

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

lfm_properties@pltdsl.net

Company's Telephone Number

893-7790

Mobile Number

—

No. of Stockholders

6

Annual Meeting (Month / Day)

2nd Wednesday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Sergio G. Locsin, Jr.

Email Address

sglsmiley@yahoo.com

Telephone Number/s

893-7792

Mobile Number

—

CONTACT PERSON'S ADDRESS

4th Floor, Liberty Building, 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 Board of Directors and Stockholders
LFM Properties Corporation
4th Floor, Liberty Building
A. Arnaiz Avenue
Makati City



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LFM Properties Corporation (a wholly owned subsidiary of Liberty Flour Mills, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, 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 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

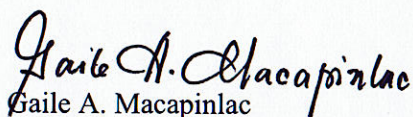
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 25 to the 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 LFM Properties Corporation. 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.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

SEC Accreditation No. 1621-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 205-947-572

BIR Accreditation No. 08-001998-126-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8125254, January 7, 2020, Makati City

June 8, 2020



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

STATEMENTS OF FINANCIAL POSITION



	2019	2018
December 31		
ASSETS		
Current Assets		
Cash (Note 4)	₱19,953,992	₱5,993,613
Receivables (Notes 5 and 20)	16,269,786	8,122,619
Financial assets at fair value through profit or loss (Note 6)	26,191,437	145,654,891
Accrued rent - current portion (Note 13)	2,313,384	-
Prepaid expenses and other current assets (Note 7)	22,216,740	31,559,014
Total Current Assets	86,945,339	191,330,137
Noncurrent Assets		
Investment properties (Notes 9 and 13)	648,517,588	681,751,287
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	183,346,704	181,105,302
Accrued rent - net of current portion (Note 13)	27,112,503	6,623,413
Property and equipment (Note 10)	481,797	48,195
Deferred tax assets - net (Note 19)	-	3,126,786
Other noncurrent assets (Note 10)	3,282,599	4,004,120
Total Noncurrent Assets	862,741,191	876,659,103
TOTAL ASSETS	₱949,686,530	₱1,067,989,240
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 11)	₱632,900,000	₱770,400,000
Accounts payable and other current liabilities (Note 12)	10,362,839	31,909,538
Current portion:		
Deposits on long-term leases (Note 13)	7,427,205	11,294,245
Unearned rental income (Note 13)	2,422,935	11,316,531
Income tax payable	-	6,412,134
Total Current Liabilities	653,112,979	831,332,448
Noncurrent Liabilities		
Deposits on long-term leases - net of current portion (Note 13)	22,250,613	15,021,340
Unearned rental income - net of current portion (Note 13)	13,292,628	12,693,876
Net retirement plan liability (Note 18)	5,761,953	5,958,934
Deferred tax liability - net (Note 19)	6,391,058	-
Total Noncurrent Liabilities	47,696,252	33,674,150
Total Liabilities	700,809,231	865,006,598
Equity		
Capital stock - ₱100 par value		
Authorized - 4,000,000 shares		
Issued - 2,500,000 shares	250,000,000	250,000,000
Other components of equity:		
Fair value changes on financial assets at FVOCI (Note 8)	(70,828,311)	(73,069,713)
Accumulated remeasurement losses on defined benefit plan (Note 18)	(1,684,031)	(2,504,295)
Retained earnings	71,389,641	28,556,650
Total Equity	248,877,299	202,982,642
TOTAL LIABILITIES AND EQUITY	₱949,686,530	₱1,067,989,240

See accompanying Notes to Financial Statements.

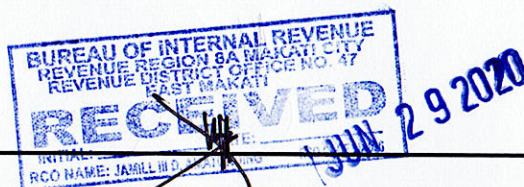


LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
RENTAL INCOME (Notes 9 and 13)	P178,571,340	P91,429,462
DIRECT COSTS (Notes 9 and 14)	70,175,447	30,734,524
GROSS PROFIT	108,395,893	60,694,938
OPERATING EXPENSES (Notes 10, 15, 16, 18 and 20)	30,699,436	23,736,009
INCOME BEFORE OTHER INCOME (CHARGES) AND INCOME TAX	77,696,457	36,958,929
OTHER INCOME (CHARGES)		
Fair value changes of financial assets at fair value through profit or loss (Note 6)	13,604,215	(9,480,264)
Dividend income (Note 6)	7,157,727	12,183,711
Interest income (Notes 4 and 5)	181,724	339,028
Interest expense (Notes 11 and 13)	(50,486,955)	(12,003,500)
Loss on sale of financial assets at FVTPL (Note 6)	(4,910,880)	(198,510)
Other income (Note 17)	11,210,646	791,990
	(23,243,523)	(8,367,545)
INCOME BEFORE INCOME TAX	54,452,934	28,591,384
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)		
Current	2,453,641	13,422,542
Deferred	9,166,302	(5,402,424)
	11,619,943	8,020,118
NET INCOME	42,832,991	20,571,266
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Net fair value changes on financial assets at FVOCI (Note 8)	2,241,402	(34,069,314)
Remeasurement gain (loss) on defined benefit plans (Note 18)	1,171,806	(1,061,237)
Income tax effect	(351,542)	318,371
	3,061,666	(34,812,180)
TOTAL COMPREHENSIVE INCOME (LOSS)	P45,894,657	(P14,240,914)

