 2022. There being none, the Company entertained a motion to approve the ratification of the aforementioned corporate acts. Upon motion made and duly seconded, there being no objections, the acts of the Board of Directors and Management were ratified.

The next matter on the agenda was the election of directors. The Chairman requested the Corporate Secretary to provide the nominees for the Directors of the Company; which was obliged. The nominees named were deemed as the nominees for directorship in the Company for the ensuing corporate year. Given that there were the same number of nominees and vacancies in the Board of Directors, a motion was made for the corporate secretary, as a means to shorten the vote casting period, to cast the votes equally among the nominees. The floor was then opened for any of the shareholders to ask clarificatory questions or to move against such casting of votes. Upon motion made, and duly seconded, there being no objections, the corporate secretary cast the votes of those present in person and in proxy equally among the nominees, and such were elected as members of the Board of Directors.

The last matter on the formal agenda was the appointment of the Company's external auditor for the ensuing fiscal year. The nominated auditor was Sycip Gorrez Velayo and Company. Upon motion made, and duly seconded, there being no objections, the aforementioned auditing firm was appointed as the Company's external auditor for the ensuing fiscal year.

Election of the Members of the Board of Directors, including the Independent Directors.

All the nominees to the Board of Directors are the incumbent Directors.

Appointment of the External Auditor

The Shareholders will be asked to approve the engagement of SGV & Co. as the Company's external auditors for the ensuing fiscal year.

Item 19. Voting Procedures

Vote required for approval

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the affirmative vote of the issued and outstanding capital stock entitled to vote and represented at



the annual stockholders' meeting. The representation of the stockholders during the meeting shall either be in person (through remote communication), through proxy, or voting *in absentia*.

For election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit.

Method by which votes will be cast and counted

A stockholder may vote through proxy, such must be in writing, signed by the stockholder concerned, and in the form provided for in this Information Statement. Such proxies may be sent electronically to lfmcorporatesecretary@gmail.com, or mailed to the office of the Company.

A stockholder may vote electronically *in absentia* using the online web address that will be provided to him/her upon the completion and successful verification. A stockholder that casts his vote *in absentia* shall be deemed present for the purpose of determining a quorum.

Opportunity to ask questions

Before a matter is put to vote by the Chairman of the Board, the Stockholders shall be given an opportunity to ask questions and raise concerns regarding the matters that are up for vote. Such questions shall be recorded and taken note of by the Corporate Secretary.

Participation of the Shareholders via Remote Communication and Voting *In Absentia*

Before a stockholder can participate via remote communication and/or vote in absentia, the stockholder must first register and be authenticated. The procedure for authentication, participation through remote communication and voting in absentia is attached as ANNEX "A".



PART II.

INFORMATION REQUIRED IN A PROXY FORM

(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)

Item 1. Identification

The solicitation is being made by the Company for the purpose of obtaining the necessary quorum for the Annual Stockholders' Meeting and having the matters subject of said meeting approved and/or ratified by the stockholders, namely: (1) the minutes of the previous stockholders' meeting; (2) acts and proceedings of the Board of Directors and Corporate Officers; (3) the Financial Statements of the Company; (4) the appointment of external auditors; (5) election of the board of directors; and (6) other matters that may be taken up during said meeting.

The Chairman of the Company, Mr. William Carlos Uy will be constituted as the true and lawful attorney of a stockholder of record of the Company to vote in the name, place and stead of the said stockholder at the Annual Stockholders' Meeting on July 26, 2023.

Item 2. Instruction

The Proxy Form shall be accomplished in accordance with the instructions set out in the Proxy Form, by means of marking the appropriate box for an action in an item. In the case of election of directors of the Company, a stockholder may withhold authority to vote for any of the nominees by lining through or striking out the name/s of the nominee/s. In which case, the total votes of the stockholder shall be divided equally among the remaining nominees.

If this Proxy is returned without a choice having been made in any or all of the above items, the proxy is authorized to vote all the stockholder's shares at the proxy's discretion. In which case, the proxy shall vote for the approval of all the matters and for the election of all the nominees mentioned in the Proxy Form.

In addition, the proxy is granted discretionary powers as to other matters incidental to the conduct of the meeting.

The Proxy Form shall be validated by means of cross-checking the signature of the stockholders against the signature cards with the Company's stock transfer agent. In the event the Proxy Form needs further validation, verification shall be made with the stockholder concerned itself.

The validation must have been confirmed by the Company at least seven (7) days prior to the date of the meeting.

The matters to be taken up in the meeting are as follows:

1. Approval of the Minutes of the 2022 Annual Stockholders' Meeting;
2. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers;
3. Approval of Financial Statements;
4. Election of the following nominated persons as members of the Board of Directors of the Company:
 - a. WILLIAM ANG
 - b. JOSE A. FERIA, JR. (Independent Director)
 - c. LOURDES J. CHAN
 - d. JOSE S. JALANDONI
 - e. JOSE MA. S. LOPEZ
 - f. DANIEL R. MARAMBA,
 - g. DAVID NG (Independent Director)



- h. JOHN CARLOS UY
- i. SANDRA JUDY UY
- j. WILLIAM CARLOS UY
- k. VINCENTE S. VARGAS

A stockholder may withhold authority to vote for any of the nominees by lining through or striking out the name/s of the nominee/s. In which case, the total votes of the stockholder shall be divided equally among the remaining nominees.

- 5. Appointment of the External Auditors
- 6. Other Matters
- 7. Adjournment

Item 3. Revocability of Proxy

The person giving the proxy has the right to revoke the proxy by personal appearance or execution of a proxy at a later date, subject to the pertinent requirements of the law and SEC Circular Number 5, Series of 1996.

Item 4. Persons Making the Solicitation

The solicitation is being made by the Company for the purpose of obtaining the necessary quorum for the annual stockholders meeting and having the matters subject of said meeting approved and/or ratified by the stockholders, namely: (1) the minutes of the previous stockholders' meeting; (2) acts and proceedings of the Board of Directors and Corporate Officers; (3) the Financial Statements of the Company; (4) the appointment of external auditors; and (5) election of the board of directors; and (6) other matters that may be taken up during said meeting.

None of the Company's directors have manifested any intention of opposing any action intended to be taken by the Company during the scheduled Annual Stockholders' Meeting.

All costs of solicitation for proxies including the costs of engaging messengerial and courier services shall be borne by the Company. Except for the costs incidental to the preparation and sending out of notices and proxies, the Company has not paid nor engaged any other employee or solicitor to undertake the solicitation of proxies. The cost of solicitation, which is approximately PHP30,000.00 will be borne by the Company.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

None of the members of the board of directors or senior management have any substantial interest in the matters to be acted upon by the stockholders in the Annual Stockholders Meeting.

As of March 31, 2023, the board of directors and senior management, as a group, own 14,233,735 common shares which is approximately 9.46% of the outstanding common stock.



PART III.

SIGNATURE PAGE

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on July 5, 2023.

A handwritten signature in blue ink, appearing to read "Vicente S. Vargas", is written above the printed name.

VICENTE S. VARGAS
Corporate Secretary

A copy of SEC Form 17-A may be provided free of charge to any stockholder upon written request to the Company



ANNEX "A"

PROCEDURE FOR PARTICIPATION IN THE 2023 ANNUAL STOCKHOLDERS' MEETING OF LIBERTY FLOUR MILLS, INC. THROUGH REMOTE COMMUNICATION AND VOTING IN ABSENTIA

To observe social distancing and to avoid the spread of COVID-19, the 2023 Annual Stockholders' Meeting shall be held through videoconferencing. Those who intend to participate in the meeting should send their intention as well as the registration requirements, provided below, to lfmcorporatesecretary@gmail.com. Upon receipt of a stockholder's email, the corporate secretary shall verify the identity of the stockholders following the procedure below. If the registration and verification is successful, the corporate secretary shall send, via electronic mail, access to the website links for the broadcast of the Annual Meeting and the voting portal.

The 2023 Annual Meeting shall be broadcast via Zoom with voting shall done using Microsoft Forms or through a Polling Box of the online meeting platform. In the interest of information security, the link for the meeting shall not be made public and shall be sent privately to shareholders who have successfully registered.

Procedure for Participation via Remote Communication and Voting *In Absentia*

The following procedure shall be observed for the participation and voting for the 2023 Annual Stockholder's Meeting of the Company:

1. Stockholders as of July 6, 2023 are entitled to participate and vote at the 2023 Annual Stockholder's Meeting. If the stockholder intends to participate through such means, he/she **must register and submit the requirements for registration** via electronic mail on or before July 20, 2023 at 5:00 p.m. to the following email address: lfmcorporatesecretary@gmail.com.
2. The requirements for registration for individual stockholder are as follows:
 - a. A recent photo of the stockholder, with the face fully visible;
 - b. A scanned copy of the front and back portions of the Stockholder's valid government issued ID;
 - c. Valid and active email address; and
 - d. Valid and active contact number.
3. The requirements for registration for stockholders with joint accounts is as follows:
 - a. The requirements contained in number 2 above; and
 - b. A scanned copy of an authorization letter signed by all the stockholders, identifying who among them is authorized to participate and cast a vote for their account.
4. The requirements for registration for stockholders under broker accounts is as follows:
 - a. The requirements contained in number 2 above; and
 - b. A broker's certification on the Stockholder's number of shareholdings.
5. The requirements for the registration of Corporate Stockholders is as follows:
 - a. Secretary's certificate which shall provide the following: (a) name of the representative; and (b) that the representative is authorized to participate in the 2023 Annual Stockholders' Meeting and vote for and on behalf of the corporation;
 - b. A recent photo of the authorized representative, with the face fully visible;
 - c. A scanned copy of the front and back portions of the authorized representative's valid government issued ID;
 - d. Valid and active e-mail address of the authorized representative; and



- e. Valid and active contact details of the Stockholder's authorized representative.
6. Once a shareholder has successfully registered and verified, the Corporate Secretary shall send an email to a stockholder's indicated valid active email address containing the following on or before July 20, 2023:
 - a. The link which will be used to broadcast the meeting, and
 - b. The link where votes will be cast.
7. The meeting will be broadcast via Zoom, Google Meets, or Microsoft Teams, and the voting shall be conducted through the use of Microsoft Forms.
8. The *In Absentia* voting shall be open beginning July 20, 2023 at 9:00 a.m. and shall close on July 26, 2023 at 3:00 p.m.
9. Stockholders who have notified the company of their intention to participate in the annual meeting via remote communication and those that have voted *in absentia* shall be counted for purposes of determining a quorum.
10. To ensure the quality of the presentation of the Annual Report of the President and Chairman, all participants of the meeting should be on mute. Stockholders who are not on mute may be placed on mute by the meeting administrator. Once the open floor begins, the participants may unmute their devices to ask their questions. Alternatively, questions may be asked through the chat box of the video conferencing platform.
11. **The meeting shall be recorded.**

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **DAVID NG.**, Filipino, of legal age, and a resident of 10 Banaba Circle, South Forbes Park, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Liberty Flour Mills, Inc. (LFM);
2. I am currently affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Sandalfold Estate Development Corporation	Corporate Secretary	14 Years
New RTC International Co., Inc.	General Manager	27 Years
Dollkit Trading Corp.	President	11 Years
Mindaire Trading Corp	President	10 Years

3. I possess all the qualifications and none of the disqualifications to serve as an independent director for LFM, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations;
4. I am related to the following director/officer/ substantial shareholder of LFM other than the relationship provided for under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
7. I shall inform the Corporate Secretary of LFM of any changes in the abovementioned information within five (5) days from its occurrence.

03 JUL 2023

City of Makati

Done this ___ day of _____, at _____.



DAVID NG
Affiant

03 JUL 2023

City of Makati

SUBSCRIBED AND SWORN to before me this ___ day of ___ at ___ City,
affiant personally appeared before me and exhibited to me his TIN No. 119-867-317.

Doc. No. 297 ;
Page No. 61 ;
Book No. I ;
Series of 2023.



RICHMOND JERRY L. ALANAN
Notary Public for Makati City
Appointment No. M-276
Until December 31, 2023
Roll No. 78255
IBP No. 266691-1.04.23-Makati
PTR No. 9566238-1.3.2023-Makati
8th Floor DPC Place
2322 Chino Roces Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JOSE A. FERIA JR.**, Filipino, of legal age, and a resident of 44 Juan Luna St. San Lorenzo Village Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Liberty Flour Mills, Inc. (LFM), and I have been an Independent Director of LFM since 2011;
2. I am currently affiliated with the following companies or organizations:

COMPANY/ ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Feria Tantoco Daos Law Offices	Senior Partner	45 Years
Cyan Management Corporation	Chairman	18 Years
Directories of the Philippines Corporation	Vice Chairman	12 Years
Premiere Travel and Tours, Inc.	Chairman	31 Years
Spencer Food Corporation	Chairman	11 Years
Vinnel Belvoir Corporation	Chairman	15 Years
EYP.PH Corporation	Director	21 Years
Assessment Analytics	Director	14 Years
Macawiwili Gold Mining & Development Corporation	Director	22 Years
HL & F Management Corp.	Director	37 Years
Telephilippines, Inc.	Director	26 Years

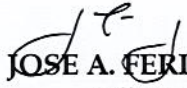
3. I possess all the qualifications and none of the disqualifications to serve as an independent director for LFM, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations;
4. I am related to the following director/officer/ substantial shareholder of LFM other than the relationship provided for under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances; and


7. I shall inform the Corporate Secretary of LFM of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 15 MAY 2023 day of City of Makati.


JOSE A. FERIA JR.
Affiant

SUBSCRIBED AND SWORN to before me this 15 MAY 2023 day of City of Makati City, affiant personally appeared before me and exhibited to me his/her TIN 107-793-449 issued at _____ on _____ as competent evidence of his/her identity.

Doc. No. 170 ;
Page No. 35 ;
Book No. I ;
Series of 2023.


DAR AMBER R. CORONEL
Notary Public for Makati City
Appointment No. M-145
Until December 31, 2024
Roll Number 80767
IBP No. 255673-1 3.23-Makati
PTR No. 9566237-12.28.2022-Makati
8th Floor DPC Place
2322 Chino Roces Avenue, Makati City



MANAGEMENT REPORT
OF
LIBERTY FLOUR MILLS, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended December 31, 2022 follows this Management Report.

CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING DISCLOSURE

There have been neither changes in nor disagreements with accountants on accounting and financial disclosure.

In compliance with the Code of Corporate Governance and SEC Memorandum Circular No.8, Series of 2003, the Corporation replaced its former external auditor, KPMG Manabat Sanagustin (formerly, Laya Mananghaya & Co.) with Sycip Gorres Velayo & Co. effective October 2007.

The Company paid in the aggregate amount of ₱1,335,000 net of VAT and OPE, for the audit services for the group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The selected financial information of the Company set forth below are derived from the audited financial statements submitted by Sycip Gorres Velayo & Co. for 2022:

Income Statement Data

	For the Year December 31 (in Millions)		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Income	1,780,232	1,515,241	1,461,398
Expense	(1,890,468)	(1,343,377)	(1,219,160)
Income Before Tax	(110,236)	171,864	242,239
Provision for Tax	(4,921)	(33,689)	(49,814)
Net Income	(115,157)	138,175	192,425

The following discussions should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this Management Report.

CY 2022

The sales revenue from flour & mill feed business for the year ending December 31, 2022 posted an increase of 25% from previous year 2021 primarily due to several price increases implemented to negate effect of price increases of wheat despite decline in sales volume. In terms of Sales Value, the Company delivered P1,490.27 million vs. P1,195.55 million in 2021. However, Cost of Sales had increased by 37% primarily due to increase in US\$ cost of wheat mainly due to effect of Russia-Ukraine war and peso depreciation resulting to a lower gross margin. The combined lease rental income of the Company and from one of the subsidiaries amounting to P265.22 million compared to P253.99 million in year 2021 recorded a slight increase of 4%.

As of the year ended December 31, 2022, the total gross income amounted to P260.53 million, as compared to December 31, 2021 which was P362.62 million for a decrease of 28%. Decline on gross

income was due to higher cost of sales. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P147.89 million in CY2022 and P172.52 million in PY2021, for a decrease of 14.3% as a result of big reduction in marketing expenses. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P4.59 billion in CY2022 compared to P4.20 billion in PY2021 which was an increase by 9.5%. The total combined liabilities for CY2022 amounted to P1.97 billion which is higher by 47%, vs. P1.34 billion in 2021. The increase was primarily due to increase in Trust Receipts and Notes Payable.

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

For the year 2022 there was one-off transaction which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in CY2022 as compared to PY2021:

Financial Assets at FVTPL – The significant decrease made in 2022 is because of the mark to market adjustment made by one of the subsidiaries.

Inventories – The significant increase of 218.5% in inventory is due to higher volume importation with very high US\$ cost/MT – more than double the usual price in anticipation of supply problem due to Russia-Ukraine war.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent– The decrease in Accrued Rent is primarily due to pretermination of lease contract of one of the major tenants of the Company's subsidiary.

Notes payable – Increased by 413.4% because of the Company's availments and increase in existing payables of one of the subsidiaries.

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

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

Accrued Retirement Liability – The decrease is primarily due to changes in actuarial valuation.

CY 2021

The operations for the year ending December 31, 2021 posted slight increase from previous year 2020 as the total sales volume of Bakery Flour & Mill Feeds made an increase by 8%. In terms of Sales Value, the Company delivered P1,195.55 million vs. P1,088.62 million in 2020 for an increase of 9.8%. However, Cost of Sales had increased by 17% primarily due to increase in US\$ cost of wheat and peso depreciation resulting to a lower gross margin. The lease rental from one of the subsidiaries amounting to P223.74 million contributed a lot in generating a Net Income for the year of P138.17 million as compared to P192.42 million in 2020.

As of the year ended December 31, 2021, the total gross income amounted to P378.51 million, as compared to December 31, 2020 which was only P312.04 million for an increase of 21%. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P172.28million and P178.12million, respectively. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P4.20 billion in CY2021 compared to P4.13 billion in PY2020 which was an increase by 2%. The total combined liabilities for CY2021 amounted to P1.34 billion which is higher by 4%, vs. P1.29 billion in 2020.

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

For the year 2021 there were one-off transactions which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in CY2021 as compared to PY2020:

Financial Assets at FVTPL – The significant increase made in 2021 is because of the reclassification on the recognition and acquisition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant decrease of 46.60% in inventory is due to timing difference as the usual order quantity for the wheat requirements was delayed for the following month/year.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent– The increase in Accrued Rent is partly due to additional rental spaces during the year and because of the adjustment made on the recognition of rental income using straight line method based on the terms of the lease agreement per PAS 17 on Lease.

Other Noncurrent Assets – The decrease for other noncurrent assets pertain to the reclassification of account for the purchase of new machineries, being installed but not yet operational to construction in progress.

Notes payable – Decreased by 76.4% because one of the Company's subsidiaries, LPC paid P443.34 million during the year for the previously availed loans.

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

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

Accrued Retirement Liability – The decrease is primarily due to changes in actuarial valuation.

2020

The operations for the year ending December 31, 2020 posted a significant turnaround from previous year 2019 as the sales volume of Bakery Flour & Mill Feeds made a substantial increase by 52%. In terms

of Sales Value, the Company delivered P1,088.62 million vs. P742.47 million in 2019 for an increase of 47%. Demand for flour increased steadily until 4th quarter of CY2020 as this is an essential item for food needed during the continuous community quarantine implemented by government to prevent spread of COVID-19. Likewise, Cost of Sales had increased by 44% primarily due to increase in sales. The lease rental from one of the subsidiaries made an increase by 27% from prior year despite of rent concessions given to its tenants due to COVID-19. Lease Rental in 2020 is P262.84 million vs. P206.59 million in 2019. Dividend income was lower versus previous year due to callable redemptions in some investment instruments and interest income was slightly lower also due to some maturities. There was also a decrease in interest expense of 27.5% incurred by one of the subsidiaries due to loan repayments compared to 2019. The increase in revenue both from sales of products and lease income generated a Net Income for the year of P192.42 million as compared to P85.16 million in 2019 or an increase by 56%.

As of the year ended December 31, 2020, the total gross income amounted to P378.51 million, as compared to December 31, 2019 which was only P312.04 million for an increase of 21%. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P172.28million and P178.12million, respectively. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P4.13 billion in CY2020 compared to P3.70 billion in PY2019 which was an increase by 12%. The total combined liabilities for CY2020 amounted to P1.29 billion which is higher by 22%, vs. P1 billion in 2019.

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

For the year 2020 there were no seasonal aspects which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in CY2020 as compared to PY2019:

Financial Assets at FVTPL – The significant increase made in 2020 is because of the reclassification on the recognition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant increase of 106.30% in inventory is due to the higher purchases of wheat inventories in anticipation of further deterioration in prices of imported wheat coupled with increase in demand.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent and Other Noncurrent Assets– The increase in Accrued Rent is partly due to additional rental spaces during the year and because of the adjustment made on the recognition of rental income using straight line method based on the terms of the lease agreement per PAS 17 on Lease. While the increase for other noncurrent assets pertain to progress billing payments made by the Parent Company to the supplier for the purchase of new machineries, being installed but not yet operational.

