

# 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  

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Department requiring the report  

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Secondary License Type, If Applicable  

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**COMPANY INFORMATION**

Company's Email Address <b>finance@lfmproperty.com</b>	Company's Telephone Number <b>8893-7790/8893-7792</b>	Mobile Number -
No. of Stockholders <b>439</b>	Annual Meeting (Month / Day) <b>July 26</b>	Fiscal Year (Month / Day) <b>December 31</b>

**CONTACT PERSON INFORMATION**

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

Name of Contact Person <b>William L. Ang</b>	Email Address <b>williamlimang@gmail.com</b>	Telephone Number/s <b>(02) 8893-7790</b>	Mobile Number -
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**CONTACT PERSON'S ADDRESS**

**3<sup>rd</sup> Floor Liberty Building, 835 A. Arnaiz Avenue, Makati City**

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

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



## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders  
LFM Properties Corporation  
3<sup>rd</sup> 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 (the Company), a subsidiary of Liberty Flour Mills, Inc., which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 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.

#### **Key Audit Matters**

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



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

### ***Fair Value of Investment Properties***

The Company operates mixed-use office buildings, vacant commercial land and condominium units located in Luzon. The Company accounts for its investment properties using the cost model and discloses the fair value as required under PAS 40, *Investment Property*. As at December 31, 2023, the carrying value and fair value of investment properties amounted to ₱1,767.25 million and ₱5,369.43 million, respectively. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using income and market data approaches.

We identified the disclosure on fair value of the Company's investment properties as a key audit matter because it is a significant disclosure given the Company's leasing business and the determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraiser whose calculations also depend on certain assumptions, such as discount rates, growth rates and sales and listing of comparable properties and adjustments to sales price, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The disclosures on the fair value of investment properties are included in Note 9 of the financial statements.

### ***Audit Response***

We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the evaluation of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models and inspected the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.



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

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

### **Responsibilities of Management and Those Charged with Governance for the 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.

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

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

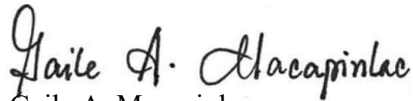
### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the 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.



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

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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

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

PTR No. 10079961, January 6, 2024, Makati City

April 12, 2024



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

**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 4 and 21)	₱34,535,667	₱43,063,573
Receivables (Notes 5 and 21)	12,713,273	29,338,711
Financial assets at fair value through profit or loss (FVTPL) (Notes 6 and 21)	27,065,842	121,713,643
Accrued rent - current portion (Note 13)	1,880,088	1,813,322
Prepaid expenses and other current assets (Notes 7 and 9)	47,219,833	3,263,344
Total Current Assets	123,414,703	199,192,593
<b>Noncurrent Assets</b>		
Investment properties (Notes 9 and 12)	1,767,246,832	814,182,586
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 8 and 21)	126,594,399	116,911,541
Accrued rent - net of current portion (Note 13)	8,199,396	7,830,463
Net retirement plan asset (Note 18)	3,024,514	6,587,047
Property and equipment (Note 10)	945,812	2,060,738
Deposit (Notes 9 and 20)	-	130,000,000
Other noncurrent assets (Notes 7, 9 and 10)	81,559,117	20,257,791
Total Noncurrent Assets	1,987,570,070	1,097,830,166
<b>TOTAL ASSETS</b>	<b>₱2,110,984,773</b>	<b>₱1,297,022,759</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of notes payable (Notes 11 and 21)	₱590,195,077	₱323,609,473
Accounts payable and other current liabilities (Notes 9, 12 and 21)	40,266,306	35,389,267
Payable to a related party (Notes 9, 20 and 21)	851,200,000	-
Current portion:		
Deposits on long-term leases (Note 13)	25,999,964	34,666,893
Unearned rental income (Note 13)	6,474,814	4,722,712
Income tax payable	7,493,599	5,196,280
Total Current Liabilities	1,521,629,760	403,584,625
<b>Noncurrent Liabilities</b>		
Deposits on long-term leases - net of current portion (Note 13)	17,354,188	8,101,480
Deferred tax liabilities - net (Note 19)	1,769,678	2,714,415
Unearned rental income - net of current portion (Note 13)	1,338,485	785,885
Notes payable - net of current portion (Notes 11 and 21)	-	307,191,309
Payable to a related party (Notes 9, 20 and 21)	-	37,730,000
Other noncurrent liability (Notes 9, 12 and 21)	116,115,824	142,729,767
Total Noncurrent Liabilities	136,578,175	499,252,856
Total Liabilities	1,658,207,935	902,837,481
<b>Equity</b>		
Capital stock (Note 14)	300,000,000	250,000,000
Stock dividend distributable (Note 14)	100,000,000	-
Other components of equity:		
Fair value changes on financial assets at FVOCI (Note 8)	(127,580,616)	(137,263,474)
Accumulated remeasurement gains on defined benefit plan (Note 18)	5,949,704	8,668,117
Retained earnings	174,407,750	272,780,635
Total Equity	452,776,838	394,185,278
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱2,110,984,773</b>	<b>₱1,297,022,759</b>

See accompanying Notes to Financial Statements.



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

**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2023	2022	2021
<b>RENTAL INCOME</b> (Notes 9 and 13)	<b>₱194,836,591</b>	₱230,739,119	₱223,737,958
<b>DIRECT COSTS</b> (Notes 9 and 15)	<b>85,239,642</b>	77,299,074	77,700,259
<b>GROSS PROFIT</b>	<b>109,596,949</b>	153,440,045	146,037,699
<b>OPERATING EXPENSES</b> (Notes 10, 16, 17, 18 and 20)	<b>32,238,055</b>	25,418,019	25,914,768
<b>INCOME BEFORE OTHER INCOME (CHARGES) AND INCOME TAX</b>	<b>77,358,894</b>	128,022,026	120,122,931
<b>OTHER INCOME (CHARGES)</b>			
Gain on sale of investment properties	<b>88,637,478</b>	–	–
Interest expense (Notes 9, 11 and 13)	<b>(43,620,441)</b>	(27,890,956)	(30,684,544)
Fair value changes of financial assets at FVTPL (Note 6)	<b>(42,006,396)</b>	(58,797,005)	82,498,404
Gain on sale of financial assets at FVTPL (Note 6)	<b>728,239</b>	502,046	–
Dividend income (Note 6)	<b>394,390</b>	1,068,560	1,103,406
Interest income (Notes 4 and 5)	<b>19,309</b>	29,711	77,949
Loss on pretermination of lease contract (Notes 13 and 24)	–	(85,402,721)	–
Other income (expense) – net (Note 11)	<b>1,446,392</b>	578,134	(4,581,278)
	<b>5,598,971</b>	(169,912,231)	48,413,937
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>82,957,865</b>	(41,890,205)	168,536,868
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 19)			
Current	<b>31,369,350</b>	21,656,566	16,711,331
Deferred	<b>(38,600)</b>	(17,565,104)	1,896,491
	<b>31,330,750</b>	4,091,462	18,607,822
<b>NET INCOME (LOSS)</b>	<b>51,627,115</b>	(45,981,667)	149,929,046
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
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)	<b>9,682,858</b>	(39,807,304)	(33,352,066)
Remeasurement gain (loss) on defined benefit plans (Note 18)	<b>(3,624,550)</b>	(6,537,877)	8,483,192
Income tax effect	<b>906,137</b>	1,634,469	(1,640,189)
	<b>6,964,445</b>	(44,710,712)	(26,509,063)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱58,591,560</b>	(₱90,692,379)	₱123,419,983
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b> (Note 14)	<b>₱0.00207</b>	(₱0.00184)	₱0.0060

See accompanying Notes to Financial Statements.