See accompanying Notes to Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Other Components of Equity				Total
	Capital Stock (Note 22)	Fair Value Changes on Financial assets at FVOCI (Note 8)	Accumulated Remeasurement Losses on Defined Benefit Plan (Note 18)	Retained Earnings (Note 22)	
Balances at January 1, 2019	₱250,000,000	(₱73,069,713)	(₱2,504,295)	₱28,556,650	₱202,982,642
Net income	-	-	-	42,832,991	42,832,991
Other comprehensive income	-	2,241,402	820,264	-	3,061,666
Balances at December 31, 2019	₱250,000,000	(₱70,828,311)	(₱1,684,031)	₱71,389,641	₱248,877,299
Balances at January 1, 2018	₱250,000,000	(₱39,000,399)	(₱1,761,429)	₱7,985,384	₱217,223,556
Net income	-	-	-	20,571,266	20,571,266
Other comprehensive loss	-	(34,069,314)	(742,866)	-	(34,812,180)
Balances at December 31, 2018	₱250,000,000	(₱73,069,713)	(₱2,504,295)	₱28,556,650	₱202,982,642

See accompanying Notes to Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱54,452,934	₱28,591,384
Adjustments to reconcile income before income tax to net cash flows:		
Interest expense (Notes 11 and 13)	50,486,955	12,003,500
Depreciation and amortization (Notes 9 and 10)	40,589,092	14,379,034
Fair value changes of financial assets at fair value through profit or loss (Note 6)	(13,604,215)	9,480,264
Dividend income (Note 6)	(7,157,727)	(12,183,711)
Loss on sale of financial assets at FVTPL (Note 6)	4,910,880	198,510
Movement in net retirement plan liability (Note 18)	974,825	702,301
Interest income (Notes 4 and 5)	(181,724)	(339,028)
Working capital changes		
Decrease (increase) in:		
Receivables	(8,147,167)	37,208,894
Accrued rent	(22,802,474)	(1,905,575)
Prepaid expenses and other current assets	9,342,274	(6,024,254)
Increase (decrease) in:		
Accounts payable and other current liabilities	(21,360,995)	(3,139,392)
Deposits on long-term leases	1,676,739	10,658,943
Unearned rental income	(8,294,844)	19,763,950
Net cash flows generated from operations	80,884,553	109,394,820
Income tax paid	(8,865,775)	(7,010,408)
Interest received	181,724	339,028
Net cash provided by operating activities	72,200,502	102,723,440
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties (Notes 9 and 23)	(6,923,375)	(206,628,737)
Property and equipment (Note 10)	(560,107)	(61,664)
Purchase of financial assets at fair value through profit or loss (Note 6)	(4,069,267)	(7,903,434)
Proceeds from sale of financial assets at fair value through profit or loss (Note 6)	132,226,056	4,559,433
Dividends received (Note 6)	7,157,727	12,183,711
Decrease in other noncurrent assets	416,008	5,953,055
Net cash provided by (used in) investing activities	128,247,042	(191,897,636)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of bank loans (Note 11)	28,000,000	174,500,000
Loan payments (Note 11)	(165,500,000)	(74,559,530)
Interest paid (Notes 11 and 13)	(48,987,165)	(10,371,997)
Net cash provided by (used in) financing activities	(186,487,165)	89,568,473
NET INCREASE IN CASH	13,960,379	394,277
CASH AT BEGINNING OF YEAR	5,993,613	5,599,336
CASH AT END OF THE YEAR (Note 4)	₱19,953,992	₱5,993,613

See accompanying Notes to Financial Statements.



LFM PROPERTIES CORPORATION
(A Wholly Owned Subsidiary of Liberty Flour Mills, Inc.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

LFM Properties Corporation (the Company) is a wholly owned subsidiary of Liberty Flour Mills, Inc. (LFMI), a corporation duly organized and existing under the laws of the Republic of the Philippines. The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 18, 1995. The Company is engaged in the business of leasing out real estate properties such as office spaces and condominium units. The Company's registered office address is 4th Floor, Liberty Building, A. Arnaiz Avenue, Makati City.

The accompanying financial statements were authorized and approved for issue by the Board of Directors (BOD) on June 8, 2020.

2. Significant Accounting and Financial Reporting Policies

Basis of Preparation

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The financial statements of the Company 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 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.

Changes in Accounting Policies and Disclosures

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

- PFRS 16, *Leases*

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

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

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

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities



- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessments, in consultation with its tax counsel, that it is probable that its tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements of the Company.

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The 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 Company's financial statements.

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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



Current versus noncurrent classification

The Company presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when:

- It is expected to be realized or intended to sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting 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 reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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 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 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 at FVOCI, 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 as explained above.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value of 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 fair value (a “Day 1” difference) in the statement of comprehensive income, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement 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.

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, FVOCI, and FVPL.

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 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. 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 amortised cost or FVOCI, 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 recognised 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)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL
- Financial assets at amortized cost (debt instruments). This category is the most relevant to the Company.

The Company measures financial assets at amortised 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 statement of comprehensive income when the asset is derecognized, modified or impaired.

The Company's cash and receivables are included in this category as at December 31, 2019 and 2018.

- 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 the 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 statement of comprehensive income.

The Company has no debt instruments at fair value through OCI as at December 31, 2019 and 2018.