Notes payable – Decreased by 8.4% because one of the Company's subsidiaries, LPC paid P52.90 million during the year for the previously availed loans.

Accounts Payable and accrued expenses – The increase of 172% is primarily due to the higher liabilities under trust receipts of the Parent Company due to higher importations of wheat grains.

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

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

Accrued Retirement Liability – The decrease is primarily due to actuarial changes.

Performance Indicators

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

1. Selling Price, Volume and Revenue Growth

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

During the year ended December 31, 2022, there was 25% increase in revenue as compared to previous years' same period performance due to several price increases implemented to negate effect of price increases of wheat despite decline in sales volume. The combined lease rental income and from one of the subsidiaries recorded a slight increase of 4%.

2. Cost Contribution

This measures the amount of supply and cost-efficiency of the applicable products of the Company. It shows the trend of supplies' cost particularly in imported raw materials where there are foreign exchange exposures. Costs are analyzed regularly pursuant to cost reduction and efficiency measures.

For the year ended on December 31, 2022, Cost of Sales had increased by 37% due to increase in US\$ cost of wheat and peso depreciation resulting to a lower gross margin.

3. Gross Profit Contribution

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

For the year ended on December 31, 2022, the Company generated gross profit of 4% for bakery flour and mill feed. There was a decrease compared to 13% in prior year gross profit. The decrease is directly attributable to the increase in US\$ cost coupled with higher cost of raw materials. Together with the gross profit contribution from lease rental, the Company generated 68% gross profit.

4. Operating margin

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

For the year ended on December 31, 2022, the amount of operating expenses were reduced by 14.3% from previous year. Operating income realized this year is 40% lower than the previous year.

5. Plant Capacity Utilization

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

There are no events that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation. There were also no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

Liquidity and Capital Resources

Like in the past years, the Company continued to enjoy a strong cash position all throughout in 2022 with a current ratio at 1.5:1. The working capital requirement of the Company to carry its business is entirely generated internally.

Summary of 2023 and 2024 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2023 and 2024. The Company forecasts its net loss in CY2023 to decrease by 06-10% from its preceding year while there will be a turnaround in CY 2024 as net income is projected.

The Company has no material commitments for capital expenditures for the year 2023.

As the forecast is based on assumptions about circumstances and events that have not yet occurred and are subject to significant uncertainties beyond the Company's control, there can be no assurance that the forecast will be realized. Actual results may be materially different from those shown in the forecast. Under no circumstances should the inclusion of the forecasted financial statements be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions, or that the Company will achieve or is likely to achieve the particular results.

Management Discussion of Future Plans for Operation

The Company intends to finalize the sale of its property in Arnaiz Ave. Makati City to its partly owned subsidiary to focus on flour milling and other related businesses.

BUSINESS OF THE COMPANY

Liberty Flour Mills, Inc. (the "Company") is a stock corporation incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008 the Company extended its corporate life for another 50 years. The Parent Company is primarily engaged in the business of manufacturing flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded since then.

Liberty Flour Mills, Inc. currently has two (2) subsidiaries, namely: a.) LFM Properties Corporation (LPC) and b.) Liberty Engineering Corporation (LEC). LFM Properties Corporation was incorporated and registered in the Philippines on December 18, 1995 while Liberty Engineering Corporation was incorporated and registered with SEC on December 10, 1965 and extended its corporate life for another 50 years from December 31, 2015. LFM Properties is engage in the business of leasing out office spaces and condominium units. Liberty Engineering Corporation will be on sale, lease and purchase of equipment and machinery.

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

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

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

There is currently no bankruptcy, receivership or any other similar proceedings involving the Company or its subsidiary. Neither was there any material reclassification, merger, consolidation or purchase or sale of a significant amount of the assets of the Company or its subsidiaries.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The Articles of Incorporation of the Company provide that the Directors of the Company shall hold office for one (1) year and until their successors are elected and qualified.

The Directors of the Company are as follows:

Name of Directors	Age¹	Citizenship	Position
William Carlos Uy	81	Filipino	Chairman of the Board
Sandra Judy Uy	46	Filipino	Director
John Carlos Uy	72	Filipino	Director
Vicente S. Vargas	67	Filipino	Director
William L. Ang	72	Filipino	Director
David Ng*	61	Filipino	Director
Jose Ma. S. Lopez	79	Filipino	Director
Lourdes J. Chan	63	Filipino	Director
Jose S. Jalandoni	68	Filipino	Director
Daniel R. Maramba	50	Filipino	Director
Jose A. Feria Jr.*	75	Filipino	Director

* Independent Director

The Officers and Senior Management of the Company are as follows:

Name	Age	Citizenship	Position
Sandra Judy Uy	46	Filipino	President
Jose Ma. S. Lopez	79	Filipino	Senior Vice President & Treasurer
Vicente S. Vargas	67	Filipino	Corporate Secretary

¹ Ages of the directors and officers are as of June 21, 2023.

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

William Carlos Uy. 81 years old. He serves as the Chairman of the Board of Directors. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a Corporate Treasurer of Malayan Bank.

John Carlos Uy. 72 years old. He is a Director of the Company. He also serves as a director and the general manager of Parity Values, Inc., one of the stockholders of the Company.

Vicente S. Vargas. 67 years old. He is a director and Corporate Secretary of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., JM Cold Storage, Inc., JM Kool Corporation. He also serves as the Executive Vice-President and Chief Operating Officer of JM & Company, Inc. and Treasurer of McJola, Inc. and L&J Agricultural, Inc.

William L. Ang, 72 years old. He is a Director of the Company. He serves as Vice President and Treasurer starting March 1, 2022 of LFM Properties Corporation (LPC). Mr. Ang holds the position of First Vice President and Treasurer of Parity Values, Inc. He is also a stockholder and Treasurer of Trade Demands Corporation and a Director of Securities Clearing Corporation of the Philippines.

Jose Ma. S. Lopez. 79 years old. He is a director and Senior Vice President and Treasurer of the Company. Likewise, he is a Director in other corporations including Agchem Manufacturing Corporation, LFM Properties Corporation and Liberty Commodities Corporation. He is also the Senior Vice President for Lopez Sugar Corporation.

Jose S. Jalandoni. 68 years old. He is a director of the Company and Audit Committee Member. He serves as the President of LFM Properties Corporation (LPC) starting April 19, 2021. He is a currently the Chairman of Valueline Realty Development Corp and Unicomm Ingredients Phils Inc., Chairperson of Kanlaon Farms, Inc., Vice Chairman of Enterprise Car Lease Phils Inc, President of Beechwood Corp and Percom OPC., He also serves as Corporate Secretary of Kanlaon Development Corporation, Piliwood Bacolod Corp, Jayjay Realty Corporation JM & Company, Inc., Assistant Treasurer of JM Profreeze, Assistant Corporate Secretary of JM Brenton, and Director and Officer in Charge in Agchem Manufacturing Corporation.

David Ng, 61 years old. He is an independent director of the Company. He is presently holding the President of Merlin Mining Corporation, Sandalfold Estate Development Corporation, and Lucky Jade Corporation. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc. and a Partner in CNP Architects. He also serves as an independent Director of LFM Properties Corporation (LPC).

Lourdes Chan, 63 years old. She is the Treasurer & Board Member of Kanlaon Development Corporation; Kanlaon Farms, Inc. and Jayjay Realty Corporation; Board Member of JM & Company; Alegria Development Corporation and Valueline Realty & Development Corporation.

Sandra Judy Uy. 46 years old. She serves as a President of the Company. She is also a director of Uniguarantee Insurance Brokerage, Inc.

Daniel R. Maramba. 50 years old. He is a Director of the Company. He is also the President of Agchem Manufacturing Corp.; Treasurer of New Now Next, Inc. and Mac2 Group Manila, Inc. and Director of Uniguarantee Insurance Brokerage.

Jose A. Feria Jr., 75 years old. He serves as the Company's Independent Director. He is presently the Senior Partner of Feria Tantoco Daos Law Offices. Atty. Feria holds the Chairman position for the following Companies: Assessment Analytichs, Inc., Cyan Management Corporation, Philippine Multimedia Systems, Inc., MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Spencer Food Corp., Vinnel Belvoir Corp. and Padre Burgos Realty, Inc. He also serves as Vice Chairman of Directories

Philippines Corp. Moreover, Atty. Feria is a Director of the following Companies: LFM Properties Corporation., EYP.PH Corporation, AeroAsia, Inc., HL&F Management Corp., Macawiwili Gold Mining & Development Corporation, Metropolitan Insurance Corp., Montecito Properties, Inc, Padre Burgos, Pru-Life Insurance Corp.-UK, Telephilippines Inc. and lastly, he is the Corporate Secretary of AisAsia Inc., All Asian Counter Tarde, Inc., Felvisol Development Corp. and Sanara Inc.

All the directors and officers of the Company possess a high degree of integrity and character and are fully capable and able to perform their duties as directors and officers, respectively. None of the directors or officers has been declared bankrupt nor has there been any petition filed by or against any of the directors, nor to any businesses of which they were a part of. Nor have any of them been convicted of any crime, domestic or foreign and there are no criminal proceedings presently pending against any of them. Nor have any of them been temporarily or permanently barred, suspended or otherwise limiting any of their involvement in any type of business.

Independent Directors

The Nominations Committee of the Company, which was constituted in accordance with the Company's Manual on Corporate Governance, pre-screens and shortlists all candidates in accordance with the Manual on Corporate Governance.

In a meeting of the Nominations Committee of the Company on June 21, 2023 Mr. John Carlos Uy nominated Mr. David Ng and Atty. Jose A. Feria, Jr. to be the Company's independent directors for the ensuing corporate year.

Other than as stated above, no new persons were named and nominated to be the Company's independent directors for the ensuing corporate year.

The members of the Company's Nomination Committee are: Mr. Jose A. Feria Jr., Mr. Vicente S. Vargas and Mr. John Carlos Uy, with Mr. Jose A. Feria Jr. as Chairman.

On the other hand, the members of the Company's Audit Committee are: David Ng as Chairman and Jose S. Jalandoni and Jose A. Feria, Jr. as members.

Significant Employees

Other than the persons named above, the Company does not expect any other person to make a significant contribution to the business of the Company.

Family Relationships

William Carlos Uy and John Carlos Uy are brothers. Likewise, Jose S. Jalandoni and Lourdes J. Chan are siblings.

Jose S. Jalandoni, Lourdes J. Chan, Jose Ma. S. Lopez and Vicente S. Vargas are first cousins.

Sandra Judy Uy is the daughter of William Carlos Uy and niece of John Carlos Uy.

Other than the above, the Company is not aware of any family relationships among the directors, senior management or persons nominated or chosen by the Company to become directors or senior managers.

Certain Relationships and Related Transactions

Some of the directors of the Company are also directors and stockholders of the different distributors of the different brands of flour of the Company. All transactions, however, between the Company and the distributors are at arm's length and above board.

These directors are as follows:

Directors	Related Distribution Companies
William Carlos Uy	Parity Values, Inc. Trade Demands Corporation Liberty Commodities Corporation
Jose Ma. S. Lopez	Liberty Commodities Corporation
John Carlos Uy	Parity Values, Inc. Trade Demands Corporation Liberty Commodities Corporation
William L. Ang	Parity Values, Inc. Trade Demands Corporation

The business purpose between the Company and the related parties mentioned above is that the above-mentioned corporations serve as distributors of the Company's flour and feed products. Transaction prices are determined by the Company and the above-mentioned related parties by actual costing of products plus a certain mark-up; likewise, price levels are dictated by market competition.

The transactions with related parties are always evaluated with fairness and are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

SECURITY HOLDERS

As of March 31, 2023, there are 448 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of March 31, 2023 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,521,231	40.35%
2.)	PCD Nominee Corp.	48,640,043	32.43%
3.)	Bacsay Management Corporation	5,589,742	3.73%
4.)	Sebring Management Corporation	3,122,102	2.08%
5.)	E.K.I Tourist Development Corporation	2,855,505	1.90%
6.)	L & J Agricultural, Inc.	2,417,841	1.61%
7.)	Jose Moreno, Jr.	928,277	0.62%
8.)	Eduardo S. Lopez Jr.	915,468	0.61%
9.)	Amelia Kalaw Pulmones	913,613	0.61%
10.)	Carvina Farms, Inc.	769,920	0.51%
11.)	Paula K. Feria	737,112	0.49%
12.)	Erwin M. Fajardo	697,337	0.46%
13.)	Regina Kalaw	628,116	0.42%
14.)	Jose Maria S. Lopez	624,465	0.42%
15.)	Philip Hsu	602,405	0.40%
16.)	Norma Yu Galan	524,745	0.35%
17.)	Eric Fajardo	521,796	0.35%
18.)	Maria Teresa V. Javellana	509,493	0.34%
19.)	Felix R. Maramba III.	487,934	0.33%
20.)	Ma. Cristina V. Quiros	475,344	0.32%

MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Stock Information

The shares of the Company consist solely of common shares which are presently listed and traded in the Philippine Stock Exchange. The high and low sales prices for the shares of the Company for each quarter within the last two fiscal years are as follows:

	High	Low	Close on Last Applicable Trading Day of the Quarter
2023			
Second Quarter	14.14	14.12	14.12
First Quarter	16.70	16.70	16.70
2022			
First Quarter	25.00	24.95	24.95
Second Quarter	22.40	21.00	21.00
Third Quarter	17.80	17.80	16.80
Fourth Quarter	19.48	19.48	19.48
2021			
First Quarter	41.00	27.25	32.80
Second Quarter	33.50	27.50	30.60
Third Quarter	31.95	27.20	27.55
Fourth Quarter	29.95	27.20	27.20

Market Information (Latest Practicable Trading Date)	
Date	July 3, 2023
Open	14.20
High	14.20
Low	14.20
Close	14.20
Volume	100
% Change	0%

Dividends

Dividend Policy

The Company declares dividends in the form of cash, stock, or property dividends. Whether dividends will be declared is dependent on the performance of the Company, its cash position, presence of retained earnings, and whether such retained earnings are foreseen to be used for business purposes.

Cash dividends are subject to the approval of the Board of Directors, and shareholder approval is not required. However, for property dividends and stock dividends, these shall be subject to approval by both the Board of Directors and Stockholders; and further subjected to approvals from the Securities and Exchange Commission and the Philippine Stock Exchange.

Cash Dividends

The average dividend per share of the Company was ₱0.30 per shares in 2022, ₱0.50 per shares in 2021, and ₱0.50 in 2020.

Property Dividends

On November 25, 2020, the Parent Company's BOD approved the declaration of property dividends in the form of 10.35 billion common shares of LPC (with a par value of ₱0.01 per share), with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Parent Company, to eligible stockholders of the Parent Company as of record date of December 18, 2020.

In August 2021, LPC secured the SEC approval while in November 2021, the application for Certificate of Registration has been approved by the BIR but the release of eCARs was partially done for the 439 stockholders by BIR. The stock certificates for property dividends were distributed on June 30, 2022

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2022, 2021, and 2020.

	Dividend Type	Record Date	Rate	Amount (₱)
For 2022	Cash	December 16, 2022	3%	45,000,000.00
For 2021	Cash	June 11, 2021	5%	75,000,000.00
For 2020	Property	December 18, 2020	69 LPC shares per LFM Share	88,001,880.00
For 2020	Cash	July 14, 2020	5%	75,000,000.00

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

Unappropriated retained earnings, beginning	₱972,990,527
Less:	
Cumulative fair value on financial assets at FVTPL as at December 31, 2021	(6,166,492)
Deferred tax assets	(1,462,452)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	965,361,583
Add: Net income actually earned/realized during the year	
Net loss closed to retained earnings	(69,884,245)
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(1,327,245)
Movement in deferred tax assets	1,462,452
Net income actually earned/realized during the year	(69,709,038)
Less: Cash dividend declaration during the year	(45,000,000)
Total retained earnings available for dividend declaration, end	₱850,652,545

Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

The Company has not sold any securities, whether unregistered or exempt or any issuance constituting an exempt transaction under the Revised Securities Act (RSA) or the Securities Regulation Code (SRC), during the past three (3) years.

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Company continues to abide by the duly adopted Manual on Corporate Governance of the Company (the "Manual") and the Code of Corporate Governance promulgated by the Securities and Exchange Commission. Pursuant thereto, the Company appointed Ms. Maria Elisa G. Ledesma as the

Compliance Officer of the Company to ensure the Company's adherence to corporate principles and best practices and monitor compliance with the provisions and requirements of the Manual.

In addition to the Audit Committee composed of David Ng as Chairman and Jose S. Jalandoni and Jose A. Feria Jr. as members. The Company also constituted its Nomination Committee and appointed Jose A. Feria Jr. as its Chairman with Vicente S. Vargas and John Carlos Uy as members. The Company also created its Compensation and Remuneration Committee composed of David Ng as Chairman and Jose Ma. S. Lopez and William L. Ang as members. Furthermore, the Company created its Risk Oversight Committee appointed Jose A. Feria Jr. as Chairman with David Ng and William L. Ang as members.

There have been no deviations for the past year from the Company's Manual of Corporate Governance.

For the calendar year 2022 the Directors attended a training held on February 8, 2022, by the *Center for Global Best Practices* in their SEC accredited webinar "*Best Practices of Effective Boards.*"

The Company continuously reviews and evaluates its Manual to ensure that the Company's practices are compliant with leading practices on good corporate governance.

Appraisals and Performance Report for the Board and the Criteria and Procedure for their Assessment

The Company acknowledges that a paramount concern for good corporate governance and an essential condition for the current and future success of the Company is the need to be governed by a competent Board of Directors and top management. One mechanism to ensure competent and responsible leadership is to create a mechanism where the performance of the Board and top management is assessed.

Under the Code of Corporate Governance of LFM, the various board committees of LFM evaluate and assess each individual director. This being the case the Executive, Audit, Nomination, Remuneration, or Risk Oversight Committee may evaluate and assess each individual director. Provided, that in the event that a director is part of one committee, then another committee shall be tasked to perform his/her evaluation and assessment.

The assessment criteria includes, among others, the participation and engagement of a Board Member in the meeting of the Board of Directors, the amount of times such director is present, whether or not such member is habitually tardy or punctual, their contribution to the committees to which they belong, and other criteria that the committee conducting the assessment deems as appropriate.

Furthermore, at all meetings of the Board of directors, each director is free to voice out their suggestions to improve the manner of governance or express their concerns regarding matters that should be addressed.

2022 ANNUAL STOCKHOLDER'S MEETING

Quorum for the 2022 Annual Stockholders' Meeting

At the 2022 Annual Stockholders' Meeting of the Corporation, there were the stockholders present through person or proxy represented 91,168,499 shares which corresponds to 60.78% of the issued and outstanding capital stock entitled to vote.

Voting and Vote Tabulation Procedures used in the Meeting

In the 2022 Regular Meeting voting was done during the meeting and was conducted in person (through remote communication), through proxy; and by voting in absentia.

Votes through Proxy

Stockholders had the option to vote through proxy where the proxy form included with the information statement would be filled up and sent to the LFM's principal office address or electronically to the Corporate Secretary at to lfmcorporatesecretary@gmail.com.

Voting in Absentia

Stockholders were given the option of using the online web address provided to the shareholders. This online web address led them to a Microsoft Form which contained the matters to be voted on, as well as a mechanism for stockholders to cast their votes. Stockholders who casted their votes *in absentia* were considered as present for the purposes of the quorum.

Voting at the Meeting

For the stockholders that were present in the remote communication meeting, the shareholders may cast their vote either by *viva voce*, show of hands, or by leaving comments in the chat box.

Tabulation and Counting of Results

The Corporate Secretary, Vicente S. Vargas, along with the Assistant Corporate Secretary, Maria Elisa G. Ledesma, counted and tabulated all the votes cast during the meeting, which shall be in accordance with the provisions of the Revised Corporation Code, or any subsequent amendment thereto.

Opportunity Given to Stockholders to Ask Questions and a Record of Questions Asked and Answers Given

Before a matter is put to vote by the Chairman of the Board, the Stockholders shall be given an opportunity to ask questions and raise concerns regarding the matters that are up for vote. Such questions shall be recorded and taken note of by the Corporate Secretary.

For the 2022 Annual Stockholders' Meeting, after each matter on the agenda, the stockholders were given an opportunity to ask their questions or give their comments relevant to the matter being presented. However, despite being given such opportunities, no questions were raised to the Board of Directors and Management.