**LFM PROPERTIES CORPORATION**

(A Subsidiary of Liberty Flour Mills, Inc.)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	Capital Stock (Note 14)	Stock Dividends Distributable (Note 14)	Other Components of Equity		Retained Earnings	Total
			Fair Value Changes on Financial assets at FVOCI (Note 8)	Accumulated Remeasurement Gains on Defined Benefit Plan (Note 18)		
<b>Balances at January 1, 2023</b>	<b>₱250,000,000</b>	<b>₱—</b>	<b>(₱137,263,474)</b>	<b>₱8,668,117</b>	<b>₱272,780,635</b>	<b>₱394,185,278</b>
Net income	—	—	—	—	51,627,115	51,627,115
Other comprehensive income (loss)	—	—	9,682,858	(2,718,413)	—	6,964,445
Stock dividend declaration (Note 14)	50,000,000	100,000,000	—	—	(150,000,000)	—
<b>Balances at December 31, 2023</b>	<b>₱300,000,000</b>	<b>₱100,000,000</b>	<b>(₱127,580,616)</b>	<b>₱5,949,704</b>	<b>₱174,407,750</b>	<b>₱452,776,838</b>
Balances at January 1, 2022	₱250,000,000	₱—	(₱97,456,170)	₱13,571,525	₱318,762,302	₱484,877,657
Net loss	—	—	—	—	(45,981,667)	(45,981,667)
Other comprehensive loss	—	—	(39,807,304)	(4,903,408)	—	(44,710,712)
Balances at December 31, 2022	₱250,000,000	₱—	(₱137,263,474)	₱8,668,117	₱272,780,635	₱394,185,278
Balances at January 1, 2021	₱250,000,000	₱—	(₱64,104,104)	₱6,728,522	₱168,833,256	₱361,457,674
Net income	—	—	—	—	149,929,046	149,929,046
Other comprehensive income (loss)	—	—	(33,352,066)	6,843,003	—	(26,509,063)
Balances at December 31, 2021	₱250,000,000	₱—	(₱97,456,170)	₱13,571,525	₱318,762,302	₱484,877,657

See accompanying Notes to Financial Statements.



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

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>₱82,957,865</b>	(₱41,890,205)	₱168,536,868
Adjustments to reconcile income (loss) before income tax to net cash flows:			
Gain on sale of investment properties	<b>(88,637,478)</b>	–	–
Depreciation and amortization (Notes 9 and 10)	<b>44,368,720</b>	43,663,071	43,068,510
Interest expense (Notes 11 and 13)	<b>43,620,441</b>	27,890,956	30,684,544
Fair value changes of financial assets at fair value through profit or loss (Note 6)	<b>42,006,396</b>	58,797,005	(82,498,404)
Gain on sale of financial assets at FVTPL (Note 6)	<b>(728,239)</b>	(502,046)	–
Dividend income (Note 6)	<b>(394,390)</b>	(1,068,560)	(1,103,406)
Movement in net retirement plan asset (Note 18)	<b>(62,017)</b>	(48,438)	663,219
Interest income (Notes 4 and 5)	<b>(19,309)</b>	(29,711)	(77,949)
Loss on pretermination of lease contract (Notes 13 and 24)	–	85,402,721	–
Loss on loan modification (Note 11)	–	–	4,981,822
Working capital changes:			
Decrease (increase) in:			
Receivables	<b>16,625,438</b>	(23,910,863)	16,124,179
Accrued rent	<b>(435,699)</b>	(15,723,884)	(19,561,284)
Prepaid expenses and other current assets	<b>(16,263,638)</b>	2,670,927	(2,398,764)
Increase (decrease) in:			
Accounts payable and other current liabilities	<b>(1,447,976)</b>	1,334,261	(642,462)
Deposits on long-term leases	<b>(167,764)</b>	10,100,297	(492,032)
Unearned rental income	<b>2,304,702</b>	(8,216,358)	(1,585,588)
Net cash flows generated from operations	<b>123,727,052</b>	138,469,173	155,699,253
Income tax paid	<b>(29,072,031)</b>	(17,623,787)	(16,760,761)
Interest received	<b>19,309</b>	29,711	77,949
Net cash provided by operating activities	<b>94,674,330</b>	120,875,097	139,016,441
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Investment properties (Notes 9 and 23)	<b>(106,910,033)</b>	–	(31,555,521)
Property and equipment (Note 10)	<b>(56,243)</b>	(1,227,679)	(2,152,176)
Proceeds from sale of:			
Investment properties	<b>89,285,714</b>	–	–
Financial assets at FVTPL (Note 6)	<b>62,686,239</b>	7,937,066	–
Purchase of financial assets at FVTPL (Note 6)	<b>(9,316,595)</b>	(7,496,677)	(16,013,514)
Dividends received (Note 6)	<b>394,390</b>	1,068,560	1,103,406
Deposit (Note 20)	–	(130,000,000)	–
Decrease in other noncurrent assets	–	110,474	272,768
Net cash provided by (used in) investing activities	<b>36,083,472</b>	(129,608,256)	(48,345,037)

(Forward)



	Years Ended December 31		
	2023	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availment of bank loans (Note 11)	<b>₱113,000,000</b>	₱187,000,000	₱-
Payments of:			
Notes payable (Note 11)	<b>(153,470,588)</b>	(136,470,588)	-
Interest (Note 11)	<b>(42,703,263)</b>	(27,109,639)	(27,235,028)
Payable to a related party (Note 9)	<b>(37,730,000)</b>	-	(52,000,000)
Other noncurrent liability (Note 9)	<b>(18,381,857)</b>	(18,381,857)	-
Debt issue cost (Note 11)	-	-	(4,350,000)
Net cash provided by (used in) financing activities	<b>(139,285,708)</b>	5,037,916	(83,585,028)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(8,527,906)</b>	(3,695,243)	7,086,376
<b>CASH AT BEGINNING OF YEAR</b>	<b>43,063,573</b>	46,758,816	39,672,440
<b>CASH AT END OF YEAR (Note 4)</b>	<b>₱34,535,667</b>	₱43,063,573	₱46,758,816

See accompanying Notes to Financial Statements.



# LFM PROPERTIES CORPORATION

(A Subsidiary of Liberty Flour Mills, Inc.)

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## NOTES TO FINANCIAL STATEMENTS

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### 1. Corporate Information

LFM Properties Corporation (the Company) is a 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 3<sup>rd</sup> Floor, Liberty Building, A. Arnaiz Avenue, Makati City.

On November 25, 2020, the Board of Directors (BOD) of LFMI approved the declaration of property dividends consisting of up to 10.35 billion shares of the Company.

On October 13, 2022 and November 3, 2022, the SEC and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Company for the listing by way of introduction of up to 24,802,384,828 common shares on the Main Board of the PSE.

On November 9, 2022, the Company completed its listing process with the PSE under the stock symbol "LPC". As a public company, it is covered by the Revised Securities Regulation Code (SRC) Rule 68. On December 20, 2022, additional 137,438,271 common shares were approved by PSE for listing on the Main Board of the PSE. Total listed shares of the Company amounted to 24,939,823,099 common shares.

#### Status of Operations

The Company reported negative working capital amounting to ₱1,398,215,057 and ₱204,392,032 as at December 31, 2023 and 2022, respectively. Management intends to implement the following action plans to address the negative working capital and funding requirements: (1) conversion of payable to Parent Company to equity, (2) settlement of current maturing obligations through generated operating cashflows and utilization of unused credit facilities, (3) subsequently secured a waiver from the bank resulting in deferment of loan principal payment after year 2024 following the original payment terms (see Note 11), (4) possible negotiation for long-term loan maturity, and (5) possible disposal of certain assets and investments.

The accompanying financial statements were authorized and approved for issue by the Company's BOD on April 12, 2024.

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### 2. Material Accounting Policy Information

#### Basis of Preparation

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.



### Seasonality of Operations

The Company generates regular income based on contractual arrangements covering a period of one to five years. There are no revenues received seasonally, cyclically or occasionally within the financial year. Hence, the Company's operation is not seasonal.

### Statement of Compliance

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

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

#### ▪ Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance.

#### ▪ Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

#### ▪ Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).



- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as “Pillar Two legislation” and “Pillar Two income taxes”, respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

#### 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, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

#### *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*

#### Fair Value Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of 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 amortized 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

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

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

The Company's cash, receivables and refundable deposits (under "Other noncurrent assets" account) are included in this category as at December 31, 2023 and 2022.



- *Financial assets at fair value through other comprehensive income (FVOCI) (debt instruments).* The Company measures debt instruments at FVOCI if both of the following conditions are met:

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

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss in the 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 other comprehensive income (OCI) in the statement of comprehensive income. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no debt instruments at FVOCI as at December 31, 2023 and 2022.

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

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

The Company's quoted investment is classified as equity instrument designated at FVOCI as at December 31, 2023 and 2022.

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

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

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

The Company's investments in quoted equity securities are classified as equity instrument designated at FVTPL as at December 31, 2023 and 2022.



*Impairment of financial assets.* The Company recognizes an Expected Credit Loss (ECL) for all debt instruments not held at FVTPL. 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 and refundable deposits, 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, 2023 and 2022, the Company's loans and borrowings consisting of notes payable, accounts payable and other current liabilities, deposits on long-term leases and payable to a related party. 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, 2023 and 2022.

*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.



### 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.

#### *Exchange or Modification of Financial Liabilities*

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where 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. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.