- 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 statement of comprehensive income. Dividends are recognized as other income in the 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 FVOCI are not subject to impairment assessment.

The Company has no non-listed equity investments under this category.

The Company's quoted investment is classified as equity instrument designated at FVOCI as at December 31, 2019 and 2018.

- Financial assets at fair value through profit or loss. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, 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 FVPL, 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 FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

This category includes derivative instruments and listed and non-listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in the 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 FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in statement of comprehensive income. 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 FVPL.

The Company has no derivative asset as at December 31, 2019 and 2018.

Impairment of financial assets. The Company recognizes an ECL for all debt instruments not held at FVPL. 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 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.

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, 2019 and 2018, the Company's loans and borrowings consist of accounts 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, 2019 and 2018.



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 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 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

Cash includes cash on hand and in banks.

Value-added Tax (VAT)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of "Prepaid expenses and other current assets" and "Accounts payable and other current liabilities" accounts, respectively, in the statements of financial position.

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 stated at cost, including transaction costs, less accumulated depreciation and any accumulated impairment in value. Land is carried at cost (initial purchase price and other cost directly attributable to such property) less any accumulated impairment in value.

Depreciation of building and building equipment is computed on a straight-line basis over the estimated lives of the properties ranging from 10 to 25 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 statements 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 and equipment up to the date of change in use.

Investment properties in progress pertain to projects under construction and are stated at cost which includes cost of construction and other direct costs. Investment properties in progress are not depreciated until such time that the relevant assets are completed and become available for operational use.



Property and Equipment

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of two to three years for office furniture and equipment and three to five years for transportation equipment. Amortization of leasehold improvements is computed using the straight-line method based on the estimated useful life of the leased asset or the term of the lease, whichever is shorter.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Fully-depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 assessment of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.



Impairment losses are recognized in the statement of comprehensive income in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Retained earnings represent the Company's accumulated earnings reduced by dividends declared.

Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized as part of profit or loss for the year in the statement of comprehensive income as required or permitted by other PFRSs.

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's contracts with customers consist of only one performance obligation which is satisfied over time (straight-line basis over the lease terms). The Company has concluded that it is acting as principal in all of its revenue arrangements.

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

Rental income. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms. Excess of rental income recognized using the straight-line basis over the rental income based on the terms of lease contract is recognized as an asset in the balance sheet under the account "Accrued rent". Rentals collected but not yet earned are recognized as a liability in the balance sheet under the account "Unearned rental income". Deposits on long-term leases are initially recognized at fair value and subsequently measured at amortized cost where material. Any difference between the initial fair value and the nominal amount is included as a component of rental income and recognized on a straight-line basis over the lease term.

Utilities charges (presented as part of other income). Utilities charges, which are the proportional share of tenants in the cost of common area utility consumption are recognized when services have been rendered.

Interest income. Interest income is recognized as the interest accrues using the effective interest method.



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

Direct Costs and Operating Expenses

Direct costs. Direct costs include expenses incurred by the Company for the generation of revenue from rental income. Direct costs are expensed as incurred.

Operating expenses. Operating expenses include the cost of administering the business and are not directly associated with the generation of revenue. Operating expenses are expensed as incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Retirement Benefits Cost

The Company has a funded, noncontributory defined benefit plan covering all regular and permanent employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- a. service cost
- b. net interest on the net defined benefit liability or asset
- c. 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.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Taxes

Current Tax. Current tax assets and liabilities for the current period 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 are enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences 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 and Contingencies

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.

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



Events after the Financial Reporting Period

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

3. Significant Accounting Judgments and Estimates

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

In the opinion of management, these 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 lease - Company as lessor. The Company entered into various commercial property leases on its parcels of land and buildings. The Company has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the lease agreements were accounted for as operating leases (see Note 13).

Estimates

Estimation of useful lives of investment properties, property and equipment and computer software. The Company reviews at each balance sheet date the estimated useful lives of investment properties, property and equipment and computer software based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of investment properties and property and equipment would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties, property and equipment and computer software in 2019 and 2018. The carrying values of depreciable investment properties, property and equipment and computer software follows:

	2019	2018
Investment properties (see Note 9)	₱638,779,788	₱100,549,929
Property and equipment (see Note 10)	481,797	48,195
Computer software (see Note 10)	350,626	656,139
	₱649,350,011	₱682,455,621

Impairment of nonfinancial assets. The Company determines whether there are indications of impairment of the Company's nonfinancial assets such as investment properties, property and equipment and computer software. 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 Company 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 Company'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. Management assessed that there are no impairment indicators as at December 31, 2019 and 2018. The aggregate carrying values of these assets amounted to ₱649,350,011 and ₱682,455,621 as at December 31, 2019 and 2018, respectively (see Notes 9 and 10).

Estimation of retirement benefits cost. The determination of the Company's retirement benefits costs and obligation is dependent on the selection by management of certain assumptions used by an actuary in calculating such amounts.

The assumptions for retirement benefits cost are described in Note 18 and include the discount rate and the average annual salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's retirement benefits cost and obligations.

The discount rate is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Net retirement plan liability amounted to ₱5,761,953 and ₱5,958,934 as at December 31, 2019 and 2018, respectively (see Note 18).

Recognition of deferred tax assets. The Company reviews the carrying amounts of deferred income tax assets at each reporting 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. While future taxable profit can be estimated, the actual outcome may be different. Deferred tax assets recognized amounted to ₱2,436,708 and ₱5,113,810 as at December 31, 2019 and 2018, respectively (see Note 19).