Matters Discussed and Resolutions Reached and the Record and Voting Results for Each Agenda Item

Approval of the Minutes of the 2022 Annual Stockholder's Meeting

There was a total of 91,168,499 shares present by person and/or by proxy in the 2022 Annual Shareholders' Meeting, representing 60.78% of the Company's total issued and outstanding capital stock.

For Agenda matter concerning the approval of the Minutes of the 2021 Stockholders' Meeting, this was affirmed, approved, and ratified by the affirmative vote of the 99.34%² of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers

For this matter on Agenda the ratification of the Shareholders present at the meeting shall be sought for all the acts and resolution of the Board of Directors and Corporate Officers had taken, adopted, or implemented since the 2021 Annual Stockholders' Meeting.

² Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.

For the Agenda matter concerning the ratification of all acts and proceedings of the Board of directors and corporate officers, such acts affirmed, approved and ratified by the affirmative vote of the 99.34%³ of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Election of Directors

The shareholders unanimously elected the following as Directors of the Company:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente S. Vargas;
6. Jose S. Jalandoni;
7. David Ng (Independent Director);
8. Sandra Judy Uy;
9. Daniel R. Maramba;
10. Lourdes J. Chan; and
11. Jose A. Feria Jr. (Independent Director).

Given that there were 11 nominees and 11 seats for the Board of Directors, there was a motion that was made to instruct the corporate secretary to cast the votes of those present in person and/or through proxy, and/or voting through remote communication equally among the nominees. This motion was duly seconded, and affirmed, approved, and ratified by the affirmative vote of the 99.34%⁴ of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Appointment of an External Auditor

For the fiscal year of 2022 the Chairman Proposed the SyCip Gorres & Velayo serve as the external auditor of the Company.

For the Agenda matter concerning the appointment of SyCip Gorres & Velayo as the external auditor, such appointment was affirmed, approved and ratified by the affirmative vote of the 99.34%⁵ of the stockholders present in person and/or through proxy, and/or voting through remote communication.

Directors Present During the Meeting and their Voting Rights

The following Directors were present during the meeting.

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente S. Vargas;
6. Jose S. Jalandoni;
7. David Ng (Independent Director);
8. Sandra Judy Uy;
9. Daniel R. Maramba;
10. Lourdes J. Chan; and
11. Jose A. Feria Jr. (Independent Director).

³ Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.

⁴ Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.

⁵ Out of 91,968,499 stockholders present in person and/or through proxy, and/or voting through remote communication 91,366,094 voted in the affirmative.

Stockholders Present and their Voting Rights

The voting rights of Shareholders shall be reckoned per share of stock and not per capita.

The following Shareholders were actually present and not through proxy during the 2022 Annual meeting:

1. William Carlos Uy,
2. Jose Ma. S. Lopez;
3. John Carlos Uy;
4. William L. Ang;
5. Vicente Vargas;
6. David Ng;
7. Sandra Judy Uy;
8. Daniel R. Maramba;
9. Jose A. Feria Jr.;
10. Lourdes J. Chan;
11. Feria Tantoco Daos Law Offices (represented by Michael B. Tantoco);
12. Anna J. Davis; and
13. Wayne Patrick Hsu.

Appraisals and Performance Report for the Board and the Criteria and Procedure for their Assessment

The Company acknowledges that a paramount concern for good corporate governance and an essential condition for the current and future success of the Company is the need to be governed by a competent Board of Directors and top management. One mechanism to ensure competent and responsible leadership is to create a mechanism where the performance of the Board and top management is assessed.

Under the Code of Corporate Governance of LFM, the various board committees of LFM evaluate and assess each individual director. This being the case the Executive, Audit, Nomination, Remuneration, or Risk Oversight Committee may evaluate and assess each individual director. Provided, that in the event that a director is part of one committee, then another committee shall be tasked to perform his/her evaluation and assessment.

The assessment criteria includes, among others, the participation and engagement of a Board Member in the meeting of the Board of Directors, the amount of times such director is present, whether or not such member is habitually tardy or punctual, their contribution to the committees to which they belong, and other criteria that the committee conducting the assessment deems as appropriate.

Furthermore, at all meetings of the Board of directors, each director is free to voice out their suggestions to improve the manner of governance or express their concerns regarding matters that should be addressed.

Directors Disclosures on Self-Dealing and Related Party Transactions

There are Directors of the Company that are also directors and stockholders of various companies that distribute the products of the Company. These Directors and the related distribution companies are as follows:

Directors	Related Distribution Companies
William Carlos Uy	Parity Values, Inc. Trade Demands Corporation Liberty Commodities Corporation
Jose Ma. S. Lopez	Liberty Commodities Corporation
John Carlos Uy	Parity Values, Inc. Trade Demands Corporation Liberty Commodities Corporation

William L. Ang	Parity Values, Inc. Trade Demands Corporation
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Sale of Liberty Building

The Company and its subsidiary, LFM Properties Corporation entered into a contract to sell and purchase of Liberty Building, which is an 8-storey building located along A. Arnaiz Avenue. This building houses multiple commercial tenants with eight (8) office floors and one (1) basement parking area.

On May 3, 2023 the independent third-party financial adviser advised that the fair price for LFM Building is about 27% of the value of LFM's Total Assets.

On May 31, 2023, after being given an opportunity to study the fairness opinion provided by the independent third-party financial adviser, and upon negotiations of the Parties, the Board of Directors of the Company approved: (a) the fairness opinion; and (b) the execution of a contract to sell with an execution date of June 2, 2023. The terms of payment will be deposit of 22% of the Purchase Price on or before April 20, 2023, the balance of the purchase price will be in installments which must be fully paid on or before November 30, 2024, with the purchase price valued at 27% OF LFM'S total assets.

All of the above transactions are at arm's length and above board.

Aside from the above, there were no transactions during the year 2022 with any of the directors, officers, or any principal stockholder that are not in the ordinary course of business of the Company.

Disagreement of Directors and Executive Officers

There has been no substantial and/or material disagreement between the Board of Directors and the Executive Officers that relate to the Company's operations, management, policies, or practices.

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO MICHAEL JOHN A. TANTOCO JR., 8TH FLOOR, DPC PLACE, 2322 CHINO ROCES AVENUE, MAKATI CITY.

COVER SHEET

SEC Registration Number

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Company Name

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

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

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

Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

[info@libertygroup.com.ph](mailto:info@libertygroup.ph)

Company's Telephone Number/s

(02) 8892-5011

Mobile Number

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No. of Stockholders

448

Annual Meeting
Month/Day

**Last Wednesday of
May**

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose Ma. Lopez

Email Address

jmslopez29@gmail.com

Telephone Number/s

**(02) 8892-
5011**

Mobile Number

-

Contact Person's Address

Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2023**
2. Commission identification number: **14782**
3. BIR Tax Identification No: **000-128-846-V**
4. Exact name of registrant as specified in its charter: **LIBERTY FLOUR MILLS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**
6. Industry Classification Code: (SEC Use Only)
7. **Liberty Building, A. Arnaiz Avenue, Makati City** **1229**
Address of issuer's principal office Postal Code
8. Issuer's telephone number, including area code: **(632) 8892-5011**
9. Former name, former address and former fiscal year, if changed since last report: **-na-**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes [] No []

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

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

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the unaudited interim financial statements of the Liberty Flour Mills, Inc. (the "Company") and its subsidiaries for the six (6) months ended June 30, 2023 which is attached hereto as Annex "A" and which is hereby incorporated by reference to form an integral part of the Report. Likewise, attached as Annex "B" is the Company's Statement of Changes in Stockholder's Equity for the six (6) months ended June 30, 2023 and as compared to same period for the year 2022, and the Company's basis for the computation of Basic Earnings per share.

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

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

The sales revenue from flour and mill feed business for six-month period ended 30 June 2023 posted an increase of 21% as compared from previous year's same period primarily due to several price increases implemented to negate effect of price increases of wheat coupled with the positive growth in sales volume of 13%. In terms of Sales Value, the Company delivered P789.85 million vs. P652.86 million same period of previous year. However, Cost of Sales had increased by 31% primarily due to huge increase in US\$ cost of wheat mainly due to effect of Russia-Ukraine war and peso depreciation resulting to a lower gross margin. The combined lease rental income of the Company and from one of the subsidiaries amounting to P113.34 million for six-month period this year compared to P128.24 million last year which is a decrease of 12% as there were pre-termination of contract with major lessor of one of the subsidiaries.

For the quarter ended 30 June 2023, total gross income amounted to P37.34 million, which is 65% lower from the previous year's same period operation which made gross profit amounting to P105.62 million. Sharp decline on gross income was due to higher cost of sales. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income.

Operating expenses and finance costs for the six-month period of 2023 amounted P117.21 million, 18% higher than the previous year's same period operating expense of PhP99.00 million. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

Other income(charges), net, for the six-month period of 2023 amounted to (P18.12 million), which is 67% lower than last year's same period amounting to net charges (P54.14 million). The account consists of net miscellaneous income from scrap sales, unrealized foreign currency gain (loss), provision for impairment loss, gain (loss) on sale of financial assets.

As for the quarter ended, the Company has trust receipt balance amounting to P213.09 million as compared to last year's same period of P713.05 million.

The total combined assets amounted to PhP4.07 billion as of 30 June 2023 which lower by 11.41% while total liabilities amounted to P1.61 billion which is lower by 18%, from balances as of 31 December 2022.

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

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

Inventories – The decrease in account is due to lower importation of raw materials for the period.

Financial Assets at FVPL – The decrease is because of the mark to market adjustment made by one of the subsidiaries.

Prepaid expenses and other current assets – The decrease is due to reclassification.

Accounts payable – The decrease is due to payment of Trust Receipts payable during the second quarter of 2023.

Notes payable - Increased by 6% because of the subsidiaries loan availments.

Income tax payable – The decrease is due to lower recognition of income tax payable by one of the subsidiaries during the second quarter of 2023.

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

Performance Indicators

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

- Selling Price, Volume and Revenue Growth

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

During the six-month period ended 30 June 2023, there was 21% increase in revenue as compared to previous year's same period performance. There is an increase both in sales volume and selling price of Company's products. However, there was a decrease in the Company and its subsidiaries rental income by 12%.

- Cost Contribution

This measures the amount of supply and cost-efficiency of the applicable products of the Company. It shows the trend of supplies' cost particularly in imported raw materials where there are foreign exchange exposures. Cost are analyzed regularly pursuant to cost reduction and efficiency measures.

During the six-month ended 30 June 2023, there was a significant increase of 31% in cost of sales over the previous year's same period performance primarily due to US\$ cost of wheat mainly due to effect of Russia-Ukraine war coupled with foreign currency deterioration.

- Gross Profit Contribution

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

During the six-month ended 30 June 2023, the Company generated gross profit of 4%. There was a huge decrease of 65% in gross profit as compared in the prior year's same period performance. The decrease is directly attributable to the high costs.

- Operating margin

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

During the six-month ended 30 June 2023, there was a decrease in operating expenses by 4% over the previous year's same period performance. Operating income was earned this quarter as a result of increase in sales coupled with decrease in operating expenses.

- Plant Capacity Utilization

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

There are no events that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation. There were also no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

MARKETPRICE

The market price of the Company's common shares closed at PhP14.12 on 30 June 2023. For the Company's high and low prices for the second quarter of 2023, please see table below:

Stock	Quarter	High	Low
LFM	2	14.14	14.14

PART II – FINANCIAL DISCLOSURES

Financial Instruments and Financial Risk Disclosure

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

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

a. Credit Risk

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

The Group trade receivables is concentrated with its three distributors which account for 79% of the total trade receivables as of June 30, 2023. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. With respect to credit risk arising from other financial assets of the Group which comprise of cash equivalents, financial assets at FVPL, financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancement held over these assets.

b. Equity Price Risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of investments in quoted equity securities. The Group's policy is to maintain the risk at an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

c. Foreign Currency Risk

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

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

	2023	2022
Cash in bank	\$369,743	\$552,926
Foreign Securities – Gazprom	\$298,500	-
Total US dollar-denominated assets	\$668,243	\$552,926

The exchange rate per \$1.00 to Philippine peso is P55.20 and P54.975 respectively.

d. Liquidity Risk

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

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

a. Financial assets at FVPL

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

b. Financial assets at FVOCI

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

c. Deposits on long-term leases

The carrying values deposits on long-term leases were not materially different from their calculated fair values estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

d. Other financial assets and financial liabilities

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

PART III - OTHER INFORMATION

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

SIGNATURE

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

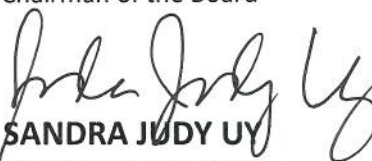
LIBERTY FLOUR MILLS, INC.

By:



WILLIAM CARLOS UY

Chairman of the Board



SANDRA JUDY UY

Chief Executive Officer



JOSE MA. S. LOPEZ

Chief Financial Officer

ANNEX “A”

LIBERTY FLOUR MILLS, INC.

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

“INTERIM”

UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2023

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
BALANCE SHEET
AS OF JUNE 30, 2023
(With comparative figures for year ended Dec. 31, 2022 and six months ended June 30, 2022)

<u>Assets</u>	June 30, 2023	December 31, 2022 <u>Audited</u>	June 30, 2022
Current Assets			
Cash and cash equivalents	P 136,386,104	P 97,064,711	P 134,656,972
Receivables	1,161,425,921	1,257,611,357	1,199,588,142
Financial assets at fair value through profit or loss	116,013,002	136,764,654	140,268,797
Inventories:			
Finished goods	P 45,349,238	P 27,035,073	P 46,623,680
Raw materials	117,385,042	579,219,261	469,980,943
Inventories-in Transit	-	-	-
Total Inventories	162,734,280	606,254,334	516,604,623
Prepaid expenses & other current assets	91,487,702	106,691,350	132,822,106
Total current assets	P 1,668,047,009	P 2,204,386,406	P 2,123,940,640
Financial assets at fair value through OCI	505,996,336	486,196,811	591,397,360
Investment properties	1,523,949,224	1,535,493,683	1,491,565,532
Plant, Property & Equipment, net	332,386,546	331,115,010	299,333,266
Deferred Charges & Other Assets	39,525,934	36,999,416	138,335,672
Total Assets	P 4,069,905,049	P 4,594,191,326	P 4,644,572,470
 <u>Liabilities & Stockholders' Equity</u>			
Current Liabilities			
Accounts Payable	P 273,379,409	P 726,517,234	P 1,033,881,355
Notes Payable - current portion	745,609,473	701,609,473	-
Income Tax Payable	4,210,813	5,196,280	3,822,224
Other Liabilities	98,258,728	39,389,605	86,357,765
Total Current Liabilities	P 1,121,458,423	P 1,472,712,592	P 1,124,061,344
Notes Payable - noncurrent portion	238,956,014	307,191,309	443,800,782
Deposit on long-term lease	35,054,850	8,101,480	32,896,742
Accrued retirement benefits costs	4,800,000	785,885	13,232,958
Deferred Income Tax Liability	3,891,063	3,891,064	21,913,988
Other Non-current Liabilities	206,324,804	180,459,767	216,515,965
Total Liabilities	P 1,610,485,155	P 1,973,142,097	P 1,852,421,779
Stockholders' Equity			
Capital Stock, authorized - 200,000,000 shares at P10 par value per share P2,000,000,000.			
Issued and outstanding, 150,000,000 shares	P 1,500,000,000	P 1,500,000,000	P 1,500,000,000
Fair value changes on financial assets through OCI	(178,950,590)	(174,278,934)	(126,145,173)
Remeasurement gain (loss) on defined benefit	2,058,144	1,460,042	449,165
Retained earnings			
Appropriated	P -	P -	-
Unappropriated	1,042,189,419	1,195,917,457	1,417,846,699
Total Retained Earnings	1,042,189,419	1,195,917,457	1,417,846,699
Total Equity Attributable to Equity Holders of Parent Company	2,365,296,973	2,523,098,565	-
Non-controlling interests	94,122,921	97,950,664	-
Total Stockholders' Equity	P 2,459,419,894	P 2,621,049,229	P 2,792,150,691
Total Liabilities & Stockholders' Equity	P 4,069,905,049	P 4,594,191,326	P 4,644,572,470

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF INCOME AND EXPENSES
For quarter ended June 30,2023
(With comparative figures for the quarter ended June 30,2022)

	<u>April 1 to June 30, 2023</u>	<u>January 1 to June 30, 2023</u>	<u>April 1 to June 30, 2022</u>	<u>January 1 to June 30, 2022</u>
Net Sales	P 367,508,018	P 789,847,757	P 370,321,881	P 652,856,973
Rental Income	61,744,092	113,342,569	65,600,838	128,239,473
Total Revenue	<u>429,252,110</u>	<u>903,190,326</u>	<u>435,922,719</u>	<u>781,096,446</u>
Cost of sales	374,202,355	817,447,742	354,510,072	624,594,924
Cost of services	24,955,448	48,406,777	26,345,135	50,876,597
Total Cost of sales and services	<u>399,157,803</u>	<u>865,854,519</u>	<u>380,855,207</u>	<u>675,471,521</u>
Gross Profit	P 30,094,307	P 37,335,807	P 55,067,511	P 105,624,925
Operating expenses				
General and administrative expenses	31,714,285	61,639,981	32,043,275	66,206,717
Selling and marketing expenses	6,427,918	12,890,413	5,795,807	11,232,581
	<u>38,142,203</u>	<u>74,530,394</u>	<u>37,839,082</u>	<u>77,439,298</u>
Other Income (Charges)				
Interest Income	2,017,837	5,251,329	2,387,211	6,280,762
Dividend Income	3,394,129	5,212,692	4,691,211	7,082,461
Interest expense	(19,974,220)	(42,676,127)	(11,380,018)	(21,563,101)
Other Income (charges),net	2,189,750	(18,124,896)	(15,155,207)	(54,142,643)
	<u>(12,372,503)</u>	<u>(50,337,001)</u>	<u>(19,456,803)</u>	<u>(62,342,521)</u>
Income (loss) before Income Tax	P (20,420,399)	P (87,531,588)	P (2,228,373)	P (34,156,894)
Provision for Income Tax, current	(2,330,581)	(3,873,580)	(5,711,034)	(10,894,688)
Provision for Income Tax, Deferred				
Net Income (loss) for the period	P <u>(22,750,980)</u>	P <u>(91,405,168)</u>	P <u>(7,939,407)</u>	P <u>(45,051,582)</u>
Net Income Attributable To:				
Equity holders of the Parent Company	(26,245,073.7)	(87,577,425)		
Non-controlling interests	3,494,093.5	(3,827,743)		
Earnings (loss) per share	P <u>(0.15)</u>	P <u>(0.61)</u>	P <u>(0.05)</u>	P <u>(0.30)</u>

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For quarter ended June 30, 2023
(With comparative figures for the quarter ended June 30, 2022)

	April 1 to June 30, 2023	January 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2022
CASHFLOWS FROM OPERATING ACTIVITIES:				
Income before tax	P (20,420,399)	P (87,531,588)	P (2,228,372)	P (34,156,894)
Adjustment for:				
Depreciation	15,972,528	33,836,028	14,407,822	28,954,172
Fair Value changes of financial assets at FVPL	-	20,932,702	15,327,272	53,034,132
Retirement Benefit Cost	2,000,000	4,400,000	3,935,882	7,383,152
Interest income	(2,016,617)	(5,250,109)	(2,387,212)	(6,280,762)
Dividend Income	(3,361,805)	(5,180,368)	(4,691,212)	(7,082,462)
Interest expense	19,974,220	42,676,127	11,380,018	21,563,101
Realized loss (gain) of FA at FVOCI	-	-	-	1,480,610
Gain on disposal of PPE	(2,053,571)	(2,053,571)	-	-
Loss on sale of FVPL investments	(117,240)	(135,166)	-	-
Operating Income before working capital changes	9,977,115	1,694,054	35,744,198	64,895,049
Decrease (Increase) in:				
Receivables	103,906,579	96,246,683	(39,174,671)	(87,353,252)
Inventories	131,108,886	443,520,056	(231,294,701)	(326,266,607)
Prepayments and other assets	3,286,675	(8,059,311)	(3,325,189)	(51,467,143)
Increase (Decrease) in:				
Trade Payables and other current liabilities	109,653,192	100,646,632	302,675,807	361,242,492
Deposit on long term lease	(6,622,740)	16,026,579	(19,476,409)	3,322,064
Unearned Rental Income	4,193,324	6,025,617	3,153,380	3,397,509
Liabilities for Retirement Fund	-	-	-	-
Cash generated (used) from operations	355,503,031	656,100,310	48,302,415	(32,229,888)
Income tax paid	(7,951,053)	(9,068,923)	(6,407,447)	(8,235,965)
Interest Received	2,016,617	5,250,109	2,387,212	6,280,762
Net cash provided by (used in) operating activities	349,568,595	652,281,496	44,282,180	(34,185,091)
CASHFLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of FVPL	2,766,656	4,538,153	-	3,572,261
Dividends received	3,361,805	5,180,368	4,691,212	7,082,462
Proceeds from redemption of FVOCI	10,000,000	10,000,000	24,000,000	24,000,000
Proceeds from disposal of property	2,053,571	2,053,571	-	-
Acquisition of plant, property and equipment	(6,458,185)	(14,606,565)	2,365,855	(10,049,386)
Acquisition of investment properties	(2,379,380)	(7,233,239)	(142,642,111)	(142,642,111)
Acquisition of Investments-FVPL	(0)	(4,584,036)	-	(3,685,658)
Acquisition of Investments-FVOCI	(25,000,000)	(25,000,000)	-	-
Decrease(increase) in other non-current assets	25,836,783	20,736,446	(5,730,575)	(13,678,850)
Net cash used in investing activities	10,181,251	(8,915,301)	(117,315,619)	(135,401,282)
CASHFLOW FROM FINANCING ACTIVITIES				
Availment of Loans	136,591,195	333,770,942	200,000,000	203,000,000
Loan Payments	(335,136,236)	(820,139,617)	(34,117,647)	(71,235,294)
Interest paid	(19,974,220)	(42,676,127)	(11,380,018)	(21,563,101)
Payments of cash dividends	(75,000,000)	(75,000,000)	-	-
Net cash generated from financing activities	(293,519,261)	(604,044,802)	154,502,335	110,201,605
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS, END	66,230,585	39,321,393	81,468,895	(59,384,768)
Add: Cash and cash equivalents:				
January 1		97,064,711		194,041,740
April 1	70,155,519		53,188,077	
CASH AND CASH EQUIVALENTS, END	P 136,386,104	P 136,386,104	134,656,972	P 134,656,972

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2023

1. Basis of Financial Statement Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of June 30, 2022.

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

2. Significant Accounting Policies

Changes in Accounting Policies and Disclosures

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

- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements to PRFSs 2018-2020 Cycle

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 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*

3. Others

1. The same accounting policies and methods of computation are followed in the interim financial statements as of June 30, 2023 as compared with the audited financial statements as of December 31, 2022.
2. The business operation of the company for the interim period is continuous, there is no cycle and it is not seasonal.
3. There are no unusual items that affected assets, liabilities, equity and cash flows.
4. There are no changes in estimates of amounts reported in prior financial years.
5. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
6. There are no changes in the composition of this issuer during the interim period. There are no business combinations, no acquisition or disposal of subsidiaries and long term investments, no restructuring and no discontinuing operations.
7. There are no contingent liabilities and contingent assets.