If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

#### Prepaid Expenses

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

#### 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 statement 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.

Investment properties include development rights carried at cost which is considered as an integral part of the land.

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

These assets, except for land and development rights, 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 and condominium units is computed on a straight-line basis over the estimated lives of the properties ranging from 10 to 25 years and five years, respectively.

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 statement of comprehensive income in the period of derecognition.



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

#### Basic/Diluted Earnings per Share

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

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

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

#### Revenue from Contracts with Customers

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



revenue recognized is the amount allocated to the satisfied performance obligation. The Company'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 statement of financial position under the "Accrued rent" account. Rentals collected but not yet earned are recognized as a liability in the statement of financial position under the "Unearned rental income" account. 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.

*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.

#### Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments. Such business segment is the basis upon which the Company reports its operating segment information. The Company has only one source of revenue arising from its rental contracts and it operates in one geographical area where it derives its revenue. The Company did not present segment information in its financial statements as the Company has only one reportable segment.

#### Events after the Reporting Period

Post period-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.

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### **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.* The Company reviews at each reporting date the estimated useful lives of investment properties 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 would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

There is no change in the estimated useful lives of investment properties as at December 31, 2023 and 2022.

The carrying value of investment properties, excluding land, amounted to ₱554,037,544 and ₱512,373,298 as at December 31, 2023 and 2022, respectively (see Note 9).

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

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

Determining the fair value of these nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. It requires the 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.

The Company has considered the impact of COVID-19 pandemic and assessed that the investment properties are not impaired. As at December 31, 2023 and 2022, no other impairment indicators were identified for the Company's investment properties.

The carrying value of investment properties amounted to ₱1,767,246,832 and ₱814,182,586 as at December 31, 2023 and 2022, respectively (see Note 9).

*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. 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 asset amounted to ₱3,024,514 and ₱6,587,047 as at December 31, 2023 and 2022, 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 ₱1,506,322 and ₱1,343,293 as at December 31, 2023 and 2022, respectively (see Note 19).

The Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱6,090,000 as at December 31, 2023 and 2022 as management believes that there is no expected sufficient capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset (see Note 19).

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#### 4. Cash

	2023	2022
Cash on hand	₱13,500	₱13,500
Cash in banks	34,522,167	43,050,073
	<b>₱34,535,667</b>	<b>₱43,063,573</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱19,309, ₱10,874 and ₱33,098 in 2023, 2022, and 2021, respectively.

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#### 5. Receivables

	2023	2022
Rent receivable (see Note 13)	₱8,086,685	₱25,988,029
Receivable from a broker	5,619,569	4,303,908
Advances to officers and employees and others	56,700	96,455
	<b>13,762,954</b>	<b>30,388,392</b>
Less allowance for expected credit losses (see Note 16)	<b>1,049,681</b>	1,049,681
	<b>₱12,713,273</b>	<b>₱29,338,711</b>

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 nil, ₱18,837 and ₱44,851 in 2023, 2022 and 2021, respectively.



Receivable from a broker represents the Company's deposit to its agent of marketable securities, including unremitted proceeds from disposal of investments, which are liquidated through acquisition of additional investments for the Company. Interest income earned amounted to nil in 2023, 2022 and 2021.

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

Provision for expected credit losses on rent receivable amounted to ₱1,049,681 in 2021 (nil in 2023 and 2022) (see Note 21).

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## 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:

	2023	2022	2021
Balance at beginning of year	<b>₱121,713,643</b>	₱180,448,991	₱81,937,073
Acquisitions	<b>9,316,595</b>	7,496,677	16,013,514
Fair value gain (loss) recognized in profit or loss	<b>(42,006,396)</b>	(58,797,005)	82,498,404
Disposals	<b>(61,958,000)</b>	(7,435,020)	—
	<b>₱27,065,842</b>	₱121,713,643	₱180,448,991

Financial assets at FVTPL includes equity securities with cost and carrying value amounting to ₱40,600,000 as at December 31, 2023 and 2022.

Realized gain on sale of financial assets at FVTPL amounted to ₱728,239 and ₱502,046 in 2023 and 2022, respectively (nil in 2021).

Dividend income earned from financial assets at FVTPL amounted to ₱394,390, ₱1,068,560 and ₱1,103,406 in 2023, 2022 and 2021, respectively.

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## 7. Prepaid Expenses and Other Current Assets

	2023	2022
Deferred input VAT (see Note 9)	<b>₱108,769,030</b>	₱19,823,960
Input VAT - net	<b>15,752,345</b>	—
Prepaid expenses	<b>1,536,076</b>	975,676
	<b>126,057,451</b>	20,799,636
Less: noncurrent portion of deferred input VAT	<b>78,837,618</b>	17,536,292
	<b>₱47,219,833</b>	₱3,263,344



## 8. Financial Assets at Fair Value through Other Comprehensive Income

The Company's financial assets at FVOCI consist of quoted equity securities amounting to ₱126,594,399 and ₱116,911,541 as at December 31, 2023 and 2022, respectively.

Fair value changes on financial assets at FVOCI as at December 31:

	2023	2022
Beginning balance	(₱137,263,474)	(₱97,456,170)
Fair value gain (loss) recognized in other comprehensive income	9,682,858	(39,807,304)
Ending balance	(₱127,580,616)	(₱137,263,474)

## 9. Investment Properties

	2023			
	Land	Building and Building Improvements	Condominium Units	Total
Costs:				
Beginning balances	₱301,809,288	₱933,335,345	₱11,419,656	₱1,246,564,289
Additions	911,400,000	85,510,033	-	996,910,033
Disposals	-	-	(11,419,656)	(11,419,656)
Ending balances	1,213,209,288	1,018,845,378	-	2,232,054,666
Accumulated depreciation and amortization:				
Beginning balances	-	421,673,646	10,708,057	432,381,703
Depreciation and amortization (see Note 15)	-	43,134,188	63,363	43,197,551
Disposals	-	-	(10,771,420)	(10,771,420)
Ending balances	-	464,807,834	-	464,807,834
Net book values	₱1,213,209,288	₱554,037,544	₱-	₱1,767,246,832

	2022			
	Land	Building and Building Improvements	Condominium Units	Total
Costs:				
Beginning balances	₱301,400,793	₱933,335,345	₱11,419,656	₱1,246,155,794
Additions	408,495	-	-	408,495
Ending balances	301,809,288	933,335,345	11,419,656	1,246,564,289
Accumulated depreciation and amortization:				
Beginning balances	-	379,366,631	10,631,003	389,997,634
Depreciation and amortization (see Note 15)	-	42,307,015	77,054	42,384,069
Ending balances	-	421,673,646	10,708,057	432,381,703
Net book values	₱301,809,288	₱511,661,699	₱711,599	₱814,182,586

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

Rental income from investment properties recognized in the statements of comprehensive income amounted to ₱194,836,591, ₱230,739,119 and ₱223,737,958 in 2023, 2022 and 2021, respectively, while directly related costs amounted to ₱85,239,642, ₱77,299,074 and ₱77,700,259 in 2023, 2022 and 2021, respectively (see Notes 13 and 15).



The aggregate fair value of investment properties amounting to ₱5,369,425,000 and ₱3,709,280,000 as at December 31, 2023 and 2022, respectively, are determined based on valuation performed by a qualified and independent appraiser in 2023 and 2021, and prevailing market value of recently acquired property in 2023 and 2021. The key assumptions used for valuation reports include growth rate and discount rate of 5% and 10.8%-11%, respectively. The valuation undertaken considered the highest and best use of the properties and established estimated value by processes involving comparison (Level 3). Management has determined that the fair value of investment properties did not significantly change from the last valuation date.

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

2023 and 2022		
	Valuation technique	Significant unobservable input
Land, condominium units and buildings and building improvements, and building equipment	Income Approach	Future free cashflow projections discounted using a rate based on the level of risk of the business and opportunity cost of capital
Land	Market Data	Adjusted sales price of Comparable properties

Significant increases (decreases) in estimated future cash flows above would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value of the properties.

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 and building improvements owned by the Company with an aggregate carrying value of ₱427,551,024 and ₱44,094,958 as at December 31, 2023 and 2022, respectively, served as collateral to secure the loans obtained from banks (see Note 11).

#### Development Rights

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

In December 2020, the parties executed an agreement for the determination of the consideration amounting to ₱99,700,000. The initial payment amounting to ₱9,970,000 was paid on the date of execution of the agreement while the remaining balance in the amount of ₱89,730,000, subject to 5.25% interest, shall be paid through a single payment or partial payments, as the Company may deem necessary, within a period of 5 years, from the execution of the agreement and no later than December 14, 2025. Accordingly, the Company recognized an asset as part of land under “Investment properties” account amounting to ₱99,700,000 and a liability presented as “Payable to a related party” with outstanding balance amounting to nil and ₱37,730,000 as at December 31, 2023 and 2022 (see Note 20).