The Company did not recognize deferred tax asset amounting to ₱6.09 million on impairment loss on financial assets at FVTPL as management believes that that there is no capital gain against which the impairment loss can be offset to realize the benefit of such deferred tax asset (see Note 19).

4. Cash

	2019	2018
Cash on hand	₱18,240	₱13,500
Cash in banks	19,935,752	5,980,113
	₱19,953,992	₱5,993,613

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱26,080 in 2019 and ₱18,936 in 2018.



5. Receivables

	2019	2018
Receivables from broker	₱8,384,356	₱4,433,308
Rent receivable (see Note 13)	5,874,456	3,608,073
Advances to officers and employees (see Note 20)	2,010,974	75,833
Due from a related party (see Note 20)	–	5,405
	₱16,269,786	₱8,122,619

Receivables from broker represent the Company's deposit to its agent of marketable securities, which are liquidated through acquisition of additional investments for the Company.

Rent receivable arises from leasing the Company's investment properties. These are interest-bearing with average credit term of 30 days. Interest income earned amounted to ₱155,644 and ₱320,092 in 2019 and 2018, respectively.

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

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:

	2019	2018
Balance at beginning of year	₱145,654,891	₱151,989,664
Acquisitions	4,069,267	7,903,434
Disposal:		
Cost	(142,047,816)	(4,956,453)
Realized fair value loss	4,910,880	198,510
Changes in fair value of financial assets at FVTPL	13,604,215	(9,480,264)
	₱26,191,437	₱145,654,891

Dividend income earned from financial assets at FVTPL amounted to ₱7,157,727 and ₱12,183,711 in 2019 and 2018, respectively.

7. Prepaid Expenses and Other Current Assets

	2019	2018
Input VAT	₱17,466,312	₱29,130,922
Prepaid taxes	3,834,317	–
Prepaid insurance	916,111	820,949
Others	–	1,607,143
	₱22,216,740	₱31,559,014



8. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The Company's financial assets at FVOCI consist of quoted equity securities amounting to ₱183,346,704 and ₱181,105,302 as at December 31, 2019 and 2018, respectively.

Fair value changes on financial assets at FVOCI follow:

	2019	2018
Beginning balance	(₱73,069,713)	(₱39,000,399)
Fair value gain (loss) recognized in other comprehensive income	2,241,402	(34,069,314)
Ending balance	(₱70,828,311)	(₱73,069,713)

9. Investment Properties

	2019				
	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
Costs:					
Beginning balances	₱9,737,800	₱354,516,982	₱10,919,656	₱571,463,558	₱946,637,996
Additions	-	6,626,947	296,428	-	6,923,375
Reclassification	-	571,463,558	-	(571,463,558)	-
Ending balances	9,737,800	932,607,487	11,216,084	-	953,561,371
Accumulated depreciation and amortization:					
Beginning balances	-	254,469,876	10,416,833	-	264,886,709
Depreciation and amortization (Note 14)	-	40,097,012	60,062	-	40,157,074
Ending balances	-	294,566,888	10,476,895	-	305,043,783
Net book values	₱9,737,800	₱638,040,599	₱739,189	₱-	₱648,517,588
2018					
	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
Costs:					
Beginning balances	₱9,737,800	₱354,516,982	₱10,399,120	₱358,314,714	₱732,968,616
Additions	-	-	520,536	213,148,844	213,669,380
Ending balances	9,737,800	354,516,982	10,919,656	571,463,558	946,637,996
Accumulated depreciation and amortization:					
Beginning balances	-	240,733,823	10,399,120	-	251,132,943
Depreciation and amortization (Note 14)	-	13,736,053	17,713	-	13,753,766
Ending balances	-	254,469,876	10,416,833	-	264,886,709
Net book values	₱9,737,800	₱100,047,106	₱502,823	₱571,463,558	₱681,751,287

The Company leases out spaces in its building and condominium units under various operating leases (see Note 13).

Capitalized general borrowing costs amounted to nil and ₱20,412,141 in 2019 and 2018, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 4.40% in 2018 which was determined using the weighted effective interest rate of the general borrowings (see Note 11).



Rental income from investment properties recognized in the statement of comprehensive income amounted to ₱178,571,340 and ₱91,429,462 in 2019 and 2018, respectively, while directly related costs amounted to ₱70,175,447 and ₱30,734,524 in 2019 and 2018, respectively (Notes 13 and 14).

The aggregate fair value of investment properties amounted to ₱3,111,191,700 as at December 31, 2019 and ₱2,322,230,000 as at December 31, 2018, determined based on valuation performed by a qualified and independent appraiser in 2019 and 2016, respectively. The valuation undertaken considered the highest and best use of the properties 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	Sales Comparison Approach	Adjusted sales price of comparable properties
Buildings and building improvements, and building equipment	Cost Approach	Current market prices of similar materials, labor, contractors' overhead, manufactured equipment
Condominium units	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.

The Company's management assessed that the fair value of these investment properties as at December 31, 2016 approximates its fair value as at December 31, 2018 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 Company operates or in the market to which the investment property is dedicated.

The investment properties pertain to assets held by the Company 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.

Land and building owned by the Company with an aggregate carrying value of ₱648,517,588 and ₱681,751,287 as at December 31, 2019 and 2018, respectively, served as collateral to secure the loans obtained from a banks (see Note 11).