ANNEX “B”

LIBERTY FLOUR MILLS, INC.

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

“INTERIM”

STATEMENT OF CHANGES
IN STOCKHOLDER’S EQUITY
JUNE 30, 2023

LIBERTY FLOUR MILLS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For six months ended June 30, 2023 and 2022

	2023	2022
CAPITAL STOCK		
Authorized - 200 million shares at P10 par value per share <u>P2 billion</u>		
Issued and outstanding -150 million shares	P 1,500,000,000	P 1,500,000,000
Fair value changes on financial assets through OCI	(169,503,101)	(126,145,173)
Accumulated Remeasurement on Retirement Benefits	1,460,042	449,165
RETAINED EARNINGS		
January `1	1,195,917,457	1,425,786,106
Net income for the period	(87,577,425)	(7,939,407)
Cash dividends declared and paid	(75,000,000)	-
	1,033,340,032	1,417,846,699
Non-Controlling Interest	94,122,921	
	2,459,419,894	2,792,150,691

BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE

		2023	2022
NUMERATOR:			
Net income (loss) for the second quarter	P	(91,405,168) P	(7,939,407)
DENOMINATOR:			
Outstanding shares		150,000,000	150,000,000
Treasury Stock		0	0
TOTAL WEIGHTED AVERAGE SHARES		150,000,000	150,000,000

LIBERTY FLOUR MILLS, INC. and Subsidiaries
Aging of Accounts Receivable
As of June 30, 2023

Type of Accounts Receivable		Total		Current		1 Month		2-3 Months		Over 3 Mos.
a) Trade Receivables										
Flour and Millfeed customers	P	1,126,335,728	P	463,436,526	P	123,582,420	P	222,437,080	P	316,879,703
Building Tenants		18,593,061		1,374,001		587,834		147,466		16,483,761
b) Non-Trade Receivables:										
Others		16,497,132		-		-		-		16,497,132
Total	P	1,161,425,921	P	464,810,526	P	124,170,253	P	222,584,546	P	349,860,596

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	7	8	2					
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COMPANY NAME

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

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

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

Form Type

A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

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@pltdtssl.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.



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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



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

Provisions and Contingencies

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

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

Audit response

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

Fair Value of Investment Properties

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

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

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



Audit Response

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

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

Other Information

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

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

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

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

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

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

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



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

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

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

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

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

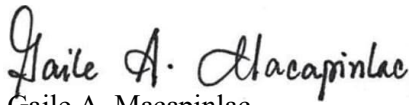


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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

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

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

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

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

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

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

March 29, 2023



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

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

(Forward)



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

See accompanying Notes to Consolidated Financial Statements.



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

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

See accompanying Notes to Consolidated Financial Statements.



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

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

See accompanying Notes to Consolidated Financial Statements.



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

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

(Forward)



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

See accompanying Notes to Consolidated Financial Statements.



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

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

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

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

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



Basis of Consolidation

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

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

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

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

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

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

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

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

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



Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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



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

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

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the parent company financial statements.

Effective beginning on or after January 1, 2023

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

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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



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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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



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

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

“Day 1” Difference

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

Financial Instruments

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

a. Financial Assets

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

b. Financial Liabilities

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

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

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

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

Classification of Financial Instruments Between Liability and Equity

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

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

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



Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Offsetting of Financial Instruments

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

Cash and Cash Equivalents

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

Inventories

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



Prepaid Expenses and Other Current Assets

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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



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

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

Property, Plant and Equipment

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

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

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

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

Impairment of Nonfinancial Assets

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



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

Capital Stock

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

Other Comprehensive Income (Loss)

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

Retained Earnings

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

Dividend Distribution

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

Stock Issuance Costs

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

Basic/Diluted Earnings per Share

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

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

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



Revenue from Contracts with Customers

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

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

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

Sales

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

Bill-and-hold arrangement

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

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

Rental Income

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

Interest Income

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

Dividend Income

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

Other Income

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



Costs and Expenses

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

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

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

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

Leases

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

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

Borrowing Costs

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

Retirement Benefit Costs

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

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

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

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



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

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

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

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

Income Taxes

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

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

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

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

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

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

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

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



Provisions

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

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

Contingencies

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

Segment Reporting

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

Events After the Reporting Period

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

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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



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

Estimates

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

4. Cash and Cash Equivalents

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

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



5. Receivables

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

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

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

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

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

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

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

6. Financial Assets at Fair Value through Profit or Loss

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

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



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

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

7. Inventories

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

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

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

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

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

8. Prepaid Expenses and Other Current Assets

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



9. Partly-owned Subsidiary

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

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

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

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

Proportion of equity interest held by non-controlling interests:

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

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

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

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

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



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

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

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

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

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

10. Financial Assets at Fair Value through Other Comprehensive Income

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

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

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



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

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

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

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

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

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

11. Investment Properties

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

Developmental Rights

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



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

Land Acquisition

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

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

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

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



12. Property, Plant and Equipment

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

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

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

13. Other Noncurrent Assets

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

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

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



14. Notes Payable

Notes payable consists of:

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

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

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

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

The details of the term loans follow:

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

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

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

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

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

Debt Covenants

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



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

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

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

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

15. Accounts Payable and Other Current Liabilities

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

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

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

Dividends payable consist of dividends declared but not yet claimed.

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

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

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



16. Equity

Capital Stock

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

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

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

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

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

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

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

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

- 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
- that 64,000 shares with a par value of ₱640,000 are to be issued out of the increase in the common stock of 320,000 common shares.

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Retained Earnings

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



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

Cash Dividends

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

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

Property Dividends

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

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

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

17. Revenue from Contracts with Customers

Disaggregated Revenue Information

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

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

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

Obligations

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



Contract Balances

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

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

18. Cost of Sales

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

19. Expenses

Administrative Expenses

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



Selling Expenses

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

Interest Expense

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

20. Personnel Costs

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

21. Other Income (Charges) - Net

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

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



22. Retirement Benefits Costs

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

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

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

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

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

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

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



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

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

The composition of the plan assets follows:

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

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

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

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

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

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

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

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



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

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

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

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

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

Other Comprehensive Income

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

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

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



23. Provisions and Contingencies

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

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

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

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

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

b. Tax Assessments

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

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

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

24. Income Taxes

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



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

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

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

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



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

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

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

Revenue Regulations No. 25-2020

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

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

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

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

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

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



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

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

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

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

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

25. Basic/Diluted Earnings Per Share

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

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

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

26. Related Party Transactions

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



Related party receivables are generally settled in cash.

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

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

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

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

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



c. The key management personnel compensation is as follows:

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

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

27. Leases

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

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

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

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

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

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



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

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

28. Financial Instruments and Financial Risk Management Objectives and Policies

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

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

Credit Risk

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

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



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

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

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

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

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

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

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

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

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

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

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

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



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

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

	2022								Total
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	
Trade receivables -									
PVI									
Expected credit loss rate	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	
Estimated total gross carrying amount at default	₱258,534,830	₱54,952,870	₱62,607,700	₱58,270,540	₱71,833,320	₱64,920,050	₱56,394,800	₱195,706,946	₱823,221,056
Expected credit loss	623,136	132,451	150,901	140,447	173,137	156,474	135,926	471,704	1,984,176
Third parties									
Expected credit loss rate	0.20%	0.20%	-	-	0.20%	0.20%	-	0.20%	
Estimated total gross carrying amount at default	₱26,292,500	₱16,758,750	₱-	₱-	₱9,012,500	₱2,032,607	₱-	₱12,621,410	₱66,717,767
Expected credit loss	52,761	33,630	-	-	18,085	4,079	-	25,327	133,882
Rent receivables from third parties									
Expected credit loss rate	0.20%	0.20%	-	-	64.20%	-	-	-	
Estimated total gross carrying amount at default	₱14,357,454	₱3,286,060	₱-	₱11,085,674	₱1,634,919	₱-	₱-	₱-	₱30,364,107
Expected credit loss	-	-	-	-	1,049,681	-	-	-	1,049,681
	2021								
	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
Rent receivables from third parties									
Expected credit loss rate	-	-	-	-	71.34%	-	-	-	
Estimated total gross carrying amount at default	₱8,096,979	₱431,393	₱-	₱773,103	₱1,471,281	₱-	₱-	₱-	₱10,772,756
Expected credit loss	-	-	-	-	1,049,681	-	-	-	1,049,681

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

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



Equity Price Risk

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

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

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

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

Liquidity Risk

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



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

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

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

(Forward)



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

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

Fair Value

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

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

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

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

Fair Value Hierarchy

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

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



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

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

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

29. Capital Management Policies

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

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

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

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

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

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

30. Events After the Reporting Period

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



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

31. Note to Consolidated Statements of Cash Flows

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

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

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

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

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

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



32. Segment Information

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

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

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

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

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

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

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



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

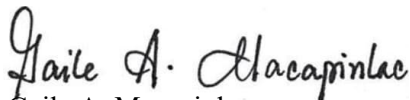


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

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

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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

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

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

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

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

March 29, 2023



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2022

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

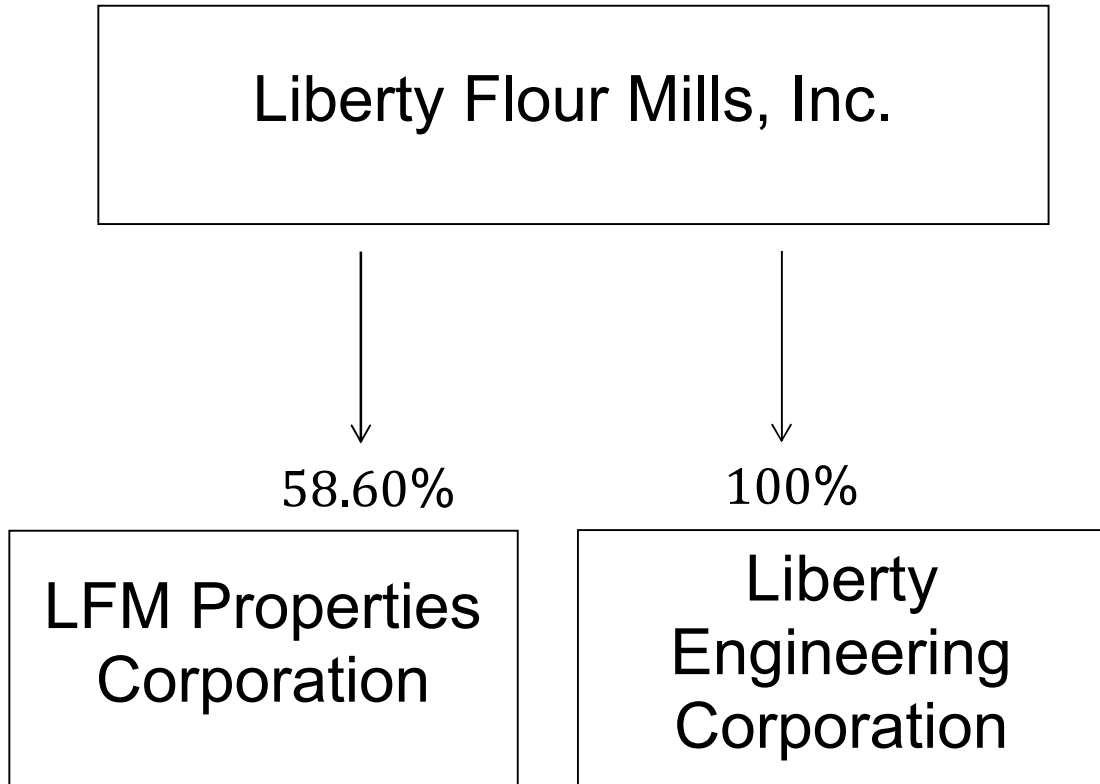
LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES**ANNEX A: RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION****DECEMBER 31, 2022**

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2022



LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

ANNEX C: SCHEDULE A. FINANCIAL ASSETS

DECEMBER 31, 2022

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

(Forward)

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

(Forward)

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

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

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

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

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

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

ANNEX C: SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2022

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

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2022

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

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

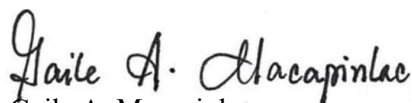
Title of Issue	Number of shares Authorized	Number of Shares Outstanding	Number of Shares Reserved	Number of Shares held by Related Parties	Number of Shares held by Directors and Officers	Number of Shares held by Others
Common	200,000,000	150,000,000			14,233,735	135,766,265
	200,000,000	150,000,000	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

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

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

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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

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

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

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

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

March 29, 2023



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

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



Liberty Flour Mills, Inc.

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

WILLIAM CARLOS UY
Chairman of the Board

SANDRA JUDY UY
President

JOSE MA. S. LOPEZ
Chief Financial Officer

Signed this 29th day of March 2023

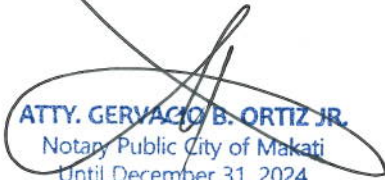
REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI CITY) S.S.

APR 14 2023

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

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

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


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

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	7	8	2					
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COMPANY NAME

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

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

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

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

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@pltdtssl.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.



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.

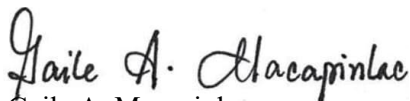
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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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 rereasurement 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 MILLS, 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				Total
	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)	
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.

Classification of Financial Instruments Between Liability and Equity

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

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the 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 there 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:

- 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
- 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:

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Date of Payment</u>	<u>Dividend per Share</u>	<u>Total Amount</u>
November 28, 2022	December 16, 2022	December 28, 2022	₱0.30	₱45,000,000
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 End of Year		
	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
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 comprise 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% (6.80%)	₱3,402,572 (2,890,391)
Salary increase rate	8.10% (7.00%)	3,447,603 (2,974,574)
	2021	
	Increase (Decrease) in Rate	Increase (Decrease) in DBO
Discount rate	9.60% (8.20%)	₱9,358,070 (8,010,569)
Salary increase rate	9.50% (8.30%)	9,270,194 (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)		Terms and Conditions
	2022	2021	2022	2021	
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								Total
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	
Trade receivables - PVI									
Expected credit loss rate	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	
Estimated total gross carrying amount at default	₱258,534,830	₱54,952,870	₱62,607,700	₱58,270,540	₱71,833,320	₱64,920,050	₱56,394,800	₱195,706,946	₱823,221,056
Expected credit loss	623,136	132,451	150,901	140,447	173,137	156,474	135,926	471,704	1,984,176
Third parties									
Expected credit loss rate	0.20%	0.20%	-	-	0.20%	0.20%	-	0.20%	
Estimated total gross carrying amount at default	₱26,292,500	₱16,758,750	₱-	₱-	₱9,012,500	₱2,032,607	₱-	₱12,621,410	₱66,717,767
Expected credit loss	52,761	33,630	-	-	18,085	4,079	-	25,327	133,882



	2021								Total
	Current	1-30 days	31 - 60 days	61-90 days	91-120 days	121-150 days	151-180 days	More than 180 days	
Trade receivables - TDC									
Expected credit loss rate	0.34%	1.36%	1.36%	1.36%	1.36%	1.36%	1.41%	1.27%	
Estimated total gross carrying amount at default	₱61,677,610	₱13,928,472	₱13,654,350	₱14,782,214	₱14,178,710	₱12,180,646	₱13,968,246	₱20,252,885	₱164,623,133
Expected credit loss	206,958	188,826	185,110	200,401	192,219	165,131	195,893	258,088	1,592,626

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% (24%)	3,612,243 (3,612,243)
Financial assets at FVOCI	7% (7%)	9,706,199 (9,706,199)
	2021	
	Increase (decrease) in market price	Increase (decrease) in profit or loss/equity
Financial assets at FVTPL	24% (24%)	3,331,108 (3,331,108)
Financial assets at FVOCI	1% (1%)	1,779,843 (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			Total
	Less than 3 Months	3 to 12 Months	More than 12 months	
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			Total
	Less than 3 Months	3 to 12 Months	More than 12 months	
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
	<u>₱1,537,160,772</u>	<u>₱162,691,604</u>

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	–
	<u>21,885,950</u>
Application against output VAT	21,885,950
Balance at December 31	<u>₱–</u>

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
	<u>₱7,533,999</u>

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, 2023 was 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 Flour Mills, Inc.

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Liberty Flour Mills, Inc. (the 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

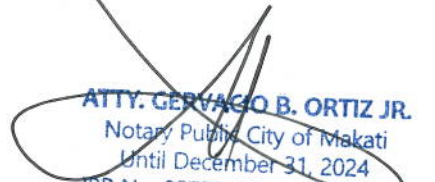
REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI CITY) S.S.

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. 70
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



Junaila Mendoza <jrmendoza@libertygroup.com.ph>

Fwd: Your BIR AFS eSubmission uploads were received

1 message

Maria Luisa Quizon <mlquizon@libertygroup.com.ph>
To: Junaila Mendoza <jrmendoza@libertygroup.com.ph>

Mon, Apr 17, 2023 at 3:19 PM

----- 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

Invalid file

- <None>

Transaction Code: **AFS-0-9F5BJLKD0CC9L998CMQZQ4Q1M08C7AEEAE**
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.

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COVER SHEET

SEC Registration Number

1	4	7	8	2						
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Company Name

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

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

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

Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

info@libertygroup.com.ph

Company's Telephone Number/s

(02) 8892-5011

Mobile Number

--

No. of Stockholders

447

Annual Meeting
Month/Day

Last Wednesday of May

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose Ma. Lopez

Email Address

jmlopez@pltdtssl.net

Telephone Number/s

(02) 8892-5011

Mobile Number

-

Contact Person's Address

Liberty Building, 835 A. Arnaiz Avenue, Makati City
--

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2023**
2. Commission identification number: **14782**
3. BIR Tax Identification No: **000-128-846-V**
4. Exact name of registrant as specified in its charter: **LIBERTY FLOUR MILLS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**
6. Industry Classification Code: (SEC Use Only)
7. **Liberty Building, A. Arnaiz Avenue, Makati City** **1229**
Address of issuer's principal office Postal Code
8. Issuer's telephone number, including area code: **(632) 8892-5011**
9. Former name, former address and former fiscal year, if changed since last report: **-na-**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes [] No []]

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

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

12. Indicate by check mark whether the registrant:

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

Yes [] No []]

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

Yes [] No []]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the unaudited interim financial statements of the Liberty Flour Mills, Inc. (the "Company") and its subsidiaries for the three (3) months ended March 31, 2023 which is attached hereto as Annex "A" and which is hereby incorporated by reference to form an integral part of the Report. Likewise, attached as Annex "B" is the Company's Statement of Changes in Stockholder's Equity for the three (3) months ended March 31, 2023 and as compared to same period for the year 2022, and the Company's basis for the computation of Basic Earnings per share.