Acquisition of Land and Building

- a. In December 2021, the Company entered into a Contract to Sell for the purchase of land for a consideration of ₱214,455,000 (exclusive of VAT) payable on monthly installment basis until year 2026. Payments made in 2023 and 2022 amounted to ₱18,381,857 (exclusive of VAT). As at December 31, 2023 and 2022, the corresponding unpaid purchase price, net of VAT, were recorded at present value using the discount rate of 4.25% amounting to ₱125,193,475 and ₱142,434,110, respectively. Current and noncurrent portion of the liability amounting to ₱26,613,943 and ₱116,115,824, respectively, inclusive of VAT, are presented as part of Accounts payable” under “Accounts payable and other current liabilities” and “Other noncurrent liability” accounts, respectively, in the 2023 statement of financial position (see Note 12). While current and noncurrent portion of the liability amounting to ₱19,446,458 and ₱142,729,767, respectively, inclusive of VAT, are presented as part of Accounts payable” under “Accounts payable and other current liabilities” and “Other noncurrent liability” accounts, respectively, in the 2022 statement of financial position (see Note 12). Total discount of liability amounted to ₱20,942,290 and ₱22,083,512 as at December 31, 2023 and 2022, respectively. Accretion of interest expense recognized in statement of comprehensive income amounted to ₱1,141,222 for the year ended December 31, 2023. While accretion of interest expense capitalized as part of investment property amounted to ₱408,495 for the year ended December 31, 2022.

The related deferred input VAT amounting to ₱14,389,931 and ₱17,536,292, net of current portion of ₱3,146,361 and ₱2,205,823, as at December 31, 2023 and 2022, respectively, is recognized as part of “Other noncurrent assets” account in the statements of financial position (see Note 7). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

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

Year	2023	2022
2023	₱-	₱18,381,857
2024	26,219,677	26,219,677
2025	65,408,775	65,408,775
2026	54,507,313	54,507,313
	<b>₱146,135,765</b>	<b>₱164,517,622</b>

- b. On November 28, 2022, Memorandum of Understanding and Deed of Conditional Sale have been executed with its Parent Company, for the potential sale of land and building to the Company. The consummation and determination of final terms and conditions of the sale shall be conditioned on the issuance of the fairness opinion from an independent third-party financial adviser. Accordingly, the initial amount tendered by the Company amounting to ₱130,000,000 is recognized as deposit subject to terms indicated in the aforementioned agreements. The issuance of the fairness opinion was concluded on May 3, 2023.

On November 9, 2023, the Company entered into a Contract to Sell with its Parent Company for the purchase of land and building for a consideration of ₱980,000,000 (exclusive of VAT) payable on installment basis. Total payments made as at December 31, 2023 amounting to ₱220,000,000 (exclusive of VAT) includes the aforementioned deposit in 2022 amounting to | ₱130,000,000 (exclusive of VAT). Accordingly, the Company recognized additions to land and building amounting to ₱911,400,000 and ₱68,600,000, respectively. Pursuant to the terms of the Contract to Sell, the unpaid consideration amounting to ₱760,000,000 (exclusive of VAT) shall be paid on before November 30, 2024 in such manner and proportion to be agreed by the contracting parties, by way of cash payment and/or through the Company’s issuance of unlisted



preferred shares in favor of the Parent Company. Outstanding liability amounting to ₱851,200,000 (inclusive of VAT) as at December 31, 2023 is presented as “Payable to a related party” in the 2023 statement of financial position.

The related deferred input VAT amounting to ₱91,200,000 as at December 31, 2023 is recognized as part of “Prepaid Expenses and Other Current Assets” and “Other noncurrent assets” accounts in the statement of financial position amounting to ₱26,752,313 and ₱64,447,687, respectively (see Note 7). This deferred input VAT will be claimed against output VAT upon payment of the related liability.

## 10. Property and Equipment

	2023			Total
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	
<b>Costs:</b>				
Beginning balances	₱6,464,850	₱200,000	₱839,842	₱7,504,692
Additions	56,243	–	–	56,243
Ending balances	6,521,093	200,000	839,842	7,560,935
<b>Accumulated depreciation and amortization:</b>				
Beginning balances	4,404,112	200,000	839,842	5,443,954
Depreciation and amortization (see Note 16)	1,171,169	–	–	1,171,169
Ending balances	5,575,281	200,000	839,842	6,615,123
Net book values	₱945,812	₱–	₱–	₱945,812
	2022			
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Costs:</b>				
Beginning balances	₱5,237,171	₱200,000	₱839,842	₱6,277,013
Additions	1,227,679	–	–	1,227,679
Ending balances	6,464,850	200,000	839,842	7,504,692
<b>Accumulated depreciation and amortization:</b>				
Beginning balances	3,125,110	200,000	839,842	4,164,952
Depreciation and amortization (see Note 16)	1,279,002	–	–	1,279,002
Ending balances	4,404,112	200,000	839,842	5,443,954
Net book values	₱2,060,738	₱–	₱–	₱2,060,738

Cost of fully amortized computer software included under “Other noncurrent assets” still in use amounted to ₱4,739,541 as at December 31, 2023 and 2022. Amortization of computer software amounted to nil in 2023 and 2022 and ₱99,099 in 2021 (see Note 16).



## 11. Notes Payable

Notes payable consists of:

	2023	2022
Principal	<b>₱590,058,824</b>	₱630,529,412
Add: unamortized premium, net of debt issue cost	<b>136,253</b>	271,370
	<b>590,195,077</b>	630,800,782
Less current portion	<b>(590,195,077)</b>	(323,609,473)
Noncurrent portion	<b>₱-</b>	₱307,191,309

On various dates, the Company availed short-term loans in 2023 and 2022 (with interest ranging from 6.2% to 6.75%) totaling ₱113,000,000 and (with interest ranging from 4.7% to 5.95%) totaling ₱187,000,000, respectively. On November 24, 2023, the Company rolled over the ₱170,000,000 short-term loans availed in 2022.

On February 18, 2021, the Company converted its ₱580,000,000 short-term promissory note to term loans with maturity of 5 years, payable in equal quarterly installments starting on February 19, 2022. As at December 31, 2023 and 2022, total payments of notes payable amounted to ₱153,470,588 and ₱136,470,588, respectively.

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

The details of the term loans follow:

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

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

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

The Company paid and capitalized documentary stamp tax amounting to ₱4,350,000 as debt issue cost to be amortized over the term of the notes payable.

Based on the Company's assessment, the modifications in the contractual cash flows of the loan are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Accordingly, the Company recognized a loss on loan modification amounting to ₱4,981,822 under "Other income (expense)" account in the 2021 statement of comprehensive income.



*Debt Covenants*

The 2021 term loan agreement contains, among others, covenants that require the Company to comply with specified financial ratios which are current ratio (minimum of 1.0), debt-to-equity ratio (maximum of 2.33) and debt service coverage ratio (minimum of 1.25). Based on the 2023 amended loan agreement, the Company is required to comply with covenants such as debt-to-equity ratio (maximum of 2.33) and debt service coverage ratio (minimum of 1.25) in 2023. On December 15, 2023, the Company was able to secure a waiver from the bank for debt service coverage ratio. As at December 31, 2023, the Company did not meet the required debt to equity ratio. Consequently, total outstanding balance of long-term loan was classified as current liabilities in the 2023 statement of financial position. On April 5, 2024, the Company secured from the bank a one-time waiver of debt-to-equity financial covenant for the year ended December 31, 2023 (see Note 24).

As at December 31, 2022, the Company has complied with debt to equity ratio. On December 21, 2022, the Company was able to secure a waiver from the bank for current ratio and debt service coverage ratio.

The future expected principal settlements of the Company's notes payable for the year ended December 31:

	2023	2022
Within one year	<b>₱419,470,588</b>	₱323,470,588
Beyond one year but less than five years	<b>170,588,236</b>	307,058,824
	<b>₱590,058,824</b>	₱630,529,412

Total interest expense on notes payable charged to statements of comprehensive income amounted to ₱41,725,676, ₱26,552,647 and ₱29,214,581 (including loan premium amortization, net of debt issue cost amortization, amounting to ₱135,117, ₱185,144 and ₱175,308, respectively) in 2023, 2022 and 2021, respectively.