10. Property and Equipment

	2019			Total
	Office Equipment	Transport Equipment	Leasehold Improvements	
Costs:				
Beginning balances	₱2,317,661	₱2,200,000	₱839,842	₱5,357,503
Additions	560,107	–	–	560,107
Disposal	–	(2,000,000)	–	(2,000,000)
Ending balances	2,877,768	200,000	839,842	3,917,610
Accumulated depreciation and amortization:				
Beginning balances	2,269,466	2,200,000	839,842	5,309,308
Depreciation and amortization (Note 15)	126,505	–	–	126,505
Disposal	–	(2,000,000)	–	(2,000,000)
Ending balances	2,395,971	200,000	839,842	3,435,813
Net book values	₱481,797	₱–	₱–	₱481,797

	2018			Total
	Office Equipment	Transport Equipment	Leasehold Improvements	
Costs:				
Beginning balances	₱2,255,997	₱2,200,000	₱839,842	₱5,295,839
Additions	61,664	–	–	61,664
Ending balances	2,317,661	2,200,000	839,842	5,357,503
Accumulated depreciation and amortization:				
Beginning balances	2,195,115	1,866,667	839,842	4,901,624
Depreciation and amortization (Note 15)	74,351	333,333	–	407,684
Ending balances	2,269,466	2,200,000	839,842	5,309,308
Net book values	₱48,195	₱–	₱–	₱48,195

Included under “Other noncurrent assets” are computer software with net book value of ₱350,626 and ₱656,139 as at December 31, 2019 and 2018, respectively. Amortization of computer software amounted to ₱305,513 and ₱217,584 in 2019 and 2018, respectively (see Note 15).

11. Notes Payable

On various dates in 2019, the Company rolled over certain short-term notes payable and obtained short-term notes totaling ₱28,000,000 (with interest rate ranging from 6.125 % to 6.50%), of which notes totaling ₱165,500,000 were paid during the same year. On various dates in 2018, the Company rolled over certain short-term notes payable and obtained short-term notes totaling ₱174,500,000 (with interest rate ranging from 3.50 % to 6.50%), of which notes totaling ₱74,559,430 were paid during the same year.

All loans are secured by a real estate mortgage on certain land and building owned by the Company (see Note 9).

Capitalized general borrowing costs amounted to nil and ₱20,412,141 in 2019 and 2018, respectively (see Note 9).



Total interest expense on notes payable charged to statements of comprehensive income amounted to ₱48,801,461 in 2019 and ₱11,601,877 in 2018.

12. Accounts Payable and Other Current Liabilities

	2019	2018
Construction bond	₱3,845,528	₱1,668,216
Account payables	3,770,302	11,757,770
Accrued expenses	2,088,341	2,274,045
Withholding taxes payable	525,149	1,142,049
Due to a related party (Note 20)	66,061	-
Retention payable	-	15,000,000
Others	67,458	67,458
	₱10,362,839	₱31,909,538

Accounts payable, accrued expenses and other current liabilities are noninterest-bearing and are normally settled within the next financial year.

Construction bond is a type of surety bond that is noninterest-bearing which provides financial guarantee to the contractors that the payables on a construction project will be paid.

Retention payable are noninterest-bearing and fully recoverable upon completion of the contractor's construction services.

13. Leases

The Company entered into various non-cancellable lease contracts on its investment properties with various lessees.

The lease contracts provide for the payment by the lessee of a security deposit. These are shown under "Deposits on long-term leases" account in the statements of financial position and are recorded at their present values which amounted to ₱29,677,818 and ₱26,315,585 as at December 31, 2019 and 2018, respectively. Accretion of interest, included in "Interest expense" in the statements of comprehensive income, amounted to ₱1,685,494 and ₱401,623 in 2019 and 2018, respectively.

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 ₱15,715,563 and ₱24,010,407 as of December 31, 2019 and 2018, 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 ₱29,425,887 and ₱6,623,413 as at December 31, 2019 and 2018, respectively.

The future minimum lease receivables under noncancellable leases of investment properties follow:

	2019	2018
Within one year	₱179,665,762	₱67,075,359
After one year but not more than five years	684,408,557	148,102,171
More than five years	521,443,148	-
	₱1,385,517,467	₱215,177,530



14. Direct Costs

	2019	2018
Depreciation and amortization (Note 9)	₱40,157,074	₱13,753,766
Communication, light and water	12,771,126	3,493,880
Real estate tax	6,924,466	6,924,466
Outside services	6,114,378	4,411,851
Repairs and maintenance	2,963,133	1,433,068
Insurance and others	1,245,270	717,493
	₱70,175,447	₱30,734,524

15. Operating Expenses

	2019	2018
Personnel costs (Note 16)	₱12,985,441	₱9,855,198
Taxes and licenses	9,443,873	6,560,720
Commission	4,740,575	321,200
Association dues	675,464	662,722
Rent (see Note 20)	449,267	1,532,966
Depreciation and amortization (Note 10)	432,018	625,268
Professional fees	290,000	1,099,277
Entertainment, amusement and recreation	336,399	444,267
Communication, light and water	183,106	380,543
Miscellaneous	1,163,293	2,253,848
	₱30,699,436	₱23,736,009

16. Personnel Costs

	2019	2018
Salaries and wages	₱11,372,807	₱8,641,871
Retirement benefits cost (Note 18)	974,825	702,301
Others	637,809	511,026
	₱12,985,441	₱9,855,198

17. Other Income

	2019	2018
Utilities charges	₱9,428,114	₱439,114
Other income	1,782,532	352,876
	₱11,210,646	₱791,990

Utilities charges include water and electricity consumption charged to tenants.