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

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

The sales revenue from flour and mill feed business for three-month period ended 31 March 2023 posted an increase of 49% as compared from previous year's same period primarily due to several price increases implemented to negate effect of price increases of wheat coupled with the positive growth in sales volume of 27%. In terms of Sales Value, the Company delivered P422.34 million vs. P282.54 million same quarter of previous year. However, Cost of Sales had increased by 64% primarily due to huge increase in US\$ cost of wheat mainly due to effect of Russia-Ukraine war and peso depreciation resulting to a lower gross margin. The combined lease rental income of the Company and from one of the subsidiaries amounting to P51.60 million for three-month period this year compared to P62.64 million last year which is a decrease of 18% as there were pre-termination of contract with major lessor of one of the subsidiaries.

For the quarter ended 31 March 2023, total gross income amounted to P7.24 million, which is 86% lower from the previous year's same period operation which made gross profit amounting to P50.56 million. Sharp decline on gross income was due to higher cost of sales. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income.

Operating expenses and finance costs for the three-month period of 2023 amounted P59.09 million, 19% higher than the previous year's same period operating expense of PhP49.78 million. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

Other income(charges), net, for the three-month period of 2023 amounted to (P37.96 million), which is 11% lower than last year's same period amounting to net charges (P42.89 million). The account consists of net miscellaneous income from scrap sales, unrealized foreign currency gain (loss), provision for impairment loss, gain (loss) on sale of financial assets.

As for the quarter ended, the Company has trust receipt balance amounting to P217.20 million as compared to last year's same period of P445.57 million.

The total combined assets amounted to PhP4.26 billion as of 31 March 2023 which lower by 7.28% while total liabilities amounted to P1.70 billion which is lower by 14%, from balances as of 31 December 2022.

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

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

Inventories – The decrease in account is due to lower importation of raw materials for the period.

Financial Assets at FVPL – The decrease is because of the mark to market adjustment made by one of the subsidiaries.

Prepaid expenses and other current assets – The increase is due to creditable taxes to be carried over by the Parent Company.

Accounts payable – The decrease is due to payment of Trust Receipts payable during the first quarter of 2023.

Notes payable - Increased by 16% because of the subsidiaries availments.

Income tax payable – The increase is due to higher recognition of income tax payable by one of the subsidiaries during the first quarter of 2023.

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

Performance Indicators

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

- Selling Price, Volume and Revenue Growth

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

During the three-month period ended 31 March 2023, there was 37% increase in revenue as compared to previous year's same period performance. There is an increase both in sales volume and selling price of Company's products. However, there was a decrease in the Company and its subsidiaries rental income by 18%.

- Cost Contribution

This measures the amount of supply and cost-efficiency of the applicable products of the Company. It shows the trend of supplies' cost particularly in imported raw materials where there are foreign exchange exposures. Cost are analyzed regularly pursuant to cost reduction and efficiency measures.

During the three-month ended 31 March 2023, there was a significant increase of 64% in cost of sales over the previous year's same period performance primarily due to US\$ cost of wheat mainly due to effect of Russia-Ukraine war coupled with foreign currency deterioration.

- Gross Profit Contribution

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

During the three-month ended 31 March 2023, the Company generated gross profit of 2%. There was a huge decrease of 86% in gross profit as compared in the prior year's same period performance. The decrease is directly attributable to the high costs.

- Operating margin

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

During the three-month ended 31 March 2023, there was a decrease in operating expenses by 8% over the previous year's same period performance. Operating income was earned this quarter as a result of increase in sales coupled with decrease in operating expenses.

- Plant Capacity Utilization

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

There are no events that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation. There were also no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

MARKETPRICE

The market price of the Company's common shares closed at PhP16.70 on 31 March 2023. For the Company's high and low prices for the first quarter of 2023, please see table below:

Stock	Quarter	High	Low
LFM	1	16.70	16.70

PART II – FINANCIAL DISCLOSURES

Financial Instruments and Financial Risk Disclosure

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

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

a. Credit Risk

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

The Group trade receivables is concentrated with its three distributors which account for 78% of the total trade receivables as of March 31, 2023. The Group has been transacting business with these distributors for a long time and has not encountered any credit issue with them. With respect to credit risk arising from other financial assets of the Group which comprise of cash equivalents, financial assets at FVPL, financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancement held over these assets.

b. Equity Price Risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of investments in quoted equity securities. The Group's policy is to maintain the risk at an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

c. Foreign Currency Risk

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

The Group's foreign currency-denominated financial assets and liabilities which are all in US dollar (\$) as of March 31, follows:

	2023	2022
Cash in bank	\$196,924	\$377,423
Foreign Securities – Gazprom	\$298,500	-
Total US dollar-denominated assets	\$495,424	\$377,423

The exchange rate per \$1.00 to Philippine peso is P54.36 and P51.74 respectively.

d. Liquidity Risk

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

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

a. Financial assets at FVPL

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

b. Financial assets at FVOCI

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

c. Deposits on long-term leases

The carrying values deposits on long-term leases were not materially different from their calculated fair values estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

d. Other financial assets and financial liabilities

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

PART III - OTHER INFORMATION

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

SIGNATURE

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

LIBERTY FLOUR MILLS, INC.

By: 

WILLIAM CARLOS UY

Chairman of the Board


SANDRA JUDY UY

Chief Executive Officer


JOSE MA. S. LOPEZ

Chief Financial Officer

ANNEX “A”

LIBERTY FLOUR MILLS, INC.

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

UNAUDITED FINANCIAL STATEMENTS
MARCH 31, 2023

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2023
(With comparative figures for year ended Dec. 31, 2022 and three months ended March 31, 2022)

<u>Assets</u>	March 31, 2023	December 31, 2022	March 31, 2022
		<u>Audited</u>	
Current Assets			
Cash and cash equivalents	P 70,155,519	P 97,064,711	P 53,188,078
Receivables	1,265,332,500	1,267,611,357	1,160,413,471
Financial assets at fair value through profit or loss	118,662,417	136,764,654	155,254,535
Inventories:			
Finished goods	P 42,943,010	P 27,035,073	P 36,967,279
Raw materials	250,900,156	579,219,261	248,342,642
Inventories-in Transit	-	-	-
Total Inventories	293,843,166	606,254,334	285,309,921
Prepaid expenses & other current assets	114,500,079	106,691,350	128,281,730
Total current assets	P 1,862,493,681	P 2,204,386,406	P 1,782,447,735
Financial assets at fair value through OCI	490,956,336	486,196,811	632,840,275
Investment properties	1,529,238,936	1,535,493,683	1,364,913,557
Plant, Property & Equipment, net	332,508,495	331,115,010	300,116,807
Deferred Charges & Other Assets	44,356,845	36,999,416	128,859,158
Total Assets	P 4,259,554,293	P 4,594,191,326	P 4,209,177,533
<u>Liabilities & Stockholders' Equity</u>			
Current Liabilities			
Accounts Payable	P 356,105,583	P 726,517,234	P 433,745,030
Notes Payable - current portion	814,609,473	701,609,473	102,538,086
Income Tax Payable	5,621,409	5,196,280	4,518,637
Other Liabilities	-	39,389,605	107,436,687
Total Current Liabilities	P 1,176,336,465	P 1,472,712,592	P 648,238,439
Notes Payable - noncurrent portion	273,073,662	307,191,309	443,800,782
Deposit on long-term lease	38,246,310	8,101,480	31,884,198
Accrued retirement benefits costs	2,296,483	785,885	9,297,076
Deferred Income Tax Liability	2,714,414	3,891,064	21,913,988
Other Non-current Liabilities	209,756,085	180,459,767	237,004,918
Total Liabilities	P 1,702,423,419	P 1,973,142,097	P 1,392,139,401
Stockholders' Equity			
Capital Stock, authorized - 200,000,000 shares at P10 par value per share P2,000,000,000.			
Issued and outstanding, 150,000,000 shares	P 1,500,000,000	P 1,500,000,000	P 1,500,000,000
Fair value changes on financial assets through OCI	(178,990,590)	(174,278,934)	(109,197,139)
Remeasurement gain (loss) on defined benefit	2,058,144	1,460,042	449,165
Retained earnings			
Appropriated	P -	P -	-
Unappropriated	1,143,434,492	1,195,917,457	1,425,786,106
Total Retained Earnings	1,143,434,492	1,195,917,457	1,425,786,106
Total Equity Attributable to Equity Holders of Parent Company	2,466,502,046	2,523,098,565	2,817,038,132
Non-controlling interests	90,628,828	97,950,664	-
Total Stockholders' Equity	P 2,557,130,874	P 2,621,049,229	P 2,817,038,132
Total Liabilities & Stockholders' Equity	P 4,259,554,293	P 4,594,191,326	P 4,209,177,533

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
For quarter ended March 31, 2023
(With comparative figures for the quarter ended March 31, 2022)

	<u>March 31, 2023</u>		<u>March 31, 2022</u>
Net Sales	P 422,339,739	P	282,535,092
Rental Income	<u>51,598,477</u>		<u>62,638,635</u>
Total Revenue	473,938,216		345,173,727
Cost of Sales	443,245,387		270,084,852
Cost of Services	<u>23,451,329</u>		<u>24,531,462</u>
Total Cost of sales and services	466,696,716 ①		294,616,314
Gross Profit	P 7,241,500	P	50,557,414
Operating expenses			
General and administrative expenses	29,925,696		34,163,442
Selling and marketing expenses	<u>6,462,495</u>		<u>5,436,775</u>
	36,388,191 ①		39,600,217
Other Income (Charges)			
Interest Income	3,233,492 ②		3,893,551
Dividend Income	1,818,563 ②		2,391,250
Interest expense	(22,701,907) ③		(10,183,083)
Other Income (charges), net	<u>(20,314,646) ② ③</u>		<u>(38,987,435)</u>
	(37,964,498)		(42,885,718)
Income (loss) before Income Tax	P (67,111,189)	P	(31,928,521)
Provision for Income Tax, current	<u>(1,542,999)</u>		<u>(5,183,654)</u>
Provision for Income Tax, Deferred			
Net Income (loss) for the period	P <u>(68,654,188)</u>	P	<u>(37,112,175)</u>
Net Income Attributable To:			
Equity holders of the Parent Company	(61,332,352)		-
Non-controlling interests	(7,321,836)		-
Earnings (loss) per share	P <u>(0.46)</u>	P	<u>(0.25)</u>

Legend:

- ① Gross Expense
- ② Non-operating income
- ③ Non-operating expense

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
For quarter ended March 31,2023
(With comparative figures for the quarter ended March 31,2022)

	January 1 to March 31, 2023	January 1 to March 31, 2022
CASHFLOWS FROM OPERATING ACTIVITIES:		
Income before tax	P (67,111,189)	P (31,928,521)
Adjustment for:		
Depreciation	17,863,500	14,546,350
Fair Value changes of financial assets at FVPL	20,932,702	37,706,860
Retirement Benefit Cost	2,400,000	3,447,270
Interest income	(3,233,492)	(3,893,550)
Dividend Income	(1,818,563)	(2,391,250)
Interest expense	22,701,907	10,183,083
Loss (Gain) on the sale of AFS investments	-	1,480,610
Loss (Gain) on sale of FVPL investments	(17,926)	-
Operating Income before working capital changes	(8,283,061)	29,150,852
Decrease (Increase) in:		
Receivables	(7,659,896)	(48,178,581)
Inventories	312,411,170	(94,971,906)
Prepayments and other assets	(11,345,986)	(48,141,954)
Increase (Decrease) in:		
Trade Payables and other current liabilities	(9,006,560)	58,566,685
Deposit on long term lease	22,649,319	22,798,473
Unearned Rental Income	1,832,293	244,129
Liabilities for Retirement Fund	-	-
Cash generated (used) from operations	300,597,279	(80,532,302)
Income tax paid	(1,117,870)	(1,828,518)
Interest Received	3,233,492	3,893,550
Net cash provided by (used in) operating activities	302,712,901	(78,467,270)
CASHFLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of FVPL	1,771,497	3,572,261
Dividends received	1,818,563	2,391,250
Proceeds from redemption of FVOCI	-	-
Acquisition of plant, property and equipment	(8,148,380)	(12,415,241)
Acquisition of investment properties	(4,853,859)	-
Acquisition of Investments-FVPL	(4,584,036)	(3,685,658)
Acquisition of Investments-FVOCI	-	-
Decrease(increase) in other non-current assets	(5,100,337)	(7,948,275)
Net cash used in investing activities	(19,096,552)	(18,085,663)
CASHFLOW FROM FINANCING ACTIVITIES		
Availment of Loans	197,179,747	3,000,000
Loan Payments	(485,003,381)	(37,117,647)
Interest paid	(22,701,907)	(10,183,083)
Payments of cash dividends	-	-
Net cash generated from financing activities	(310,525,541)	(44,300,730)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(26,909,192)	(140,853,663)
Add: Cash and cash equivalents:		
January 1	97,064,711	194,041,740
April 1		
CASH AND CASH EQUIVALENTS, END	P 70,155,519	P 53,188,077

LIBERTY FLOUR MILLS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2023

1. Basis of Financial Statement Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31, 2022.

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

2. Significant Accounting Policies

Changes in Accounting Policies and Disclosures

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

- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements to PFRSs 2018-2020 Cycle

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 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*

3. Others

1. The same accounting policies and methods of computation are followed in the interim financial statements as of March 31, 2023 as compared with the audited financial statements as of December 31, 2022.
2. The business operation of the company for the interim period is continuous, there is no cycle and it is not seasonal.
3. There are no unusual items that affected assets, liabilities, equity and cash flows.
4. There are no changes in estimates of amounts reported in prior financial years.
5. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
6. There are no changes in the composition of this issuer during the interim period. There are no business combinations, no acquisition or disposal of subsidiaries and long term investments, no restructuring and no discontinuing operations.
7. There are no contingent liabilities and contingent assets.

ANNEX “B”

LIBERTY FLOUR MILLS, INC.

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

STATEMENT OF CHANGES
IN STOCKHOLDER’S EQUITY
MARCH 31, 2023

LIBERTY FLOUR MILLS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For three months ended March 31, 2023 and 2022

	2023	2022
CAPITAL STOCK		
Authorized - 200 million shares at P10 par value per share <u>P2 billion</u>		
Issued and outstanding -150 million shares P	1,500,000,000	P 1,500,000,000
Fair value changes on financial assets through OCI	(169,543,101)	(109,197,139)
Accumulated Remeasurement on Retirement Benefits	1,460,042	449,165
RETAINED EARNINGS		
January `1	1,195,917,457	1,462,898,281
Net income for the period	(61,332,352)	(37,112,175)
Cash dividends declared and paid	-	-
	1,134,585,105	1,425,786,106
Non-Controlling Interest	90,628,828	-
	2,557,130,874	2,817,038,132

BASIS FOR THE COMPUTATION OF BASIC EARNINGS PER SHARE

		2023	2022
NUMERATOR:			
Net income (loss) for the first quarter	P	(68,654,188) P	(37,112,175)
DENOMINATOR:			
Outstanding shares		150,000,000	150,000,000
Treasury Stock		0	0
TOTAL WEIGHTED AVERAGE SHARES		150,000,000	150,000,000

LIBERTY FLOUR MILLS, INC. and Subsidiaries
Aging of Accounts Receivable
As of March 31, 2023

Type of Accounts Receivable	Total	Current	1 Month	2-3 Months	Over 3 Mos.
a) Trade Receivables					
Flour and Millfeed customers	P 1,191,250,009 P	P 548,838,088 P	P 119,410,814 P	P 156,662,585 P	366,338,522
Building Tenants	39,622,644	1,374,001	587,834	147,466	37,513,344
b) Non-Trade Receivables:					
Others	<u>34,459,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,459,847</u>
Total	P 1,265,332,500 P	P 550,212,089 P	P 119,998,648 P	P 156,810,050 P	438,311,713

COVER SHEET

SEC Registration Number

1	4	7	8	2						
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Company Name

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable												
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1	7	-	A											

COMPANY INFORMATION

<p style="text-align: center;">Company's Email Address</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> info@libertygroup.com.ph </div>	<p style="text-align: center;">Company's Telephone Number/s</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> (02) 8892-5011 </div>	<p style="text-align: center;">Mobile Number</p> <div style="border: 1px solid black; height: 20px;"></div>
<p style="text-align: center;">No. of Stockholders</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> 447 </div>	<p style="text-align: center;">Annual Meeting Month/Day</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> Last Wednesday of May </div>	<p style="text-align: center;">Fiscal Year Month/Day</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> December 31 </div>

CONTACT PERSON INFORMATION

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

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

Liberty Building, 835 A. Arnaiz Avenue, Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2022
2. SEC Identification Number 14782 3. BIR Tax Identification No. 000-128-846-000

4. Exact name of issuer as specified in its charter LIBERTY FLOUR MILLS, INC.

5. MANILA Province, Country or other jurisdiction of
incorporation or organization

6. (SEC Use Only) Industry Classification Code:

7. LIBERTY BUILDING, A. ARNAIZ AVENUE, MAKATI CITY 1223
Address of principal office Postal Code

8. (632) 8892-5011
Issuer's telephone number, including area code

9. NONE
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>COMMON</u>	<u>150,000,000</u>

.....

.....

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

Yes [] No []

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

12. Check whether the issuer:

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

Yes [] No []

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

Yes [] No []

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

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

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

Yes [] No []

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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



LIBERTY FLOUR MILLS, INC.

**2022
ANNUAL REPORT**

PART I - BUSINESS AND GENERAL INFORMATION

1. Business of the Company

Liberty Flour Mills, Inc. (the "Company") is a stock corporation incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 26, 1958. On December 28, 2008 the Company extended its corporate life for another 50 years. The Parent Company is primarily engaged in the business of manufacturing flour, utilization of its by-products and the distribution and sales of its produce. The common shares of the Parent Company were listed beginning January 24, 1966 and have been traded since then.

Liberty Flour Mills, Inc. currently has two (2) subsidiaries, namely: a.) LFM Properties Corporation (LPC) and b.) Liberty Engineering Corporation (LEC). LFM Properties Corporation was incorporated and registered in the Philippines on December 18, 1995 while Liberty Engineering Corporation was incorporated and registered with SEC on December 10, 1965 and extended its corporate life for another 50 years from December 31, 2015. LFM Properties is engaged in the business of leasing out office spaces and condominium units. Liberty Engineering Corporation will be on sale, lease and purchase of equipment and machinery.

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

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

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

There is currently no bankruptcy, receivership or any other similar proceedings involving the Company or its subsidiary. Neither was there any material reclassification, merger, consolidation or purchase or sale of a significant amount of the assets of the Company or its subsidiary.

Products

The products of the Company consist mainly of flour products and its by-products. The following is a description of the primary products produced by the Company:

1. **Bakery Flour**
 - a. El Superior and LFM Bakers

El Superior and LFM Bakers are the Company's flour products which undergo the same processes as the other flour products the Company produces. These products are hard variety of flour best for making pandesal and loaf bread. El Superior is marketed exclusively by Parity Values, Inc., while LFM Bakers is marketed by Liberty Commodities Corporation.

b. Pine Tree and LFM Soft

Pine Tree and LFM Soft are soft variety of flour which are best used for making biscuits and cookies. Pine Tree and LFM soft are marketed by Trade Demands Corporation and Liberty Commodities Corporation, respectively.

2. **Mill Feed**

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

Other than the products above-mentioned, the Company currently has no new products or services under development.

Services

The Company is likewise engaged in the business of leasing out office and commercial spaces directly or through its subsidiary, LFM Properties Corporation. The Company leases out excess office spaces at its head office at Liberty Building in Makati City. It also leases out commercial and office spaces at its property in Mandaluyong City. LFM Properties Corporation owns: (1) a 21-storey building – Liberty Plaza located at 102 H.V. Dela Costa Street corner Valero and San Agustin Streets, Salcedo Village, Makati City which was completed in 2019 and is fully leased out to local and foreign corporations as well as some foreign embassies and consulates; (2) a 21-storey building – Liberty Center at 104 H. V. Dela Costa Street corner L. P. Leviste and San Agustin Streets in Salcedo Village, Makati City which was completed in Year 2000; (3) two-(2) residential condominium units at Pacific Plaza Condominium located at 6741 Ayala Avenue and Apartment Ridge Road, Bgy. Urdaneta Village, Makati City that are currently for lease; and (4) a 2,094 square meter more or less property in Ortigas Center which is currently leased out as a parking lot. Future plans for the Ortigas Center property are not yet definite although studies are being undertaken for a 2-storey structure to be leased out to commercial and service establishments.