## 12. Accounts Payable and Other Current Liabilities

	2023	2022
Accounts payable	<b>₱29,408,231</b>	₱21,934,882
Construction bond	<b>7,040,369</b>	6,001,007
Accrued expenses:		
Interest payable	<b>1,830,682</b>	2,673,152
Professional fees	<b>700,000</b>	950,000
Others	<b>861,222</b>	1,629,236
Withholding taxes payable	<b>366,742</b>	553,570
Due to a related party (see Note 20)	<b>59,060</b>	61,246
Deferred Output VAT	-	1,042,371
Output VAT - net	-	543,803
	<b>₱40,266,306</b>	₱35,389,267

Accounts payable, accrued expenses and other current liabilities are noninterest-bearing and are normally settled within the next financial year. Accounts payable includes the current portion of the unpaid purchase price of the land acquired in 2021 (see Note 9).



Accrued expenses are payable within 12 months from reporting period.

Construction bond represents deposit required from the tenants prior to the commencement of renovation works for respective leased property. These are refundable once the renovation has been completed normally within one year.

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### 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 ₱43,354,152 and ₱42,768,373 as at December 31, 2023 and 2022, respectively. Accretion of interest, included in “Interest expense” in the statements of comprehensive income, amounted to ₱753,543, ₱1,338,309 and ₱1,469,963 in 2023, 2022 and 2021, respectively.

Unearned rental income, which includes advance rental and excess of the principal amount of the long-term deposits over its present value and are amortized on a straight-line basis over the lease term, amounted to ₱7,813,299 and ₱5,508,597 as at December 31, 2023 and 2022, 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 ₱10,079,484, and ₱9,643,785 as at December 31, 2023 and 2022, respectively.

On March 29, 2023, the Company entered into a Memorandum of Agreement with Sunshine Star Holdings, Inc. (SSHI) for the pretermination of the lease contract effective October 31, 2022, to formalize the parties’ mutual understanding as to the necessary steps that will be undertaken as a result of the pretermination. SSHI has notified the Company of its pretermination plan in November 2022 due to significant negative impact of the COVID 19 pandemic to the former’s business. As at December 31, 2022, the parties had agreed in principle the pretermination of the lease contract but negotiations on certain terms of the final settlement are still being finalized, allowing both parties to reach an optimum solution to mitigate the impact to both parties’ business operations. Accordingly, appropriate adjustments have been reflected in the 2022 financial statements. As a result of the pretermination of lease contract with a lessee during the year, accrued rent receivable, security deposits and unearned rental income amounting to ₱84,687,354, ₱8,282,125 and (₱7,566,758), respectively, were derecognized resulting to pretermination loss - net of ₱85,402,721 shown separately in the 2022 statement of comprehensive income (see Note 5).

As a result of the COVID-19 pandemic, the Company provided rent concessions to its tenants in the form of deferment of payments, two-month rent-free periods and discounts in 2022 and 2021. Certain lease agreements were also pre-terminated. The Company accounted for the deferment of payment, rent-free periods and discounts provided as “not a lease modification” since there were no substantive changes to the terms and conditions of the lease, while the shortening of lease period were treated as lease modifications. The rent concessions resulted to a reduction in rental income amounting to nil, ₱2,655,475 and ₱5,476,437 in 2023, 2022 and 2021, respectively. Lease termination resulted in a decrease in accrued rent amounting to nil, ₱84,687,354 and ₱2,930,778 in 2023, 2022 and 2021, respectively, and rental income amounting to nil, ₱2,220,836 and ₱2,383,241 in 2023, 2022 and 2021, respectively.



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

	2023	2022	2021
Year 1	₱172,151,475	₱95,340,812	₱158,319,743
Year 2	114,772,545	40,898,019	144,388,794
Year 3	54,139,194	30,790,233	141,520,108
Year 4	17,971,824	26,684,756	143,705,533
Year 5	11,198,188	9,844,652	147,580,396
More than 5 years	823,656	823,656	379,604,597
	<b>₱371,056,882</b>	<b>₱204,382,128</b>	<b>₱1,115,119,171</b>

#### 14. Equity

##### Capital Stock

As at December 31, 2023 and 2022, the Company's capital stock consists of:

	Number of Shares	Amount
Authorized		
Common stock - ₱0.01 par value	30,000,000,000	₱300,000,000
Preferred stock - ₱100 par value	1,000,000	100,000,000
	<b>30,001,000,000</b>	<b>₱400,000,000</b>
Issued and outstanding -		
Common stock - ₱0.01 par value	25,000,000,000	₱250,000,000

The preferred stock are non-voting and non-convertible to common stock. Other features of the preferred stock shall be at the discretion of the Company's BOD at the time of such issuance.

##### Declaration of Stock Dividends

On March 27, 2023, the BOD has approved the declaration of stock dividends in the total amount of ₱150,000,000 corresponding to 15,000,000,000 common shares, of which 5,000,000,000 common shares shall be issued from the Company's authorized and unissued capital stock while 10,000,000,000 common shares shall be issued from the increase in the Company's authorized capital stock. The stock dividend declaration was ratified during the Annual Stockholders' Meeting held last July 26, 2023.

##### Amendment of the Articles of Incorporation

On March 27, 2023, the BOD has approved the amendment of the Articles of Incorporation (AOI), subject to the approval of the SEC. The amendment includes reclassifying one million (1,000,000) preferred shares with a par value of ₱100 per share to ten billion (10,000,000,000) common shares with a par value of ₱0.01 per share. It also includes increasing authorized capital stock to seven hundred million pesos (₱700,000,000) which will increase the common shares to seventy billion (70,000,000,000) with a par value of ₱0.01 per share. On November 9, 2023, the Company filed its application for the amendment of the AOI covering the reclassification of preferred shares to common shares. The said application was approved by the SEC on November 15, 2023. However, the Company's application for the increase in authorized capital stock is still pending approval by the SEC as at April 12, 2024.



Basic/Diluted Earnings (Loss) Per Share

As at December 31, 2023, 2022 and 2021, the computation of basic/diluted earnings per share follows:

	2023	2022	2021
Net income (loss)	<b>₱51,627,115</b>	(₱45,981,667)	₱149,929,046
Divided by weighted average number of shares	<b>25,000,000,000</b>	25,000,000,000	25,000,000,000
Basic/diluted earnings (loss) per share	<b>₱0.0021</b>	(₱0.0018)	₱0.0060

**15. Direct Costs**

	2023	2022	2021
Depreciation and amortization (see Note 9)	<b>₱43,197,551</b>	₱42,384,069	₱42,478,563
Real estate tax	<b>21,089,511</b>	21,089,511	20,892,774
Outside services	<b>9,922,300</b>	7,738,300	7,224,300
Communication, light and water	<b>5,884,285</b>	1,548,484	1,520,526
Repairs and maintenance	<b>3,624,693</b>	3,178,679	4,213,205
Insurance and others	<b>1,521,302</b>	1,360,031	1,370,891
	<b>₱85,239,642</b>	₱77,299,074	₱77,700,259

**16. Operating Expenses**

	2023	2022	2021
Personnel costs (see Note 17)	<b>₱14,481,362</b>	₱13,003,010	₱13,480,192
Taxes and licenses	<b>6,161,046</b>	3,839,249	3,914,531
Commission	<b>3,972,546</b>	240,420	250,500
Professional fees	<b>2,095,476</b>	2,996,121	3,820,757
Depreciation and amortization (see Note 10)	<b>1,171,169</b>	1,279,002	589,947
Association dues	<b>824,823</b>	1,574,606	884,152
Repairs and maintenance	<b>623,762</b>	364,444	536,043
Rent (see Note 20)	<b>526,684</b>	516,619	503,494
Communication, light and water	<b>369,310</b>	174,688	175,242
Entertainment, amusement and recreation	<b>158,026</b>	162,339	127,175
Provision for expected credit losses (see Note 5)	—	—	1,049,681
Miscellaneous	<b>1,853,851</b>	1,267,521	583,054
	<b>₱32,238,055</b>	₱25,418,019	₱25,914,768



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**17. Personnel Costs**

	<b>2023</b>	2022	2021
Salaries and wages	<b>₱12,922,338</b>	₱12,055,825	₱11,999,506
Retirement benefits cost (income) (see Note 18)	<b>(62,017)</b>	(48,438)	663,219
Others	<b>1,621,041</b>	995,623	817,467
	<b>₱14,481,362</b>	₱13,003,010	₱13,480,192

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## 18. Retirement Benefits Cost

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

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

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 retirement asset as at December 31, 2023 and 2022 are as follows:

	Net Retirement Cost (Income) in Profit or Loss in the Statement of Comprehensive Income				Remeasurements in Other Comprehensive Income							
	Balance at Beginning of Period	Current Service Cost	Net Interest	Subtotal	Actuarial Loss (Gain) Excluding Amount included in Net Interest	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience	Actuarial Changes Arising from in demographic assumptions	Effect of Asset Ceiling	Subtotal	Benefits paid	Balance at End of Period
<b>December 31, 2023</b>												
Present value of defined benefit obligation	₱7,940,238	₱412,250	₱571,697	₱983,947	₱-	₱644,930	(₱112,227)	₱-	₱-	₱532,703	₱-	₱9,456,888
Fair value of plan assets	(22,543,905)	-	(1,623,161)	(1,623,161)	11,015,385	-	-	-	-	11,015,385	-	(13,151,681)
Asset ceiling	8,016,620	-	577,197	577,197	-	-	-	-	(7,923,538)	(7,923,538)	-	670,279
Net defined benefit asset	(₱6,587,047)	₱412,250	(₱474,267)	(₱62,017)	₱11,015,385	₱644,930	(₱112,227)	₱-	(₱7,923,538)	₱3,624,550	₱-	(₱3,024,514)
<b>December 31, 2022</b>												
Present value of defined benefit obligation	₱9,003,951	₱568,749	₱451,998	₱1,020,747	₱-	(₱1,380,580)	₱859,981	₱-	₱-	(₱520,599)	(₱1,563,861)	₱7,940,238
Fair value of plan assets	(34,679,888)	-	(1,701,677)	(1,701,677)	12,273,799	-	-	-	-	12,273,799	1,563,861	(22,543,905)
Asset ceiling	12,599,451	-	632,492	632,492	-	-	-	-	(5,215,323)	(5,215,323)	-	8,016,620
Net defined benefit asset	(₱13,076,486)	₱568,749	(₱617,187)	(₱48,438)	₱12,273,799	(₱1,380,580)	₱859,981	₱-	(₱5,215,323)	₱6,537,877	₱-	(₱6,587,047)



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 as at December 31 follow:

	2023	2022
Cash in banks	₱441,293	₱326,336
Investments in equity securities	12,710,388	22,217,569
	<b>₱13,151,681</b>	<b>₱22,543,905</b>

The carrying amount of the plan assets represents their fair values as at December 31, 2023 and 2022.

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 gains on retirement benefits, net of deferred taxes are as follows:

	2023	2022
Beginning balance	₱8,668,117	₱13,571,525
Remeasurement in other comprehensive income:		
Actuarial gain (loss) on defined benefit obligation	(532,703)	520,599
Remeasurement gain on plan assets	(11,015,385)	(12,273,799)
Effect of asset ceiling	7,923,538	5,215,323
	<b>(3,624,550)</b>	<b>(6,537,877)</b>
Income tax effect	906,137	1,634,469
	<b>(2,718,413)</b>	<b>(4,903,408)</b>
Ending balance	<b>₱5,949,704</b>	<b>₱8,668,117</b>

The latest actuarial valuation of the plan is as at December 31, 2023. The principal actuarial assumptions used to determine retirement benefits cost at the beginning of the year were as follows:

	2023	2022
Discount rate	6.09%	7.20%
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 as at December 31:

		2023	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(6.2%)	(₱585,158)
	-100 bps	7.1%	670,145
Salary increase rate	+100 bps	7.1%	670,752
	-100 bps	(6.3%)	(596,142)



		2022	
		Increase (decrease) in DBO in % in ₱	
Discount rate	+100 bps	(6.4%)	(₱505,886)
	-100 bps	7.3%	580,191
Salary increase rate	+100 bps	7.4%	587,239
	-100 bps	(6.6%)	(520,406)

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

The average duration of the defined benefit obligation at the end of the period is 6.8 and 6.4 years as at December 31, 2023 and 2022, respectively.

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

	2023	2022
Year 1	<b>₱1,612,880</b>	₱1,523,615
Year 2	<b>3,131,380</b>	101,116
Year 3	<b>771,509</b>	3,074,216
Year 4	<b>58,973</b>	758,306
Year 5	<b>71,573</b>	58,869
Year 6 - 10	<b>2,300,921</b>	2,220,463

The Company is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the Retirement Fund.

The Company has no expected contribution in the next financial period.

## 19. Income Taxes

The provision for current income tax represents regular corporate income tax.

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

	2023	2022	2021
Provision for (benefit from) income tax at statutory tax rate	<b>₱20,739,466</b>	(₱10,472,551)	₱42,134,217
Additions to (reductions in) income tax resulting from:			
Gain on sale and fair value changes of financial assets at FVTPL	<b>10,319,539</b>	14,527,453	(20,580,774)
Nondeductible expenses	<b>687,184</b>	707,488	1,615,015

(Forward)



	2023	2022	2021
Rental income from deposits on long-term lease	<b>(₱278,236)</b>	(₱401,070)	(₱443,327)
Dividend income exempt from tax	<b>(98,597)</b>	(267,140)	(275,851)
Interest expense on notes payable - premium amortization	<b>(33,779)</b>	(46,286)	(43,827)
Interest income subjected to final tax	<b>(4,827)</b>	(2,718)	(8,275)
Impact of CREATE Act	-	-	(3,789,356)
	<b>₱31,330,750</b>	₱4,091,462	₱18,607,822

The Company's net deferred tax liabilities as at December 31 follow:

	2023	2022
Deferred tax liabilities:		
Accrued rent	<b>(₱2,519,871)</b>	(₱2,410,945)
Net retirement plan asset	<b>(756,129)</b>	(1,646,763)
	<b>(3,276,000)</b>	(4,057,708)
Deferred tax assets:		
Advance rental	<b>1,243,902</b>	1,036,759
Provisions for expected credit losses and others	<b>262,420</b>	306,534
	<b>1,506,322</b>	1,343,293
Net deferred tax liabilities	<b>(₱1,769,678)</b>	(₱2,714,415)

As at December 31, 2023 and 2022, the Company did not recognize deferred tax asset on fair value loss on financial assets at FVTPL amounting to ₱40,600,000 as management believes that there is no expected sufficient capital gain against which the fair value loss can be offset to realize the benefit of such deferred tax asset.

*Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.



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

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

As at December 31, 2021, the CREATE Act's retrospective 5% income tax rate reduction resulted in a prorated current income tax (CIT) rate of the Company for CY2020 of 27.50%. This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱13,265,708 or a reduction of ₱1,207,080 in CIT and income tax payable, and a reduction of ₱3,062,885 in provision for deferred income tax due to remeasurement of net deferred tax liabilities. The impact of CREATE Act on the CIT and deferred income tax for the year ended December 31, 2020 have been adjusted in the 2021 financial statements.

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the CREATE Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Company computed for MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

## 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 Company's transactions with its related parties follow:

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms and Conditions
	2023	2022	2021	2023	2022	
<i>Parent</i>						
<b>Liberty Flour Mills, Inc.</b>						
Land and building acquisition (see Note 9)	<b>₱980,000,000</b>	₱-	₱-	<b>(₱851,200,000)</b>	₱-	On demand; Unsecured
Rent expense	<b>526,684</b>	516,619	503,494	<b>(59,060)</b>	(61,246)	On demand; Unsecured
Deposit (see Note 9)	(130,000,000)	130,000,000	-	-	130,000,000	On demand; Unsecured
<i>(Forward)</i>						



*Affiliate\**

**Parity Values, Inc.**

Development rights (see Note 9)	37,730,000	₱- ₱52,000,000	₱-	(₱37,730,000)	Within 5 years; 5.25% interest per annum
Deposit			₱-	₱130,000,000	
Due to a related party (Note 12)			(₱59,060)	(₱53,295)	
Payable to a related party (Note 9)**			(₱851,200,000)	(₱37,730,000)	

\*Parent Company's stockholder

Rental expense

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

Key Management Personnel

Compensation of key management personnel follows:

	2023	2022	2021
Short-term employee benefits	<b>₱2,702,896</b>	₱2,282,925	₱2,970,725
Post-employment benefits and others	<b>612,532</b>	1,175,871	207,966
	<b>₱3,315,428</b>	₱3,458,796	₱3,178,691

Retirement Fund

The Company has no transaction with the retirement fund as at December 31, 2023 and 2022.

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**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, refundable deposits, and borrowings. The main risks arising from the use of these financial instruments are credit risk, equity price 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 and refundable deposits, 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.