18. Retirement Benefits Cost

The Company established a defined benefit noncontributory retirement plan (the Retirement Plan) in 2011 covering all its regular employees.

The following tables summarize the components of the net benefit expense recognized in the statement of comprehensive income and the funded status and amounts recognized in the statement of financial position for the plan.

Changes in net pension liability for the years ended December 31, 2019 and 2018 are as follows:

	Net Retirement Cost in Profit or Loss in the Statement of Comprehensive Income				Remeasurements in Other Comprehensive Income				
	Current Service Cost	Net Interest	Subtotal	Actuarial Gain (Loss) Excluding Amount included in Net Interest	Actuarial Changes Arising from Assumptions	Actuarial Changes Arising from Experience	Subtotal	Balance at End of Year	
December 31, 2019									
Present value of defined benefit obligation	₱8,846,510	₱546,974	₱635,179	₱1,182,153	₱-	₱911,162	(₱53,000)	₱858,162	₱10,886,825
Fair value of plan assets	2,887,576	-	207,328	207,328	2,029,968	-	-	2,029,968	5,124,872
Net defined benefit liability	₱5,958,934	₱546,974	₱427,851	₱974,825	(₱2,029,968)	₱911,162	(₱53,000)	(₱1,171,806)	₱5,761,953
December 31, 2018									
Present value of defined benefit obligation	₱7,854,235	₱456,031	₱461,044	₱917,075	₱-	(₱504,539)	₱579,739	₱75,200	₱8,846,510
Fair value of plan assets	3,658,839	-	214,774	214,774	(986,037)	-	-	(986,037)	2,887,576
Net defined benefit liability	₱4,195,396	₱456,031	₱246,270	₱702,301	₱986,037	(₱504,539)	₱579,739	₱1,061,237	₱5,958,934



The Retirement Plan Trustee, as appointed by the Company, is responsible for the general admission of the Retirement Plan and the management of the retirement fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to the retirement fund, an independent accountant to audit the fund and an actuary to value the fund.

Major categories of plan assets follow:

	2019	2018
Cash in banks	₱370,667	₱369,277
Investments in equity securities	4,754,205	2,518,299
	₱5,124,872	₱2,887,576

The carrying amount of the plan assets represents their fair values as at December 31, 2019 and 2018.

Investments in equity securities can be transacted through the Philippine Stock Exchange. The Company has no material transactions with the retirement plan nor does the plan have investments in the Company's shares.

Movements in accumulated remeasurement losses on retirement benefits, net of deferred tax, for the years ended December 31 are as follows:

	2019	2018
Beginning balance	₱2,504,295	₱1,761,429
Remeasurement in other comprehensive income:		
Actuarial loss on		
defined benefit obligation	858,162	75,200
Remeasurement loss (gain) on plan assets	(2,029,968)	986,037
	(1,171,806)	1,061,237
Income tax effect	351,542	(318,371)
	(820,264)	742,866
Ending balance	₱1,684,031	₱2,504,295

The latest actuarial valuation of the plan is as at December 31, 2019. The principal actuarial assumptions used to determine retirement benefits cost at the beginning of the year were as follows:

	2019	2018
Discount rate	5.08%	7.18%
Salary increase rate	5.00%	5.00%

Movements in the principal actuarial assumptions may result to 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:

		2019	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(4.3%)	(₱464,625)
	-100 bps	4.9%	531,759
Salary increase rate	+100 bps	4.8%	526,818
	-100 bps	(4.3%)	(₱469,136)



		2018	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(3.8%)	(₱334,103)
	-100 bps	4.3%	377,509
Salary increase rate	+100 bps	4.3%	381,982
	-100 bps	(3.9%)	(₱343,708)

The average duration of the defined benefit obligation at the end of the period is 4.6 years and 4 years in 2019 and 2018, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2019	2018
Year 1	₱5,284,484	₱4,810,227
Year 2	1,515,798	62,792
Year 3	58,546	1,490,505
Year 4	71,101	56,793
Year 5	85,622	68,928
Year 6 – 10	3,886,607	3,789,931

19. Income Taxes

The provision for current income tax represents regular corporate income tax in 2019 and 2018.

The reconciliation of income tax computed at the statutory income tax rate with the provision for income tax follows:

	2019	2018
Provision for income tax at statutory tax rate	₱16,335,880	₱8,577,415
Additions to (reductions in) income tax resulting from:		
Loss on sale and fair value changes of financial assets at FVPL	(2,608,000)	2,903,632
Dividend income exempt from tax	(2,147,318)	(3,655,113)
Nondeductible expenses	47,205	199,864
Interest income subjected to final tax	(7,824)	(5,680)
	₱11,619,943	₱8,020,118

The net deferred tax assets (liabilities) consists of the income tax effects arising from the following:

	2019	2018
Deferred tax assets:		
Net retirement plan liability	₱1,728,586	₱1,787,680
Advance rental	708,122	3,326,130
Deferred tax liability:		
Accrued rent	(8,827,766)	(1,987,024)
Net deferred tax assets (liability)	(₱6,391,058)	₱3,126,786



As at December 31, 2019 and 2018, the Company did not recognize deferred tax asset on impairment loss on financial assets at FVTPL amounting to ₱40.60 million as management believes that there is no capital gain against which the impairment loss can be offset to realize the benefit of such deferred tax asset.

20. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and fellow subsidiaries are related entities of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

Receivables from and payables to related parties are normally 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		Outstanding Balance Receivable (Payable)		Terms and Conditions
	2019	2018	2019	2018	
Parent					
Liberty Flour Mills, Inc.					
Rent expense	₱449,267	₱523,676	(₱59,365)	₱5,405	On demand; Unsecured
Stockholder					
Parity Values, Inc.					
Rent expense	–	1,009,290	–	–	30 days; Unsecured
Others	(6,696)	–	(6,696)	–	30 days; Unsecured
Officers and Employees					
Advances	1,500,000	252,363	904,099	75,833	30 days; Unsecured
Due from a related party (Note 5)			₱–	₱5,405	
Advances to officers and employees (Note 5)			₱904,099	₱75,833	
Due to a related party (Note 12)			(₱66,061)	₱–	

Rental expense

Rental expense covers a period of one year and is renewable upon mutual agreement unless terminated by the parties concerned:

Advances to Officers and Employees/Salary Loan

Advances for expenses are amounts paid to support the administrative expenses of the related party. The key management personnel compensation pertains to short-term employee benefits amounting to ₱3,620,495 and ₱3,520,488 in 2019 and 2018, respectively.



21. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash in banks, investments in equity securities and trade receivables/payables and borrowings. The main risks arising from the use of these financial instruments are credit risk, interest rate risk and liquidity risk.

Credit Risk

Credit risk represents the loss that the Company would incur if the 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 lessees and counterparties. The Company requires its lessees to pay at least three months security deposit to cover unpaid obligations and liabilities at the termination of the lease. It is also the Company's policy to require its lessees to pay their accounts on or before due date without the need of demand.

The maximum credit exposure of the Company is the carrying amount of the receivables as disclosed in Note 5. There are no significant concentrations of credit risk within the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, financial assets at FVPL, financial assets at FVOCI financial assets, the Company's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

Financial assets classified as "high grade" are those transacted with reputable local banks, customers and institutions with no history of default on the agreed contract terms. Financial assets classified as "standard grade" are those receivables with little history of default on the agreed terms of the contract. "Past due but not impaired" are items with history of frequent defaults, nevertheless, the amounts are still collectible.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking account of any collateral and other credit enhancements as at December 31:

	2019	2018
Cash in bank	₱19,935,752	₱5,980,113
Receivables	16,269,786	8,122,619
Financial assets at FVTPL	26,191,437	145,654,891
Financial assets at FVOCI	183,346,704	181,105,302
Total credit risk exposure	₱245,743,679	₱340,862,925

The following tables summarize the credit quality of the Company's financial assets per category as of December 31:

	2019		Total
	High Grade	Standard Grade	
Financial assets at amortized cost:			
Cash in banks	₱19,935,752	₱-	₱19,935,752
Rent receivable	5,874,456	-	5,874,456
Receivable from broker	8,384,356	-	8,384,356
Advances to officers and employees	2,010,974	-	2,010,974
Financial assets at FVPL	26,191,437	-	26,191,437
Financial assets at FVOCI	183,346,704	-	183,346,704
Total	₱245,743,679	₱-	₱245,743,679



	2018		Total
	High Grade	Standard Grade	
Financial assets at amortized cost:			
Cash in banks	₱5,980,113	₱-	₱5,980,113
Rent receivable	3,608,073	-	3,608,073
Receivable from broker	4,433,308	-	4,433,308
Advances to officers and employees	75,833	-	75,833
Due from a related party	5,405	-	5,405
Financial assets at FVPL	145,654,891	-	145,654,891
Financial assets at FVOCI	181,105,302	-	181,105,302
Total	₱340,862,925	₱-	₱340,862,925

Liquidity Risk

Liquidity risk is the risk that the Company will not be able 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 as of December 31 based on contractual undiscounted payments:

	2019				Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	
Financial Assets at amortized cost:					
Cash in banks	₱19,935,752	₱-	₱-	₱-	₱19,935,752
Receivables	16,269,786	-	-	-	16,269,786
Financial assets at FVTPL	26,191,437	-	-	-	26,191,437
Financial assets at FVOCI	-	-	-	183,346,704	183,346,704
	62,396,975	-	-	183,346,704	245,743,679
Financial Liabilities					
Notes payable, including interest	-	-	632,900,000	-	632,900,000
Accounts payable and other current liabilities					
Accounts payable	3,770,302	-	-	-	3,770,302
Accrued expense	2,088,341	-	-	-	2,088,341
Construction bond	3,845,528	-	-	-	3,845,528
Due to related parties	66,061	-	-	-	66,061
Deposits on long-term leases	-	-	7,427,205	22,250,613	29,677,818
	9,770,232	-	640,327,205	22,250,613	672,348,050
Net Financial Assets (Liabilities)	₱52,626,743	₱-	(₱640,327,205)	₱161,096,091	(₱426,604,371)

	2018				Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	
Financial assets at amortized cost:					
Cash in banks	₱5,980,113	₱-	₱-	₱-	₱5,980,113
Receivables	8,122,619	-	-	-	8,122,619
Financial assets at FVTPL	145,654,891	-	-	-	145,654,891
Financial assets at FVOCI	-	-	-	181,105,302	181,105,302
	₱159,757,623	₱-	₱-	₱181,105,302	₱340,862,925

(Forward)