The relative contribution of the Company's products and services to its sales or revenues are as follows:

Products/Services	Percentage of Sales/Revenues
Hard Flour	65%
Soft Flour	21%
Mill Feed	12%
Rental Income	2%

Customers

Transactions with and/or Dependence on Related Parties

The Company's products are exclusively distributed and marketed by Parity Values, Inc., Trade Demands, Corp., and Liberty Commodities Corp. The Company sells its products mainly on a wholesale basis principally to bakeries, institutional end-users (i.e. pastry and cake shops) as well as supermarkets members of the baking and food supply industry nationwide.

In view of the Company's distribution structure, the Company is largely dependent on the distribution capability of its three (3) distributors whereby the loss of any of the three (3) would have a material adverse effect on the business.

Beginning 2022, the Company already started directly serving a few institutional accounts and some selected retail outlets of its products.

The Company's products are distributed to the above-mentioned distributors as follows:

Distributor	Percentage to Sales
Parity Values, Inc.	44%
Trade Demands, Corp.	13%
Liberty Commodities Corp.	23%
Institutional/Retail Customers	20%

Competition

Considering that competition in the supply of flour, bakery and mill products is very stiff now, the Company believes that product pricing, customer service and satisfaction and product performance will ultimately determine market leadership. Currently, the Company's market strategy follows such belief and the Company is confident that by making the quality of its products more superior than that of its competitors, while maintaining the competitiveness of its prices, it will be able to maintain, if not further improve, its standing in the industry.

There are now about twenty two (22) major flour millers in the country who are currently undertaking the same business as the Company.

Back then in the 1960s only eight (8) were competing with the Company being part of this group namely RFM Corporation, Liberty Flour Mills, Inc., General Milling Corp., Wellington Flour Mills Corp., Pacific Flour Mills, Inc., Pilimico Foods Corp., Philippine Flour Mills, Universal Robina Corp.

In 1990s, the following established their own mills: San Miguel Corp., Philippine Foremost Milling Corp., Morning Star Milling Corp., Delta Milling Corp.

Then in 2010 -2018 newer mills have joined the industry and made competition stronger and these are: Monde Nissin Corp., Atlantic Grains Corp. Asian Grain, Inc., New Hope Flour Milling Corp., Great Earth Industrial Food, Inc., North Star Flour Mill, Mabuhay Interflour Mill, Agri-Pacific Corp. (Rebisco), Big-C Agri Miller, California Flour Mill Group

The market share of the Company is approximately five (5%) percent.

Purchase of Raw Materials and Supplies

The principal raw materials for flour manufacturing which is wheat is fully imported are obtained on a competitive basis from many different sources that are readily available, both in the Philippines and abroad such as: Columbia Grain Int'l, LLC., CHS, Inc., and Bunge Asia PTE. Ltd.

Employees

As of December 31, 2022, the Company has 68 regular and probationary employees as per below compared to previous years of about 114 -120 employees. The reduction in number of employees is primarily due to streamlining of work processes in the plant as a result of the new mill equipments installed that require lesser human intervention.

Type of Employee	Number of Employees
Managerial	7
Administrative	5
Clerical	5
Operations	51
Total	68

The rank-and-file employees and the supervisory employees are subject to separate Collective Bargaining Agreements (CBA). Both existing CBAs will expire on June 30, 2024. The CBA generally cover a five-year term with a right to renegotiate the economic provisions of the agreement after three years, and contain provisions for the annual salary increases and signing bonus. In 2022, a renegotiation for the remaining 2 years was signed and concluded.

Overall, the relationship between management and labor has been good.

The Company has a funded, noncontributory defined benefit retirement plan covering all of the regular employees of Liberty Flour Mills, Inc. The plan provides retirement, separation, disability and death benefits to its members. The funds of the plan are administered and managed by the trustees.

The Company's subsidiary has the following employees:

Type of Employees	LFM Properties Corp.
Executive/Managerial	5
Administrative	2
Clerical	0
Operations	7
Total	14

Working Capital

The working capital required by the Company in its business is from internally generated funds and bank borrowings.

Sales

All sales by the Company of its products are sold locally or to the domestic market. The Company does not export nor cater to foreign consumers.

Effect of any existing or probable government regulation on the business of the Company

The Company's products are subject to evaluation and approval by the Food and Drug Administration. The Company ensures that all its products comply with strict government and health standards.

Other than as mentioned above, the Company is not aware of any existing or probable government regulations that would have an effect on the business of the Company. Should there be new government regulations that would have an adverse effect on the Company's business, the Company believes that it will have to make adjustments in its business so that it may comply with such new regulations.

The Company is compliant with government regulating agencies relative to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions, and the management of, disposal of, and exposure to hazardous materials. Clearances and permits are secured required reports are submitted within the mandated period

Research and Development

None of the research and development expenses are borne directly by the Company's customers.

On the other hand, the subsidiaries are not expected to spend any amount for development activities.

Patents

The Company enters into royalty agreements covering its products. The Company regularly ensures that all such agreements are valid and subsisting and takes earnest efforts in protecting its right to such agreements.

In 2003, the Company's Royalty Agreement with General Mills, Inc., a Delaware Corporation, involving the license to use the trademark Softasilk has expired.

The Royalty Agreement of the Company with General Mills, Inc. for the exclusive license to use the trademark Gold Medal expired in December 2009.

Cost of Compliance with Environmental Laws

The Company was granted Environmental Compliance Certificate (ECC) by the DENR-NCR after complying with the Environmental Impact Statement (EIS) System requirements as prescribed in the guidelines of the Implementing Rules & Regulations of Presidential Decree No. 1586. A Permit To Operate pursuant to Clean Air Act (RA 8749) is granted to the Company with annual fees of around P19, 700.00 and other charges.

Major Risks Involved

The Company is affected by foreign exchange fluctuation considering that its supplies and raw materials are sourced abroad. Similarly, increase in the price of wheat in the world market poses as a major risk to the Company. When necessary, the Company adjusts the prices of its products in order to meet changes in the currency rates and prices.

The properties of the Company and its subsidiary are sufficiently insured with reputable insurance companies.

2. Properties

The properties of the Company consist of the following:

1. A parcel of land with a flour mill located at F.Blumentritt Ext., Mandaluyong City which serve as the manufacturing plant of the Company for its flour and feeds products;
2. A parcel of land located at the border of Angono and Teresa, Rizal which is not used in operation;
3. A parcel of land with a building located along Boni cor. P. Cruz, Mandaluyong City which is being leased out to tenants; and
4. A parcel of land with a building located at A.Arnaiz Avenue, Makati City which serves as the management and administrative building of the Company. *See notes below* ***

The Company also owns several properties which were purchased for investment purposes, namely:

1. A parcel of land located in Cabuyao, Laguna
2. A parcel of land located in Tagaytay
3. A parcel of land in Angeles City
4. A parcel of land in FTI Taguig
5. An office unit in PSE, Fort BGC
6. A parcel of land in Lemery, Batangas

All of the Company's properties are owned by it as absolute and registered owner.

In the meeting of the Board of Directors of Liberty Flour Mills, Inc. ("the Company") held on November 28, 2022, the Board approved the entering and execution of a Memorandum of Understanding (the "MOU") with its subsidiary, LFM Properties Corporation ("LPC"), for the potential sale of Liberty Building and the 1,009-square meter parcel of land upon which Liberty Building is constructed (the "Property") by the former to the latter. LFMI is the registered owner of the Property which is located at 835 A. Arnaiz Avenue, Makati City.

The consummation of the sale shall be conditioned, among others, on the determination of the purchase price for the transaction based on the issuance of a fairness opinion issued by an independent third-party financial adviser jointly selected by the Company and LPC. Given the time needed for the preparation of the fairness opinion and its study upon issuance, the Company and LPC aim to enter and execute a deed of sale in the first quarter of 2023 if a favorable recommendation/opinion is secured from the independent-third party financial adviser. In case shares of the Company will be used for payment of the transaction (Property for share swap), both parties commit and accept to issue shares that will be in compliance with the 20% public float policy and with all the necessary approval from the relevant regulators.

At March 27, 2023 meeting of the Board of Directors, the Board has approved the sale of Liberty Building to LFM Properties Corporation (hereafter "LPC") at a price equivalent to 28%, more or less, of the asset value of LFM. The valuation of the transaction will be subjected to a fairness opinion by an independent third-party adviser within the next weeks. If a favorable opinion is secured, the Company and LPC intend to execute a contract to sell on or before April 30, 2023.

The Company currently does not have any plans of acquiring any other real property within the next twelve (12) months.

3. Legal Proceedings

The Company is involved in legal proceedings and tax assessments and claims occurring in the ordinary course of business. In consultation with the Group's external legal counsels, management believes that the ultimate disposition of the above matters will not have any material adverse effect on the Group's operations or its financial condition.

However, there are no pending criminal cases filed against the Company or any of its directors and key officers.

4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

5. Market for Company's Common Equity and Related Stockholder Matters

Market Information

The shares of the Company consist solely of common shares which are presently listed and traded in the Philippine Stock Exchange. The high and low sales prices for the shares of the Company for each quarter within the last two fiscal years are as follows:

2022	High	Low
First Quarter	25.00	24.95
Second Quarter	22.40	21.00
Third Quarter	17.80	17.80
Fourth Quarter	19.48	19.48
2021	High	Low
First Quarter	33.00	32.00
Second Quarter	30.60	30.40
Third Quarter	27.55	27.35
Fourth Quarter	27.25	27.20

Holdings

As of December 31, 2022, there are 447 holders of common shares of stocks of the Company.

The top 20 stockholders of the Company as of December 31, 2022 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,521,231	40.35%
2.)	PCD Nominee Corp.(F)	48,640,343	32.43%
3.)	Bacsay Management Corp.	5,589,742	3.73%
4.)	Sebring Management Corp.	3,122,102	2.08%
5.)	E.K.I Tourist Dev. Corp.	2,855,505	1.90%
6.)	L & J Agricultural Inc.	2,417,841	1.61%
7.)	Moreno, Jose Jr.	928,277	0.62%
8.)	Lopez Jr., Eduardo	915,468	0.61%
9.)	Pulmones, Amelia Kalaw	913,613	0.61%
10.)	Carvina Farms Inc.	769,920	0.51%
11.)	Feria, Paula K.	737,112	0.49%
12.)	Fajardo, Erwin M.	697,337	0.46%
13.)	Kalaw, Regina	628,116	0.42%
14.)	Lopez, Jose Ma. S.	624,465	0.42%
15.)	Hsu, Philip	602,405	0.40%
16.)	Galan, Norma Yu	524,745	0.35%
17.)	Fajardo, Eric	521,796	0.35%
18.)	Javellana, Maria Teresa V.	509,493	0.34%
19.)	Maramba III, Felix R.	487,934	0.33%
20.)	Quiros, Ma. Cristina V.	475,344	0.32%

Dividends

Cash Dividends

The average cash dividend per share of the Company was ₱.30 in 2022, P0.50 in 2021 and ₱0.50 in 2020.

Property Dividends

On November 25, 2020, the Parent Company's BOD approved the declaration of property dividends of 10.35 billion common shares of LPC (with a par value of ₱0.01 per share), with an entitlement ratio of sixty-nine (69) shares of LPC for every one (1) share of the Parent Company, to eligible stockholders of the Parent Company as of record date of December 18, 2020.

In August 2021, LPC secured the SEC approval while in November 2021, the application for Certificate of Registration has been approved by the BIR but the release of eCARs was partially done for the 439 stockholders by BIR. The stock certificates for property dividends were distributed on June 30, 2022.

The following table contains information regarding the dividend declaration and distribution on the common stock of the Company for the years 2022, 2021 and 2020.

	Dividend Type	Record Date	Rate	Amount
For 2022	Cash	December 16, 2022	3%	P45,000,000.00
For 2021	Cash	June 11, 2021	5%	P75,000,000.00
For 2020	Property	December 18, 2020	69 LPC shares per LFM Share	P88,001,880.00
For 2020	Cash	July 14, 2020	5%	P75,000,000.00

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

Unappropriated retained earnings, beginning	₱972,990,527
Less:	
Cumulative fair value on financial assets at FVTPL as at December 31, 2021	(6,166,492)
Deferred tax assets	(1,462,452)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	965,361,583
Add: Net income actually earned/realized during the year	
Net loss closed to retained earnings	(69,884,245)
Less: Non-actual/unrealized income, net of tax	
Fair value gain on financial assets at FVTPL	(1,327,245)
Movement in deferred tax assets	1,462,452
Net income actually earned/realized during the year	(69,709,038)
Less: Cash dividend declaration during the year	(45,000,000)
Total retained earnings available for dividend declaration, end	₱850,652,545

Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

The Company has not sold any securities, whether unregistered or exempt or any issuance constituting an exempt transaction under the Revised Securities Act (RSA) or the Securities Regulation Code (SRC), during the past three (3) years.

6. Management's Discussion and Analysis or Plan of Operation

The selected financial information of the Company set forth below are derived from the audited financial statements submitted by Sycip Gorres Velayo & Co. for 2022:

Income Statement Data

For the Year December 31
(in Millions)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Income	1,780,232	1,515,241	1,461,398
Expense	(1,890,468)	(1,343,377)	(1,219,160)
Income Before Tax	(110,236)	171,864	242,239
Provision for Tax	(4,921)	(33,689)	(49,814)
Net Income	(115,157)	138,175	192,425

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this Annual Report.

Results of Operations

CY 2022

The sales revenue from flour & mill feed business for the year ending December 31, 2022 posted an increase of 25% from previous year 2021 primarily due to several price increases implemented to negate effect of price increases of wheat despite decline in sales volume. In terms of Sales Value, the Company delivered P1,490.27 million vs. P1,195.55 million in 2021. However, Cost of Sales had increased by 37% primarily due to increase in US\$ cost of wheat mainly due to effect of Russia-Ukraine war and peso depreciation resulting to a lower gross margin. The combined lease rental income of the Company and from one of the subsidiaries amounting to P265.22 million compared to P253.99 million in year 2021 recorded a slight increase of 4%.

As of the year ended December 31, 2022, the total gross income amounted to P260.53 million, as compared to December 31, 2021 which was P362.62 million for a decrease of 28%. Decline on gross income was due to higher cost of sales. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P147.89 million in CY2022 and P172.52 million in PY2021, for a decrease of 14.3% as a result of big reduction in marketing expenses. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P4.59 billion in CY2022 compared to P4.20 billion in PY2021 which was an increase by 9.5%. The total combined liabilities for CY2022 amounted to P1.97 billion which is higher by 47%, vs. P1.34 billion in 2021. The increase was primarily due to increase in Trust Receipts and Notes Payable.

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

For the year 2022 there was one-off transaction which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in CY2022 as compared to PY2021:

Financial Assets at FVTPL – The significant decrease made in 2022 is because of the mark to market adjustment made by one of the subsidiaries.

Inventories – The significant increase of 218.5%% in inventory is due to higher volume importation with very high US\$ cost/MT – more than double the usual price in anticipation of supply problem due to Russia-Ukraine war.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent– The decrease in Accrued Rent is primarily due to pretermination of lease contract of one of the major tenants of the Company's subsidiary.

Notes payable – Increased by 413.4%% because of the Company's availments and increase in existing payables of one of the subsidiaries.

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

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

Accrued Retirement Liability – The decrease is primarily due to changes in actuarial valuation.

CY 2021

The operations for the year ending December 31, 2021 posted slight increase from previous year 2020 as the total sales volume of Bakery Flour & Mill Feeds made an increase by 8%. In terms of Sales Value, the Company delivered P1,195.55 million vs. P1,088.62 million in 2020 for an increase of 9.8%. However, Cost of Sales had increased by 17% primarily due to increase in US\$ cost of wheat and peso depreciation resulting to a lower gross margin. The lease rental from one of the subsidiaries amounting to P223.74 million contributed a lot in generating a Net Income for the year of P138.17 million as compared to P192.42 million in 2020.

As of the year ended December 31, 2021, the total gross income amounted to P362.62 million, as compared to December 31, 2020 which was only P312.04 million for an increase of 16%. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P172.52million and P178.12million, respectively. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P4.20 billion in CY2021 compared to P4.13 billion in PY2020 which was an increase by 2%. The total combined liabilities for CY2021 amounted to P1.34 billion which is higher by 4%, vs. P1.29 billion in 2020.

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

For the year 2021 there were one-off transactions which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in CY2021 as compared to PY2020:

Financial Assets at FVTPL – The significant increase made in 2021 is because of the reclassification on the recognition and acquisition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant decrease of 46.60% in inventory is due to timing difference as the usual order quantity for the wheat requirements was delayed for the following month/year.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent– The increase in Accrued Rent is partly due to additional rental spaces during the year and because of the adjustment made on the recognition of rental income using straight line method based on the terms of the lease agreement per PAS 17 on Lease.

Other Noncurrent Assets – The decrease for other noncurrent assets pertain to the reclassification of account for the purchase of new machineries, being installed but not yet operational to construction in progress.

Notes payable – Decreased by 76.4% because one of the Company's subsidiaries, LPC paid P443.34 million during the year for the previously availed loans.

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

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

Accrued Retirement Liability – The decrease is primarily due to changes in actuarial valuation.

CY 2020

The operations for the year ending December 31, 2020 posted a significant turnaround from previous year 2019 as the sales volume of Bakery Flour & Mill Feeds made a substantial increase by 52%. In terms of Sales Value, the Company delivered P1,088.62 million vs. P742.47 million in 2019 for an increase of 47%. Demand for flour increased steadily until 4th quarter of CY2020 as this is an essential item for food needed during the continuous community quarantine implemented by government to prevent spread of COVID-19. Likewise, Cost of Sales had increased by 44% primarily due to increase in sales. The lease rental from one of the subsidiaries made an increase by 27% from prior year despite of rent concessions given to its tenants due to COVID-19. Lease Rental in 2020 is P262.84 million vs. P206.59 million in 2019. Dividend income was lower versus previous year due to callable redemptions in some investment instruments and interest income was slightly lower also due to some maturities. There was also a decrease in interest expense of 27.5% incurred by one of the subsidiaries due to loan repayments compared to 2019. The increase in revenue both from sales of products and lease income generated a Net Income for the year of P192.42 million as compared to P85.16 million in 2019 or an increase by 56%.

As of the year ended December 31, 2020, the total gross income amounted to P378.51 million, as compared to December 31, 2019 which was only P312.04 million for an increase of 21%. Gross income was accounted as coming from the gross profit from the sale of the company's products, rental and real estate income, interest income, and dividend income. Operating expenses and finance costs amounted to P172.28million and P178.12million, respectively. Operating expenses consists of selling and administrative expenses such as salaries and wages, employee's welfare, depreciation, outside services, taxes, insurance, communications, office supplies, transportations, repairs, maintenance, interest and other expenses.

The total combined assets amounted to P4.13 billion in CY2020 compared to P3.70 billion in PY2019 which was an increase by 12%. The total combined liabilities for CY2020 amounted to P1.29 billion which is higher by 22%, vs. P1 billion in 2019.

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

For the year 2020 there were no seasonal aspects which had a material effect on the Company's financial statements.

Below is a discussion of material changes of accounts which had increased or decreased by 5% or more in CY2020 as compared to PY2019:

Financial Assets at FVTPL – The significant increase made in 2020 is because of the reclassification on the recognition made by one of the subsidiaries as shown in the statement of cash flows.

Inventories – The significant increase of 106.30% in inventory is due to the higher purchases of wheat inventories in anticipation of further deterioration in prices of imported wheat coupled with increase in demand.

Financial assets at FVOCI – There has been material changes of the account because of the fair value changes at the end of the year.

Accrued Rent and Other Noncurrent Assets– The increase in Accrued Rent is partly due to additional rental spaces during the year and because of the adjustment made on the recognition of rental income using straight line method based on the terms of the lease agreement per PAS

17 on Lease. While the increase for other noncurrent assets pertain to progress billing payments made by the Parent Company to the supplier for the purchase of new machineries, being installed but not yet operational.

Notes payable – Decreased by 8.4% because one of the Company's subsidiaries, LPC paid P52.90 million during the year for the previously availed loans.

Accounts Payable and accrued expenses – The increase of 172% is primarily due to the higher liabilities under trust receipts of the Parent Company due to higher importations of wheat grains.

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

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

Accrued Retirement Liability – The decrease is primarily due to actuarial changes.

Summary of 2023 and 2024 Forecasted Financial Statements

The Company has prepared financial projections for the years ending December 31, 2023 and 2024. The Company forecasts its net loss in CY2023 to decrease by 06-10% from its preceding year while there will be a turnaround in CY 2024 as net income is projected.

The Company has no material commitments for capital expenditures for the year 2023.