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

	2023	2022
Cash in banks*	₱34,522,167	₱43,050,073
Receivables**	13,706,254	30,291,937
Refundable deposits***	2,701,019	2,701,019
<b>Total credit risk exposure</b>	<b>₱50,929,440</b>	<b>₱76,043,029</b>

\*excluding cash on hand amounting to ₱13,500 in 2023 and 2022.

\*\*excluding advances to officers and employees and advances to others amounting to ₱56,700 and ₱96,455 in 2023 and 2022, respectively.

\*\*\*presented under Other noncurrent assets in the statements of financial position.

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

	2023			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱42,842,754	₱7,037,005	₱-	₱49,879,759
Moderate	-	1,049,681	-	1,049,681
High	-	-	-	-
Gross carrying amount	42,842,754	8,086,686	-	50,929,440
ECL	-	1,049,681	-	1,049,681
<b>Carrying amount</b>	<b>₱42,842,754</b>	<b>₱7,037,005</b>	<b>₱-</b>	<b>₱49,879,759</b>

	2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	
Low	₱50,055,000	₱24,546,748	₱-	₱74,601,748
Moderate	-	1,441,281	-	1,441,281
High	-	-	-	-
Gross carrying amount	50,055,000	25,988,029	-	76,043,029
ECL	-	1,049,681	-	1,049,681
<b>Carrying Amount</b>	<b>₱50,055,000</b>	<b>₱24,938,348</b>	<b>₱-</b>	<b>₱74,993,348</b>

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

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

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

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



Set out below is the information about the credit risk exposure on the Company's rent receivables using a provision matrix as at December 31:

	2023				Total
	Current	1-30 days	31-90 days	More than 90 days	
Rent receivables -					
Expected credit loss rate	-	-	-	47.91%	
Estimated total gross carrying amount at default	<b>₱698,664</b>	<b>₱6,122,943</b>	<b>₱108,538</b>	<b>₱1,156,541</b>	<b>₱8,086,686</b>
Expected credit loss	-	-	-	1,049,681	1,049,681
	2022				
	Current	1-30 days	31-90 days	More than 90 days	Total
Rent receivables -					
Expected credit loss rate	-	-	-	64.20%	
Estimated total gross carrying amount at default	<b>₱9,981,376</b>	<b>₱3,286,060</b>	<b>₱11,085,674</b>	<b>₱1,634,919</b>	<b>₱25,988,029</b>
Expected credit loss	-	-	-	1,049,681	1,049,681

In 2021, provision for expected credit losses is recognized for rent receivables subjected to impairment (nil in 2023 and 2022).

#### Equity Price Risk

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

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

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

	2023	
	Increase (Decrease) in Market Price	Increase (Decrease) in Profit or Loss/Equity
Financial assets at FVTPL	13% (13%)	<b>₱10,684,885</b> <b>(10,684,855)</b>
Financial assets at FVOCI	18% (18%)	<b>22,786,992</b> <b>(22,786,992)</b>



	2022	
	Increase (Decrease) in Market Price	Increase (Decrease) in Profit or Loss/Equity
Financial assets at FVTPL	46% (46%)	₱37,680,565 (37,680,565)
Financial assets at FVOCI	56% (56%)	65,470,463 (65,470,463)

### 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 based on contractual undiscounted payments as at December 31:

	2023			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
<b>Financial Assets at amortized cost:</b>				
Cash	₱34,535,667	₱-	₱-	₱34,535,667
Receivables	12,071,335	1,634,919	-	13,706,254
Other noncurrent assets	-	-	2,701,019	2,701,019
Financial assets at FVTPL	27,065,842	-	-	27,065,842
Financial assets at FVOCI	-	-	126,594,399	126,594,399
	73,672,844	1,634,919	129,295,418	204,603,181
<b>Financial Liabilities</b>				
Notes payable, including interest	-	591,889,506	-	591,889,506
Accounts payable and other current liabilities				
Accounts payable	10,135,798	22,024,529	-	32,160,327
Accrued expense, excluding accrued interest	1,561,222	-	-	1,561,222
Construction bond	7,040,369	-	-	7,040,369
Due to related parties	59,060	-	-	59,060
Payable to a related party	-	-	851,200,000	851,200,000
Due to related parties	59,060	-	-	-
Deposits on long-term leases	-	26,824,888	20,162,073	46,986,961
Other noncurrent liabilities	-	-	134,306,019	134,306,019
	18,796,449	640,738,923	1,005,668,092	1,665,203,464
<b>Net Financial Assets (Liabilities)</b>	<b>₱54,876,395</b>	<b>(₱639,104,004)</b>	<b>(₱876,372,674)</b>	<b>(₱1,460,600,283)</b>

	2022			
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
<b>Financial Assets at amortized cost:</b>				
Cash	₱43,063,573	₱-	₱-	₱43,063,573
Receivables	28,657,018	1,634,919	-	30,291,937
Other noncurrent assets	-	-	2,701,019	2,701,019
Financial assets at FVTPL	121,713,643	-	-	121,713,643
Financial assets at FVOCI	-	-	116,911,541	116,911,541
	193,434,234	1,634,919	119,612,560	314,681,713
<b>Financial Liabilities:</b>				
Notes payable, including interest	-	326,143,740	307,058,824	633,202,564
Accounts payable and other current liabilities				
Accounts payable	7,635,344	15,440,760	-	23,076,104
Accrued expense, excluding accrued interest	2,579,236	-	-	2,579,236
Construction bond	6,001,007	-	-	6,001,007
Due to a related party	61,246	-	-	61,246
Payable to a related party	-	-	37,730,000	37,730,000
Deposits on long-term leases	-	34,937,485	9,314,667	44,252,152
Other noncurrent liabilities	-	-	163,672,057	163,672,057
	16,276,833	376,521,985	517,775,548	910,574,366
<b>Net Financial Assets (Liabilities)</b>	<b>₱177,321,039</b>	<b>(₱375,050,704)</b>	<b>(₱398,162,988)</b>	<b>(₱595,892,653)</b>



Fair Value

The following are the Company's financial instruments whose carrying amounts are measured at fair value as at December 31:

	Carrying Value		Fair Value	
	2023	2022	2023	2022
<b>Financial Assets</b>				
Financial assets at FVTPL	<b>₱27,065,842</b>	₱121,713,643	<b>₱27,065,842</b>	₱121,713,643
Financial assets at FVOCI	<b>126,594,399</b>	116,911,541	<b>126,594,399</b>	116,911,541

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, 2023 and 2022, 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 measured and disclosed as at December 31:

	2023			
	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value:</b>				
Financial assets at FVTPL	<b>₱27,065,842</b>	<b>₱27,065,842</b>	<b>₱-</b>	<b>₱-</b>
Financial assets at FVOCI	<b>126,594,399</b>	<b>126,594,399</b>	-	-
<b>Nonfinancial assets for which fair values are disclosed</b>				
Investment properties	<b>5,369,425,000</b>	-	-	<b>5,369,425,000</b>
	2022			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at FVTPL	₱121,713,643	₱121,713,643	₱-	₱-
Financial assets at FVOCI	116,911,541	116,911,541	-	-
Nonfinancial assets for which fair values are disclosed				
Investment properties	3,709,280,000	-	-	3,709,280,000

Financial assets at FVTPL and financial assets at FVOCI are carried at their fair values based on quoted market prices as at December 31, 2023 and 2022.

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

In 2023 and 2022, 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 2023 and 2022.