	2018				Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	
Financial Liabilities					
Notes payable, including interest	₱-	₱-	₱770,400,000	₱-	₱770,400,000
Accounts payable and other current liabilities					
Retention payable	-	-	-	15,000,000	15,000,000
Accounts payable	11,757,770	-	-	-	11,757,770
Accrued expense	2,274,045	-	-	-	2,274,045
Construction bond	1,668,216	-	-	-	1,668,216
Deposits on long-term leases	-	-	11,294,245	15,021,340	26,315,585
	15,700,031	-	781,694,245	30,021,340	827,415,616
Net Financial Assets (Liabilities)	₱144,057,592	₱-	(₱781,694,245)	₱151,083,962	(₱486,552,691)

Fair Value

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

	Carrying Value		Fair Value	
	2019	2018	2019	2018
Financial Assets				
Financial assets at FVTPL	₱26,191,437	₱145,654,891	₱26,191,437	₱145,654,891
Financial assets at FVOCI	183,346,704	181,105,302	183,346,704	181,105,302

The carrying values of cash in banks, receivables, accounts payable and other current liabilities approximate their fair values due to their short-term nature.

The fair value of deposits on long-term leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. As at December 31, 2019 and 2018, the carrying values deposits on long-term leases were not materially different from their calculated fair values.

Fair Value Hierarchy

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

	2019			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱26,191,437	₱26,191,437	₱-	₱-
Financial assets at FVOCI	183,346,704	183,346,704	-	-
Nonfinancial assets for which fair values are disclosed -				
Investment properties	3,111,191,700	-	-	3,111,191,700
	2018			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱145,654,891	₱145,654,891	₱-	₱-
Financial assets at FVOCI	181,105,302	181,105,302	-	-
Nonfinancial assets for which fair values are disclosed -				
Investment properties	2,322,230,000	-	-	2,322,230,000



Financial assets at FVTPL and financial assets at FVOCI are carried at their fair values based on quoted market prices as at December 31, 2019 and 2018.

Long-term loans carry interest rates that approximate the interest rates for comparable instruments in the market.

The disclosures on the fair value measurement hierarchy for investment properties carried at cost are presented in Note 9.

In 2019 and 2018, there were no reclassifications of financial instruments from and into levels 1, 2 and 3.

22. Capital Management Policies

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio 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 in 2019 and 2018.

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 additional bank loans to finance its operations and renovations. The Company strives to earn a minimum return double the annual inflation rate. The Company is not subject to any externally imposed capital requirements.

The following are considered by the Company as capital as at December 31, 2019 and 2018:

	2019	2018
Capital stock	₱250,000,000	₱250,000,000
Retained earnings	71,389,641	28,556,650
	₱321,389,641	₱278,556,650

23. Note to Statements of Cash Flows

In 2018, the Company's noncash investing activity pertains to purchase of investment properties on account amounting to ₱7,040,643.



Changes in liabilities arising from financing activities

The changes in liability arising from financing activities (notes payable) follows:

	2019	2018
Balance at beginning of year	₱770,400,000	₱670,459,530
Cash flows	(137,500,000)	99,940,470
Balance at end of year	₱632,900,000	₱770,400,000

24. Events After the Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Upon lifting of the ECQ on May 16, 2020, the modified ECQ has been implemented until May 31, 2020 and general community quarantine until June 15, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

25. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes in 2019:

a. Value-added Tax (VAT)

The Company's rental income is subject to output value added tax (VAT) while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

- Net Sales/Receipts and Output VAT declared in the Company's VAT returns

	Net Sales/Receipts	Output VAT
Vatable net sales/receipts:		
Rental income	₱132,740,665	₱15,928,880
Common area service income	9,384,449	1,126,134
Others	1,726,267	207,152
Zero-rated rental income	12,633,579	-
	₱156,484,960	₱17,262,166



Zero-rated rental income pertains to those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

▪ Input VAT

Balance at January 1	₱29,130,922
Current year's domestic purchases/payments or importations for:	
Capital goods subject to amortization	102,784
Services lodged under cost of services	4,149,464
Services lodged under construction in progress	1,345,308
	<hr/>
	34,728,478
Application against output VAT	17,262,166
Balance at December 31	<hr/> <hr/> ₱17,466,312

b. Documentary Stamp Taxes

Documentary stamp taxes paid for the year amounted to ₱8,104,901.

c. Other Taxes and Licenses

Real estate taxes	₱6,924,466
License and permits fees	1,338,972
	<hr/>
	₱8,263,438

d. Withholding Taxes

	Paid	Accrued	Total
Withholding tax on compensation and benefits	₱1,433,884	₱338,603	₱1,772,487
Expanded withholding taxes	2,660,321	186,546	2,846,867
			<hr/>
			₱4,619,354

e. Tax Assessments and Cases

As at December 31, 2019, the Company has no outstanding tax assessments with the BIR or pending tax cases in any courts/bodies outside of the BIR.





Building a better
working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
LFM Properties Corporation
4th Floor, Liberty Building
A. Arnaiz Avenue
Makati City

We have audited the financial statements of LFM Properties Corporation (a wholly owned subsidiary of Liberty Flour Mills, Inc.) as at December 31, 2019 and for the year then ended, on which we have rendered the attached report dated June 8, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has only one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Gaile A. Macapinlac
Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

SEC Accreditation No. 1621-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 205-947-572

BIR Accreditation No. 08-001998-126-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8125254, January 7, 2020, Makati City

June 8, 2020