As the forecast is based on assumptions about circumstances and events that have not yet occurred and are subject to significant uncertainties beyond the Company's control, there can be no assurance that the forecast will be realized. Actual results may be materially different from those shown in the forecast. Under no circumstances should the inclusion of the forecasted financial statements be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions, or that the Company will achieve or is likely to achieve the particular results.

Management Discussion of Future Plans for Operation

The Company intends to finalize the sale of its property in Arnaiz Ave. Makati City to its partly owned subsidiary to focus on flour milling and other related businesses.

7. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Company's consolidated audited Financial Statements for the year ended 31 December 2022 is attached as Annex "A" of this Report.

8. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING DISCLOSURE

There have been neither changes in nor disagreements with accountants on accounting and financial disclosure.

In compliance with the Code of Corporate Governance and SEC memorandum Circular No.8, Series of 2003, the Corporation replaced its former external auditor, KPMG Manabat Sanagustin (formerly, Laya Mananghaya & Co.) with Sycip Gorres Velayo & Co. effective October 2007.

The Company paid P1,335,000 net of VAT and OPE, for the audit services for the group.

In the selection of auditors, the audit committee give nominations to the Board which, the Board along with the stockholders select and approve during the annual stockholders' meeting.

PART III - CONTROL AND COMPENSATION INFORMATION

9. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The Articles of Incorporation of the Company provide that the Directors of the Company shall hold office for one (1) year and until their successors are elected and qualified.

The Directors of the Company are as follows:

Name of Directors	Age	Citizenship	Position
William Carlos Uy	81	Filipino	Chairman of the Board
Sandra Judy Uy	45	Filipino	Director
John Carlos Uy	72	Filipino	Director
Vicente S. Vargas	66	Filipino	Director
William L. Ang	72	Filipino	Director
David Ng*	61	Filipino	Director
Jose Ma. S. Lopez	78	Filipino	Director
Jose S. Jalandoni	68	Filipino	Director
Lourdes Chan	62	Filipino	Director
Daniel R. Maramba	49	Filipino	Director
Jose A. Feria Jr.*	75	Filipino	Director

* Independent Director

The Senior Management of the Company is as follows:

Name	Age	Citizenship	Position
Sandra Judy Uy	45	Filipino	President
Jose Ma. S. Lopez	78	Filipino	Senior Vice President & Treasurer
Vicente S. Vargas	66	Filipino	Corporate Secretary

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

William Carlos Uy. 81 years old. He serves as the Chairman of the Board of Directors. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a Corporate Treasurer of Malayan Bank.

John Carlos Uy. 72 years old. He is a Director of the Company. He also serves as a director and the general manager of Parity Values, Inc., one of the stockholders of the Company.

Vicente S. Vargas. 66 years old. He is a director and Corporate Secretary of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., JM Cold Storage, Inc., JM Kool Corporation. He also serves as the Executive Vice-President and Chief Operating Officer of JM & Company, Inc. and Treasurer of McJola, Inc. and L&J Agricultural, Inc.

William L. Ang, 72 years old. He is a Director of the Company. He serves as Vice President and Treasurer starting March 1, 2022 of LFM Properties Corporation (LPC). Mr. Ang holds the position of First Vice President and Treasurer of Parity Values, Inc. He is also a stockholder and Treasurer of Trade Demands Corporation and a Director of Securities Clearing Corporation of the Philippines.

Jose Ma. S. Lopez. 78 years old. He is a director and Senior Vice President and Treasurer of the Company. Likewise, he is a Director in other corporations including Agchem Manufacturing Corporation, LFM Properties Corporation and Liberty Commodities Corporation. He is also the Senior Vice President for Lopez Sugar Corporation.

Jose S. Jalandoni. 68 years old. He is a director of the Company and Audit Committee Member. He serves as the President of LFM Properties Corporation (LPC) starting April 19, 2021. He is currently the Chairman of Valueline Realty Development Corp and Unicom Ingredients Phils Inc., Chairperson of Kanlaon Farms, Inc., Vice Chairman of Enterprise Car Lease Phils Inc, President of Beechwood Corp and Percom OPC., He also serves as Corporate Secretary of Kanlaon Development Corporation, Piliwood Bacolod Corp, Jayjay Realty Corporation JM & Company, Inc., Assistant Treasurer of JM Profreeze, Assistant Corporate Secretary of JM Brenton, and Director and Officer in Charge in Agchem Manufacturing Corporation.

David Ng, 61 years old. He is an independent director of the Company. He is presently holding the President of Merlin Mining Corporation, Sandalfold Estate Development Corporation, and Lucky Jade Corporation. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc. and a Partner in CNP Architects. He also serves as an independent Director of LFM Properties Corporation (LPC).

Lourdes Chan, 62 years old. She is the Treasurer & Board Member of Kanlaon Development Corporation; Kanlaon Farms, Inc. and Jayjay Realty Corporation; Board Member of JM & Company; Alegria Development Corporation and Valueline Realty & Development Corporation.

Sandra Judy Uy. 45 years old. She serves as a President of the Company. She is also a director of Uniguarantee Insurance Brokerage, Inc.

Daniel R. Maramba. 49 years old. He is a Director of the Company. He is also the President of Agchem Manufacturing Corp.; Treasurer of New Now Next, Inc. and Mac2 Group Manila, Inc. and Director of Uniguarantee Insurance Brokerage.

Jose A. Feria Jr., 75 years old. He serves as the Company's Independent Director. He is presently the Senior Partner of Feria Tantoco Daos Law Offices. Atty. Feria holds the Chairman position for the following Companies: Assessment Analytichs, Inc., Cyan Management Corporation, Philippine Multi-media Systems, Inc., MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Spencer Food Corp., Vinnel Belvoir Corp. and Padre Burgos Realty, Inc. He also serves as Vice Chairman of Directories Philippines Corp. Moreover, Atty. Feria is a Director of the following Companies: LFM Properties Corporation., EYP.PH Corporation, AeroAsia, Inc., HL&F Management Corp., Macawiwili Gold Mining & Development Corporation, Metropolitan Insurance Corp., Montecito Properties, Inc, Padre Burgos, Pru-Life Insurance Corp.-UK, Telephilippines Inc. and lastly, he is the Corporate Secretary of AisAsia Inc., All Asian Counter Tarde, Inc., Felvisol Development Corp. and Sanara Inc.

All the directors and officers of the Company possess a high degree of integrity and character and are fully capable and able to perform their duties as directors and officers, respectively. None of the directors or officers has been declared bankrupt nor has there been any petition filed by or against any of the directors, nor to any businesses of which they were a part of. Nor have any of them been convicted of any crime, domestic or foreign and there are no criminal proceedings presently pending against any of them. Nor have any of them been temporarily or permanently barred, suspended or otherwise limiting any of their involvement in any type of business.

10. Executive Compensation

The aggregate compensation paid to the Company's Executive Officers for the years 2022 and 2021 are P7.87million and P14.07million respectively.

Information as to the aggregate compensation paid or accrued by the Company during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company's Chief Executive Officer and Three (3) most highly compensated executive officers, namely, William Carlos Uy, Jose Ma. S. Lopez and Sandra Judy Uy are as follows:

In Million Pesos

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman	2023	8.03	6.52	1.51
Sandra Judy Uy	President				
Jose Ma. S. Lopez	SVP-Treasurer				

In Million Pesos

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman	2022	7.87	6.39	1.48
Sandra Judy Uy	President				
Jose Ma. S. Lopez	SVP-Treasurer				

In Million Pesos

Name	Position	Year	Total Compensation	Compensation	Bonus & Others
William Carlos Uy	Chairman & President	2021	14.07	7.80	3.85
Sandra Judy Uy	SVP Manufacturing				
Jose Ma. S. Lopez	SVP-Treasurer				

11. Security Holders

As of December 31, 2022, there are 447 holders of **common shares** of stocks of the Company.

The top 20 stockholders of the Company as of December 31, 2022 are as follows:

	Name of Stockholder	Number of Shares held	Percentage
1.)	Parity Values, Inc.	60,521,231	40.35%
2.)	PCD Nominee Corp.(F)	48,640,343	32.43%
3.)	Bacsay Management Corp.	5,589,742	3.73%
4.)	Sebring Management Corp.	3,122,102	2.08%
5.)	E.K.I Tourist Dev. Corp.	2,855,505	1.90%
6.)	L & J Agricultural Inc.	2,417,841	1.61%
7.)	Moreno, Jose Jr.	928,277	0.62%
8.)	Lopez Jr., Eduardo	915,468	0.61%
9.)	Pulmones, Amelia Kalaw	913,613	0.61%
10.)	Carvina Farms Inc.	769,920	0.51%
11.)	Feria, Paula K.	737,112	0.49%

12.)	Fajardo, Erwin M.	697,337	0.46%
13.)	Kalaw, Regina	628,116	0.42%
14.)	Lopez, Jose Ma. S.	624,465	0.42%
15.)	Hsu, Philip	602,405	0.40%
16.)	Galan, Norma Yu	524,745	0.35%
17.)	Fajardo, Eric	521,796	0.35%
18.)	Javellana, Maria Teresa V.	509,493	0.34%
19.)	Maramba III, Felix R.	487,934	0.33%
20.)	Quiros, Ma. Cristina V.	475,344	0.32%

12. Certain Relationships and Related Transactions

Some of the directors of the Company are also directors and stockholders of the different distributors of the different brands of flour of the Company. All transactions, however, between the Company and the distributors are at arm's length transactions and above board.

Family Relationships

William Carlos Uy and John Carlos Uy are brothers. Sandra Judy Uy is the daughter of William Carlos Uy and niece of John Carlos Uy. Likewise, Jose S. Jalandoni and Lourdes Jalandoni Chan are siblings. Jose S. Jalandoni, Lourdes Jalandoni Chan, Jose Ma. S. Lopez and Vicente S. Vargas are first cousins.

Other than the above, the Company is not aware of any family relationships among the directors, senior management or persons nominated or chosen by the Company to become directors or senior managers.

PART IV – CORPORATE GOVERNANCE

13. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Company continues to abide by the duly adopted Manual on Corporate Governance of the Company (the “Manual”) and the Code of Corporate Governance promulgated by the Securities and Exchange Commission. Pursuant thereto, the Company appointed Ms. Maria Elisa G. Ledesma, as the Compliance Officer of the Company to ensure the Company’s adherence to corporate principles and best practices and monitor compliance with the provisions and requirements of the Manual.

In addition to the Audit Committee composed of David Ng as Chairman and Jose S. Jalandoni and Jose A. Feria, Jr. as members. The Company also constituted its Nomination Committee and appointed Jose A. Feria, Jr. as its Chairman with Vicente S. Vargas and John Carlos Uy as members. The Company also created its Compensation and Remuneration Committee composed of David Ng as Chairman and Jose Ma. S. Lopez and William L. Ang as members. Furthermore, the Company created its Risk Oversight Committee appointed Jose A. Feria, Jr. as Chairman with David Ng and William L. Ang as members.

There have been no deviations for the past year from the Company’s Manual of Corporate Governance.

The Company continuously reviews and evaluates its Manual in order to ensure that the Company’s practices are compliant with leading practices on good corporate governance.

PART V – EXHIBITS AND SCHEDULES

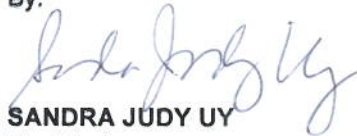
Also attached in this report the following attachments:

- Annex A - Consolidated Financial Statement
- Annex B – Sustainability Report
- Annex C – Parent Audited Financial Statement

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on the 12th of April, 2023.

By:


SANDRA JUDY UY
President


JOSE MA. S. LOPEZ
SVP Treasurer


VICENTE S. VARGAS
Corporate Secretary


MARIA LUISA L. QUIZON
Chief Accountant

SUBSCRIBED AND SWORN to before me this APR 14 2023 day of _____ affiant(s) exhibiting to me their Social Security System IDs, as follows:

Name	TIN
Sandra Judy Uy	33-5986681-1
Jose Ma. S. Lopez	03-1212721-5
Vicente S. Vargas	03-5142687-0
Maria Luisa L. Quizon	03-3938582-3

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Book No. 171
Series of 2023.


ATTY. RENE M. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 9565544; 01-03-2023; Makati City
IBP Lifetime No. 013595; 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeros, Makati City 1204

SUSTAINABILITY REPORT

LIBERTY FLOUR MILLS, INC.

Company Details	
Name of Organization	Liberty Flour Mills, Inc.
Location of Headquarters	Liberty Building, 835 A. Arnaiz Avenue, Makati City
Location of Operations	528 F. Blumentritt Extension Mandaluyong City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report is limited to the operations of Liberty Flour Mills, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	The primary activity of the corporation is the milling and manufacturing of various kinds of hard and soft flour. These include <i>El Superior</i> and <i>LFM Bakers</i> which is used for the baking of bread; <i>Pine Tree</i> and <i>LFM Soft Flour</i> which is used for the Manufacture of biscuits and cookies; and an all-purpose flour sold under the brand name <i>Maya All-Purpose Flour</i> . The company also sells Mill feed, which is a by-product of the manufacturing process, which is used as a component for animal feeds.
Reporting Period	For the year ending on December 31, 2022
Highest Ranking Person responsible for this report	SANDRA JUDY UY President

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. ¹
<p>Liberty Flour Mills, Inc. acknowledges that in the course of running its business, there will be significant impacts on the environment as well as the communities that surround where we do business in. Hence, in the application of the materiality principle, it was of critical importance that the in drafting and creating the sustainability report that there be a descent into the particulars.</p> <p>Consequently, in the course of preparation of the report, the company looked at what its strengths are, what areas need improvement, what risks are of concern or of a growing concern, and how risks can be mitigated. However, the analysis did not stop there. There was a descent into the particulars of whether the strengths, mitigation measures for areas of improvement and risk diversion would create a substantial impact to our stakeholders and the environment.</p> <p>The Company acknowledges that if continuing strengths and mitigation measures carry with them negative and harmful social and environmental impacts, this would not be a sustainable practice for the company.</p> <p>There were also instances when the report when its application or requested information was difficult to extract, since the company does not or has not kept track of such data, nor does it possess historical data. In this scenario, while no accurate information could be provided, it gave</p>

¹ See [GRI 102-46](#) (2016) for more guidance.

insight to what additional matters the Company should be paying attention to. Additionally, when the report called for the Company to provide a course of action it will undertake in the future, the most sustainable option was selected.

Furthermore, if there was a request for disclosure of information, and the information requested for was not certain, the figures chosen to be reported were conservative estimates that leaned away from showing an over-compliance with sustainability goals, rather would provide for figures which would serve as a benchmark for the company to improve on. The logic and reason behind this choice of methodology is in the ingrained tendency for there to be complacency when figures and data slant favorably towards the Company.

For the year 2020, the dynamics of the COVID-19 Pandemic were also considered for purposes of the materiality principle.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount - In Thousands of Pesos	Units
Direct economic value generated (revenue)	1,755,489,840	PhP
Direct economic value distributed:		
a. Operating costs	131,702,511	PhP
b. Employee wages and benefits	52,221,350	PhP
c. Payments to suppliers, other operating costs	1,472,270,671	PhP
d. Dividends given to stockholders and interest payments to loan providers	105,863,856	PhP
e. Taxes given to government	16,314,573	PhP
f. Investments to community (e.g. donations, CSR)	6,000	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The largest risk faced by the Company is the trend of increasing prices of raw materials, particularly wheat.</p> <p>Wheat, the quality of which is needed to produce flour, cannot be sourced locally – hence the Company's wheat requirement is sourced from overseas. Over the past year, there has been a trend of an increase in the price of wheat, added to this is the fluctuation of</p>	<p>Employees and customers</p>	<p>The increase in the price of wheat, and the fluctuations in foreign currency are matters that cannot be controlled by the Company. Hence, to mitigate the risk the company has implemented the following:</p> <ul style="list-style-type: none"> • Modernization of the Milling Facilities – The modernization of the milling facilities aims to enhance the efficiency of the Company's milling activities. Correspondingly, this is anticipated to reduce the overall

<p>foreign currency rates. All of this conspire to create a steady and unpredictable rise in prices to an essential raw material.</p>		<p>manufacturing cost that is attributed to the flour milled. Which in turn, facilitates the offsetting of the increase in the price of raw materials.</p> <ul style="list-style-type: none"> Minimizing Variable Input Costs – In the course of production, there are variable input costs that go into the milling process. The company constantly studies on how these variable input costs can be minimized, and when minimized, if these can be further reduced or maintained at the given cost level.
<p>What are the Risk/s Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p>The Company sees multiple economic opportunities in what has been termed the <i>Fourth Industrial Revolution</i> (“FIRE”) – which pertains to the rapid digitalization that is prevalent in our lives today.</p> <ul style="list-style-type: none"> There is a growing demand for flour. Such demand is brought about by different segments of society engaging in baking activities. These may be used for the manufacturing or consumption of breads, cakes, biscuits, and the like. <p>Additionally, the rise in online commerce by Micro and Small entrepreneurs, particularly those offering food, creates an avenue of largely untapped customers.</p> <ul style="list-style-type: none"> FIRE has created a broader wealth of knowledge and exposure to our consumer base – including social media influence on consumer behavior. Over the past years, 	<p>Consumers, suppliers, manufacturers, delivery chains and employees</p>	<p>To maximize these opportunities, the company has enhanced its Research and Development to produce flours that would cater to various customer demands.</p>

<p>there has been an increase in the demand for alternative types of flour, such as whole wheat flour, low glycemic flour, among others.</p> <p>The consumer demand for alternative and specialized flours are avenues which the company can use to diversify its offerings.</p>		
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Climate-related risks and opportunities²

Governance	Strategy	Risk Management	Metrics and Targets
<p>The Company has a Risk Oversight Committee which is primarily for tracking, collating, and analyzing the various risks that LFM faces.</p>	<p>Natural disasters (eg. Typhoons and floods) are risks that the Company faces. As mentioned above, wheat, which is an essential raw material in the production of flour is sourced from abroad. This being the case, natural calamities play a big role in the management of the company's supply chain.</p> <p>In addition to affecting the supply chain, natural disasters also affect the distribution of the Company's goods. Being perishable in nature, there is a need to deliver the goods from the factory to end consumer as quick as possible.</p>	<p>To mitigate the supply chain risk, the Company ensures that it has sufficient stock of its raw materials.</p> <p>To mitigate distribution risks, the Company ensures that it has made the proper arrangements and provisions with its partners to ensure the delivery of the goods.</p>	<p>To measure the effects of natural calamities, the Company looks at the following:</p> <ul style="list-style-type: none"> • Number of days of delay for the raw materials. • Number of undelivered locations for distribution of products. • Time of downtime of the manufacturing facility. • Costs to repair any damage to property, plant and equipment. • Costs of damaged or spoiled raw materials and finished goods.
<p>In addition to the Risk Management and Oversight Committee, the Executive Board</p>	<p>The Company looks into the severity and probability of the climate-related</p>	<p>The Company identifies, assesses and manages climate-related risks through a</p>	<p>Natural catastrophes, such as floods and typhoons, will directly affect the Company's</p>

² Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

oversees all risk and opportunities, including physical risks related to climate.	risks/opportunities on wheat production which can result to variation on wheat prices. Furthermore, physical safety risks related to frequently occurring typhoons and flooding which can hamper the milling process as well as delivery of flour to our customers.	risk-based thinking associated with ISO 9001:2015	operations. These are measured through the following: <ul style="list-style-type: none"> • Number of days of non-milling of flour. • Number of days of Work Suspension due to typhoons and calamity in the flour milling area and delivery to various customer sites. • Costs of repair or replaced damage or destroyed assets. • Costs for maintenance due to wear and tear on or damage to infrastructure.
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Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	<i>Variable, and subject to change.</i>	%

Note: As mentioned earlier, the main raw material used by the Company is wheat. The percentage of local suppliers will change depending on the amount of wheat sourced from abroad.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Suppliers and Contractors are chosen based on predetermined requirements and their capacity to fulfill the needs of the Company in the most economically feasible manner.	Employees, Suppliers, Contractors, and Customers.	The Company requires that those that it deals with possess all the necessary permits and licenses necessary to operate.

Wheat, which is the main raw material needed to produce flour, is not endemic to the Philippines. Consequently, this has to be imported from the United States of America. Given the fact of its importation, there is a need to have the wheat transported in barges and shipped using trucks. All of these contribute to the use of fossil fuels.	Community	The Company tries to maximize shipments and place orders in the most economic manner possible. This would both aim to reduce the Company's costs as well as the indirect fossil fuel impact.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Poor production yield (as a result of climate-related factor) of wheat in the US affects the price of this key raw material for flour production. This leads to a poor quality of flour.	Suppliers	Close monitoring of wheat prices and constant search for the best wheat qualities suitable for local flour production.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Best global practices in flour milling can be readily accessed, with advancement in digital technology.	Suppliers	Research and development in modernized milling operations to maximize efficiency.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	No formal training	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	No formal training	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	No formal training	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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The Company has an Anti-Corruption Policy in its Code of Corporate Governance.	Employees, suppliers, service providers, and Government.	The Company has an Anti-Corruption and Bribery policy which prohibits directors, officers, management, and all employees from offering or receiving any benefit to “facilitate transactions. To implement such policy, the Company has a Whistleblowing Policy which can be found in the Company’s Code of Corporate Governance.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Bribery and corruption may be facilitated by employees, suppliers, or service providers, without the knowledge of the Company.	Employees, suppliers, service providers, and the Government.	In the exercise of its day-to-day operations, the Company endeavors to ensure that employees handling government facing roles do not engage in corrupt practices. It is difficult to monitor compliance with this from the supplier and service provider’s side since their operations are not controlled by the Company. However, in the selection of suppliers and service providers the Company selects those with good reputations – both business wise and ethically.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
An opportunity that the Company has is to communicate the anti-corruption policy, not only to government and regulatory facing employees, rather to all.	Employees	Management will endeavor to come up with a training program, if feasible, to orient its employees on the Anti-Bribery and Corruption Policy and Whistleblowing Policy of the Company.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#-
Number of incidents in which employees were dismissed or disciplined for corruption	None	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
For the 2022 Fiscal Year, there were no reports or incidents that the Company has knowledge of.	Employees, suppliers, service providers, and the Government.	To ensure that this remains the same moving forward, the Company will communicate such to its directors, officers, and employees.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
If there is a lapse in oversight, some employees or suppliers, or service providers, may be tempted to engage in corrupt practices to help expedite certain matters.	Employees, suppliers, service providers, and the Government.	To ensure that this does not happen, the Company will endeavor to monitor transactions that its employees have with the government, as well as remind its suppliers and service providers, that the company will not tolerate them engaging in corrupt practices.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
No opportunities identified.		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	NONE	NONE
Energy consumption (gasoline)	132.438	GJ
Energy consumption (LPG)	95.942	GJ
Energy consumption (diesel)	307.986	GJ
Energy consumption (electricity)	4,863,729.68	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	51.622	GJ
Energy reduction (LPG)	NONE	GJ
Energy reduction (diesel)	NONE	GJ
Energy reduction (electricity)	NONE	kWh
Energy reduction (gasoline)	51.622	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The milling and production of flour consumes a great amount of electricity.	Community	The Company seeks to ensure that the use of energy is in the most efficient manner. Furthermore, the Company is also in the process of upgrading its machinery, and such upgrade would make the mills run more efficiently, hence consume less power.
<p>Wheat, which is the main raw material needed to produce flour, is not endemic to the Philippines. Consequently, this has to be imported from the United States of America.</p> <p>Given the fact of its importation, there is a need to have the wheat transported in barges and shipped using trucks. All of these contribute to the use of fossil fuels.</p> <p>These are metrics that the Company cannot accurately measure since these are indirectly attributable and not directly incurred.</p>	Community	The Company tries to maximize shipments and place orders in the most economic manner possible. This would both aim to reduce the Company's costs as well as the indirect fossil fuel impact.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No significant risks were reported or identified.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company makes a constant effort to try and lower the amount of energy consumption that the company consumes in every aspect of its operations. This not only helps the environment, it also reduces the Company's operating costs.	Employees, Community	The Company implements measures to try and lessen its energy consumption. Among these measures is the modernization and utilization of upcoming technologies for the manufacturing of flour.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	16,303	m ³
Water consumption	12,173.28	m ³
Water recycled and reused	n/a	m ³

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Bulk of the Company's use of water would be directly attributable to or because of its manufacturing activities. Additionally, there will be large water consumption for the lavatory facilities.	Employees	
Another source for the company's use of water would be those that are necessary for the upkeep and cleaning of facilities and employee lavatory use. These are further exacerbated by the COVID-19 pandemic where people are encouraged to constantly disinfect. Consequently, there is less focus given to reducing water consumption, and greater attention to sanitizing and disinfecting the premises. This necessarily entails an increase in the usage of water.	Employees and the Company	The Company tries to reduce its water consumption by scheduling the most optimal time for sanitation. Employees are also reminded to conscientious with their use of water.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No significant risks were reported or identified.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company makes a constant effort to try and lower the amount of water consumption that the company consumes in every aspect of its operations. This not only helps the environment, it also	Employees, Community	The Company implements measures to try and lessen its water consumption. These are done through employee reminders to conserve water, and try and use upcoming technologies in flour milling that make the milling process

reduces the Company's operating costs.		more efficient and less draining on natural resources.
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Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> renewable 	NONE	kg/liters
<ul style="list-style-type: none"> non-renewable 	46,943,320	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services	NONE	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Being engaged in the manufacturing of commodities, the products that are used by the company are non-renewable in nature, since they are meant for consumption.</p> <p>Manufacturing activities also lead to and create waste.</p>	Customers and Community	<p>The Company's a goal is to create as little waste in the manufacturing process as possible. Less waste does not only help the environment, rather it has a direct correlation to the efficiency that raw materials are used.</p> <p>Furthermore, all by-products that are not usable, are discarded and recycled properly.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
When there is a lapse in production quality, there is a greater possibility of producing rejects. The rejects, which are unfit for human or livestock consumption, are treated as waste and disposed of.	Community	<p>To mitigate the risk of poor production quality, the Company ensures that there is a step by step process in place for the manufacturing of flour.</p> <p>Management also invests in new technologies that aid the manufacturing process by reducing the instances of human error. When the rate of human error has an inverse relation to the amount of production related waste generated by the Company.</p>
Overproduction (i.e. when the Company's production exceeds consumer demand) increases the risk of waste brought about by spoilages.	Company, Customers, and Community	Management monitors market developments and tries to match production volume with the anticipated demand.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The Company has an opportunity to manufacture flour in a more efficient manner with the upgrade of its milling facilities.	Employees and Community	To aid in the efficiency and decrease human error, the Company is in the process of upgrading its milling equipment.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	n/a	
Habitats protected or restored	n/a	Ha
IUCN ³ Red List species and national conservation list species with habitats in areas affected by operations	n/a	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	none	kg
Energy indirect (Scope 2) GHG Emissions	none	kg
Emissions of ozone-depleting substances (ODS)	none	kg

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

³ International Union for Conservation of Nature

organization's involvement in the impact?		
Not applicable		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable		

Air pollutants

Disclosure	Quantity	Units
NO _x	None	kg
SO _x	None	kg
Persistent organic pollutants (POPs)	None	kg
Volatile organic compounds (VOCs)	None	kg
Hazardous air pollutants (HAPs)	None	kg
Particulate matter (PM)	None	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	350,000	kg
Reusable	NONE	kg
Recyclable	NONE	kg
Composted	NONE	kg
Incinerated	NONE	kg
Residuals/Landfilled	350,000	kg

Note: The Company has no accurate means to determine the exact weight of all its solid waste produced.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Since the company is engaged in manufacturing, there solids wastes are generated that are the byproducts of the manufacturing activities.	Community	As a matter of policy, the Company tries to reduce the amount of waste from its manufacturing activities. Furthermore, there are safeguards and procedures in place to ensure that the solid waste is disposed of properly. There are also some by-products of the milling process which may be used for other purposes. Among this are the use and sale of mill feeds to producers of animal feeds.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No significant risks were reported or identified.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
No significant opportunities were reported or identified.		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	458.175	kg
Total weight of hazardous waste transported	NONE	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company, through the course of its manufacturing activities, generates hazardous waste.	Employees and Community	The Company ensures that there are proper measures and safeguards in place for the identification and handling of hazardous waste. These are implemented to ensure the safety of the Company's employees, as well as ensuring its proper disposal.

		In the transportation of hazardous waste, the Company ensures that it handles the hazardous waste properly. If the hazardous waste is beyond the competency of the Company to handle, the services of a duly licensed and accredited third-party provider are secured.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No significant risk reported or identified.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
No significant risk reported or identified.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	16,303	Cubic meters
Percent of wastewater recycled	NONE	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a by-product of manufacturing, toilets, and sanitation facilities, the Company produces waste water.	Employees and Community	The company does not transport nor handle its own wastewater. However, to ensure that the proper handling of the wastewater, the Company ensures that the necessary facilities are in place to ensure that wastewater reaches the proper sewage.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No significant risk reported or identified.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
No significant opportunity reported or identified.		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	none	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	none	#
No. of cases resolved through dispute resolution mechanism	none	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁴	68	
a. Number of female employees	16	#
b. Number of male employees	53	#
Attrition rate ⁵	-.53	Rate
Ratio of lowest paid employee against minimum wage	n/a	Ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	20	18.87
PhilHealth	Y	20	18.87
Pag-ibig	Y	30	32.71
Parental leaves	Y	n/a	n/a
Vacation leaves	Y	15	64.48
Sick leaves	Y	30	72.89
Medical benefits (aside from PhilHealth))	Y	n/a	1.89
Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	Y	25	50
Further education support	N	n/a	n/a
Company stock options	N	n/a	n/a
Telecommuting	N	n/a	n/a
Flexible-working Hours	N	n/a	n/a
(Others)		n/a	n/a

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Flour milling requires strong technical experience, not typically acquired through vocational nor academic training. Our flour millers have at least 30 years of flour milling experience, generally homegrown, and considered pioneers in the flour milling industry since 1958.	Due to the lack of organic expertise that relates to flour milling, the Company invests time and resources to train its employees.

⁴ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁵ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Valuable time and resources are invested in our employees to ensure that they have the necessary capabilities to perform their jobs. Furthermore, they are considered by the Company as key personnel who have grown with the Company throughout the years	
What are the Risk/s Identified?	Management Approach
The aging workforce of the Company and lack of training vocational schools on flour milling for new millers poses the risk of a gap in continuity; especially when older flour millers retire or they develop health issues associated with aging.	Succession planning is slowly being put in place to develop the younger workforce. Additionally, to manage the health risk of aging employees, the Company has secured HMO coverage and other medical benefits to ensure that the health concerns of the Company's older employees are addressed. The Company is also studying various degrees of automation that would reduce reliance on physical labor.
What are the Opportunity/ies Identified?	Management Approach
As global flour milling industry moves towards automation, flour millers are slowly being eased out of the industry. This is an opportunity for tapping into the consultancy roles of these experts in the local flour milling industry.	Competitive salary and benefits packages have been designed. Technical training on recent updates in flour milling and baking industry has been offered to the employees.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	0	Hours
a. Female employees	0	Hours
b. Male employees	0	Hours
Average training hours provided to employees	0	Hours
a. Female employees	0	hours/employee
b. Male employees	0	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
As mentioned above, the skills required for flour milling are not organic to the Philippines.	The Company invests time and resources to the training of employees to ensure that they possess the necessary expertise for the flour milling functions of the Company.
What are the Risk/s Identified?	Management Approach

Flour milling technical courses are not available in the country, thus access to latest trends is limited. Although training provided abroad were done in the previous years, this was limited with travel restrictions imposed by sponsoring countries.	Updates on local flour milling industry experts are instead sought.
What are the Opportunity/ies Identified?	Management Approach
As technology advances, the need for digital literacy and skills are needed more than ever. Aside from automation to improve flour milling efficiency, our employees will need quicker and better access to information to keep up with the fast-changing world	Digitalization and automation of the processes is being studied.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	82.35	%
Number of consultations conducted with employees concerning employee-related policies	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has entered into a <i>Collective Bargaining Agreement (CBA) with its employees' union.</i>	As part and parcel of recognizing the employee's union, the Company endeavors to always maintain good relationships as well as negotiate in good faith with the union.
What are the Risk/s Identified?	Management Approach
No significant risk reported or identified.	
What are the Opportunity/ies Identified?	Management Approach
No significant opportunity reported or identified.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	22.06	%
% of male workers in the workforce	77.94	%
Number of employees from indigenous communities and/or vulnerable sector*	15	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company supports diversity in employment, where of prime importance is skill and qualification. The Company does not discriminate as to matters such as, race, sex, religion, gender orientation, political opinion, and others.	The Company implements and “ <i>equal employment opportunity for all</i> ” policy, and strays from discriminating against applicants.
What are the Risk/s Identified?	Management Approach
No significant risk reported or identified.	
What are the Opportunity/ies Identified?	Management Approach
No significant opportunity reported or identified.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	2,360	295 DAYS
No. of work-related injuries	6	CASES
No. of work-related fatalities	0	0
No. of work related ill-health	0	0
No. of safety drills	1	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company values the health, safety, and wellbeing of its employees. In furtherance of such, the company implements and complies with safety, health and welfare standards, and policies.	In the interest of the health of the Company's employees the former has implemented the following, among others: <ul style="list-style-type: none"> • Annual physical check-up. • HMO benefits for all employees. • On-site medical assistance for any work-related accidents. Our Company employs an occupational health doctor and an occupational health nurse at the Mandaluyong plant and another at the Makati office. • Hospitalization plan contract with Etiqa Life and General Assurance Philippines, Inc. and Philippine British Assurance Company, Inc.

	<ul style="list-style-type: none"> Memorandum of Agreement with VRP Medical Center.
What are the Risk/s Identified?	Management Approach
One risk that faces the Company is the aging workforce, which comes with the corresponding health issues	As mentioned above, to try and mitigate these risks the Company has secured a Hospitalization Plan, HMO Benefits, among others, to ensure that Company employees have health security.
What are the Opportunity/ies Identified?	Management Approach
No significant opportunity reported or identified.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	None

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For 2019 there were no incidents related to human rights abuse.	Employees are given an avenue through which they could voice out any complaints and concerns, including human rights violations. Under the Code of Corporate Governance, the employees have a grievance mechanism where they can submit complaints to the internal auditor, the audit committee, or any responsible officer of the Company. The choice of which avenue to course complaints is at the reporting employee's discretion.
What are the Risk/s Identified?	Management Approach
If the Company does not respect and honor human rights, these will have massive negative impacts on the morale of the employees which may lead to strikes, lockouts, work stoppages, pickets, mass resignations and the like.	The Company undertakes and ensures that it respects and values human rights. Furthermore, as part of the Company's Code of Corporate Governance, employees are treated as partners in value growth and creation.

What are the Opportunity/ies Identified?	Management Approach
No significant opportunity reported or identified.	

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	The Company does not have a specific policy for suppliers, rather there is a general Anti-Corruption Policy in the Code of Corporate Governance. It is available through this link: http://www.libertygroup.com.ph/pdf/LFM Revised Code of Corporate%20Governance 2019.pdf

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Suppliers and service providers are selected based on their ability to fulfill the needs and requirements of the Corporation.	Before a supplier is selected, the company does a background check of the following, among others: historical performance with the company; historical performance with other companies or businesses; and reputation for fair and good dealing.
What are the Risk/s Identified?	Management Approach
As mentioned previously, wheat, which is the most essential ingredient of flour manufacturing, is sourced from abroad. Furthermore, the Philippine climate is not suitable for wheat related agriculture. The lack of local sourcing places great reliance on importations of this essential raw material.	To mitigate this risk, the company ensures that it has a sufficient amount of raw materials to maintain production.
What are the Opportunity/ies Identified?	Management Approach
No significant opportunity reported or identified.	

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts	Location	Vulnerable groups (if applicable)*	Does the particular operation	Collective or individual rights that	Mitigating measures (if negative) or
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on local communities (exclude CSR projects; this has to be business operations)			have impacts on indigenous people (Y/N)?	have been identified that or particular concern for the community	enhancement measures (if positive)
DepEd	NCR	Youth	N	Food	Aside from baking skills training, the end product (bread), it also provides nutrition to these youth

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing	n/a	#
CP secured	n/a	#

What are the Risk/s Identified?	Management Approach
Not applicable	
What are the Opportunity/ies Identified?	Management Approach
Not applicable	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No data available.	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer satisfaction is essential to the Company, because it leads to repeat purchases and brand loyalty.	The Company does extensive research and development to try and modify its goods to fit consumer preferences and anticipate future demand.

What are the Risk/s Identified?	Management Approach
The Company is engaged in the manufacturing of goods meant for human consumption. This being the case, a decrease in customer satisfaction would have a direct negative impact on the goodwill and sales of the Company.	There are stringent quality control measures in place to ensure that the goods produced would be to the satisfaction of our customers.
What are the Opportunity/ies Identified?	Management Approach
The Company sees opportunity in developing new recipes and types of flour that would suit consumer preferences.	The Company tries to keep abreast of the changing consumer demands and preferences for the goods that it currently produces, as well as anticipate what consumers may demand in the future.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	NONE	#
No. of complaints addressed	NONE	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The complaints that the Company receive primarily concern the products produced by the Company.	To ensure that the customer concerns are addressed the company immediately escalates this to the relevant officer for rectification.
What are the Risk/s Identified?	Management Approach
The Company is exposed to health risks that may arise from products that are not manufactured according to the standards of the Food and Drug Administration, as well as best practices.	The Company implements stringent quality control as well as maintenance of its manufacturing equipment to ensure that goods are produced according to the aforementioned standards.
What are the Opportunity/ies Identified?	Management Approach
No significant opportunity reported or identified.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	None	#

No. of complaints addressed	None	#
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**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Being engaged in the sale of consumer goods, brand recognition is an essential aspect of the Company's business.	The Company engages in marketing activities to promote its products. Furthermore, the company also designs and creates packaging that would appeal to the consumer and create a natural draw to the Company's products.
What are the Risk/s Identified?	Management Approach
No significant risk reported or identified.	
What are the Opportunity/ies Identified?	Management Approach
The company, using online platforms both for purchase and delivery, may make its products available to a wider segment of the population.	The Company studies how it can create and/ or increase engagement with untapped customers through digital means.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
During its operations, the Company does not, as a practice, store the information of the consumers that purchase its goods - hence, this topic is immaterial.	
What are the Risk/s Identified?	Management Approach
Not applicable, please see explanation above.	
What are the Opportunity/ies Identified?	Management Approach
Not applicable, please see explanation above.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	None

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For the year 2022 there were no data breaches or security incidents.	The Company values information security, especially in these evolving times. To ensure that the Company is insulated from cyber threats, it has implemented the necessary safety and security measures as well as hired the services of a third-party contractor with more expertise on the subject to handle the matter.
What are the Risk/s Identified?	Management Approach
The increasing reliance on information technology infrastructure makes the Company susceptible to cyber-attacks, data breaches, security incidents, and the like.	As mentioned above, the company has in place security measures which would address these concerns. However, to not compromise the security systems of the company, the specifics of such shall be left out.
What are the Opportunity/ies Identified?	Management Approach
No significant opportunity reported or identified.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.



Contribution to UN SDG's:

The Company is engaged in the production and manufacturing of affordable flour, which is an integral component and raw of Filipino food staples such as bread. By manufacturing and offering affordable flour, consumer goods which are produced using the Company's products may now be offered to the consuming public at lower prices.

Mill feeds, which is a by-product of flour manufacturing, is used as an essential component for animal feeds. By providing a component of animal feeds at an affordable price, this in turn helps lower the cost of raising livestock and poultry, which leads to lower prices offered to consumers.

The ability to offer various raw materials for the manufacturing and production of consumer goods, livestock, and poultry leads to the Company's products helping vulnerable segments of the population gain access to means which they daily sustenance needs may be met.

Negative Impacts and mitigation measures:

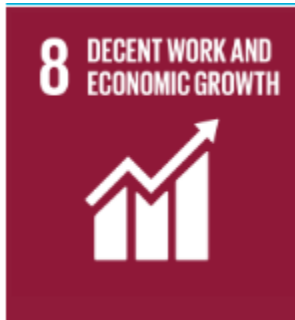
Being engaged in manufacturing of consumer goods, the Company has a large carbon footprint in terms of the use of fossil fuels. It imports wheat, which is transported through barges and ships, and transports raw materials through the use of trucks and vans.

To mitigate the fossil fuel impact, the Company tries to minimize its carbon footprint by making sure that the logistics of the company are conducted at an optimal manner.

Another negative impact that may result from the operations of the company is a large amount of solid waste that may result from spoilages and/or goods not manufactured according to standards.

To mitigate this risk, the company has in place strict quality control mechanisms to ensure that goods are produced in compliance with regulations and best practices.

A common mitigation measure to the above would be the modernization and use of information technology which would be leveraged in such a way that it would help create efficiency as well as control systems in all aspects of the Company's operations.



Contribution to UN SDG's:

Through its operations, the Company creates employment opportunity for the community. However, the company is not content with just providing employment, rather such employment should be able to sustain. In furtherance of this, the Company's goal is to pay all its employees a living wage and not just minimum wage.

Negative Impacts and mitigation measures:

A negative impact of job creation would be the Company's indirect contribution to the increase in fossil fuel usage, arising from the fossil fuels consumed by employees going to and from work.

To mitigate these risks, the Company tries to encourage employees to use alternative modes of transportation that would not require the use of fossil fuels.