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:

	2023	2022
Capital stock	₱300,000,000	₱250,000,000
Stock dividend distributable	100,000,000	–
Retained earnings	174,407,750	272,780,635
	<b>₱574,407,750</b>	<b>₱522,780,635</b>

## 23. Supplemental Disclosure of Cash Flow Information

- a. In 2023, noncash investing activity pertains to acquisition of land and building from the Parent Company in 2023 amounting to ₱890,000,000 which consists of the unpaid consideration amounting to ₱760,000,000 and ₱130,000,000 deposit paid in 2022.
- b. In 2022, noncash investing activity pertains to interest accretion amounting to ₱408,495 capitalized as part of cost of land.
- c. In 2021, noncash investing activity pertains to land acquisition with unpaid purchase price amounting to ₱160,407,472 (see Note 9).
- d. The changes in liabilities arising from financing activities follows:

	2023				December 31
	January 1	Cash flows	Loan Premium	Interest expense	
Notes payable	₱630,800,782	(₱40,470,588)	₱–	(₱135,117)	₱590,195,077
Other noncurrent liability	146,135,765	(18,381,857)	–	–	127,753,908
Payable to a related party	37,730,000	(37,730,000)	–	–	–
Interest payable	2,673,152	(42,703,263)	–	41,860,793	1,830,682
Total liabilities	<b>₱817,339,699</b>	<b>(₱139,285,708)</b>	<b>₱–</b>	<b>₱41,725,676</b>	<b>₱719,779,667</b>

	2022				December 31
	January 1	Cash flows	Loan Premium	Interest expense	
Notes payable	₱580,456,514	₱50,529,412	₱–	(₱185,144)	₱630,800,782
Other noncurrent liability	164,517,622	(18,381,857)	–	–	146,135,765
Payable to a related party	37,730,000	–	–	–	37,730,000
Interest payable	3,045,000	(27,109,639)	–	26,737,791	2,673,152
Total liabilities	<b>₱785,749,136</b>	<b>₱5,037,916</b>	<b>₱–</b>	<b>₱26,552,647</b>	<b>₱817,339,699</b>



	2021				
	January 1	Cash flows	Loan Premium	Interest expense	December 31
Notes payable	₱580,000,000	(₱4,350,000)	₱4,981,822	(₱175,308)	₱580,456,514
Payable to a related party	89,730,000	(52,000,000)	-	-	37,730,000
Interest payable	890,139	(27,235,028)	-	29,389,889	3,045,000
<b>Total liabilities</b>	<b>₱670,620,139</b>	<b>(₱83,585,028)</b>	<b>₱4,981,822</b>	<b>₱29,214,581</b>	<b>₱621,231,514</b>

## 24. Events After the Reporting Period

- a. On April 5, 2024, the Company secured from the bank a one-time waiver of debt-to-equity financial covenant for the year ended December 31, 2023 (see Note 11).
- b. On March 20, 2024, the BOD has approved further amendment of the AOI to: (1) increase the number of directors, and (2) increase the authorized capital stock to include an additional ₱1.5billion worth of preferred shares.

## 25. Supplementary Information Required Under Revenue Regulations 15-2010

### RR 15-2010

The Company reported and/or paid the following types of taxes in 2023:

- 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	₱186,830,449	₱22,419,654
Common area service income	7,357,232	882,868
Others	115,850,183	13,902,022
Zero-rated rental income	6,171,552	-
<b>Total</b>	<b>316,209,416</b>	<b>37,204,544</b>
Application of input VAT		38,589,512
VAT payments		(1,384,968)
<b>Balance at December 31</b>		<b>₱-</b>

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.



b. Input VAT

Balance at January 1	₱-
Current year's domestic purchases/payments of importations	-
Capital goods not subjected to amortization	31,285,423
Capital goods subjected to amortization	3,883,953
Goods lodged under cost of goods sold and other accounts	146,931
Services lodged under cost of goods sold	2,368,956
Services lodged under other accounts	904,249
	<hr/>
	38,589,512
<u>Application against output VAT</u>	<u>22,837,167</u>
<u>Balance at December 31</u>	<u>₱15,752,345</u>

c. Other Taxes and Licenses

Real estate taxes	₱21,089,511
License and permits fees	4,104,731
Documentary stamp tax	2,056,315
	<hr/>
	₱27,250,557

d. Withholding Taxes

Withholding taxes on compensation and benefits	₱1,754,279
Expanded withholding taxes	2,095,223

e. Tax Assessments

The Company has no outstanding tax assessment with the BIR nor pending tax cases in any courts/bodies outside of the Bureau of Internal Revenue as at December 31, 2023.

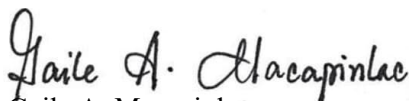


**INDEPENDENT AUDITOR'S REPORT  
ON THE SCHEDULE OF RECONCILIATION  
OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION**

The Board of Directors and Stockholders  
LFM Properties Corporation  
3<sup>rd</sup> Floor, Liberty Building  
A. Arnaiz Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LFM Properties Corporation (the Company), as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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

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

PTR No. 10079961, January 6, 2024, Makati City

April 12, 2024

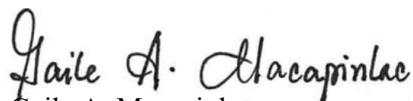


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders  
LFM Properties Corporation  
3<sup>rd</sup> Floor, Liberty Building  
B. Arnaiz Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LFM Properties Corporation (the Company), as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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

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PTR No. 10079961, January 6, 2024, Makati City

April 12, 2024

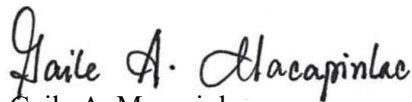


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders  
LFM Properties Corporation  
3<sup>rd</sup> Floor, Liberty Building  
A. Arnaiz Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LFM Properties Corporation (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Gaile A. Macapinlac

Partner

CPA Certificate No. 98838

Tax Identification No. 205-947-572

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

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

PTR No. 10079961, January 6, 2024, Makati City

April 12, 2024



**LFM Properties Corporation**  
**(A Subsidiary of Liberty Flour Mills, Inc.)**

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**INDEX TO THE SUPPLEMENTARY SCHEDULES**

**December 31, 2023**

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

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

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**ANNEX A: RECONCILIATION OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION  
DECEMBER 31, 2023**

	Amount
Unappropriated retained earnings, beginning	₱205,216,993
Add: Net income closed to retained earnings	51,627,115
Unrealized fair value loss (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)	42,006,396
Unrealized fair value income (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL) in prior year realized in current year	29,400,277
Net movement of deferred tax asset	(163,029)
Net income, as adjusted	122,870,759
Less: Stock dividend declaration	(150,000,000)
Total retained earnings, end of the reporting period available for dividend	₱178,087,752

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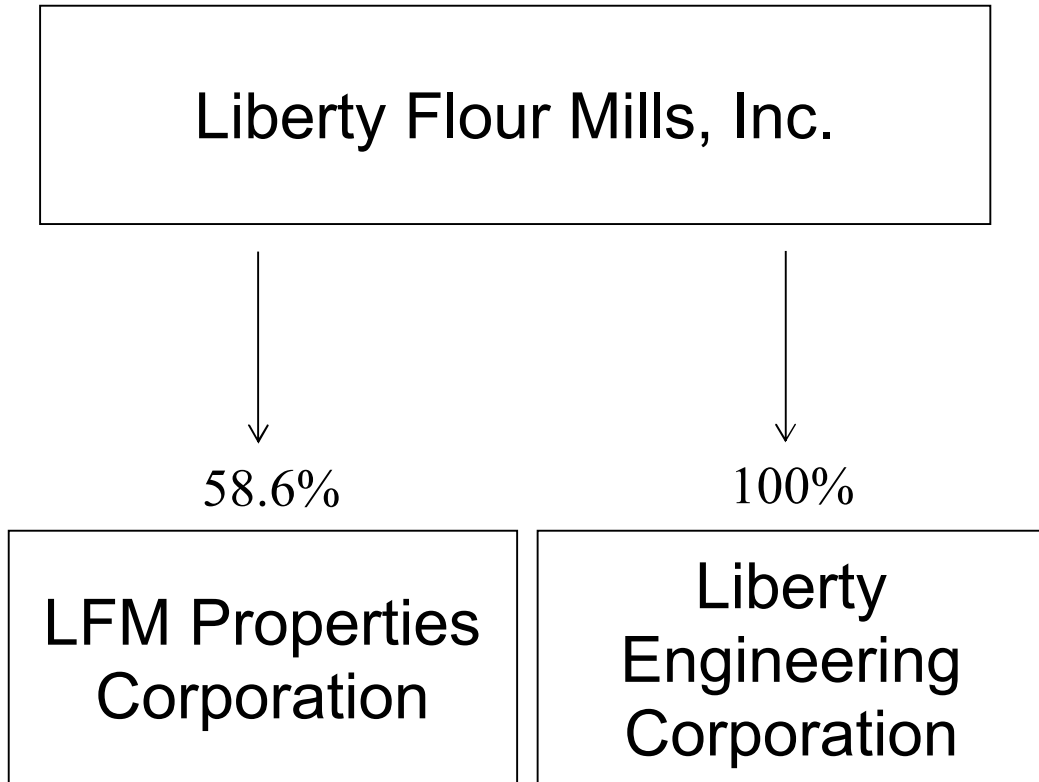
**LFM PROPERTIES CORPORATION**

**(A Subsidiary of Liberty Flour Mills, Inc.)**

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

**DECEMBER 31, 2023**



**LFM PROPERTIES CORPORATION**

(A Subsidiary of Liberty Flour Mills, Inc.)

**ANNEX C: SCHEDULE A. FINANCIAL ASSETS**

**DECEMBER 31, 2023**

	<b>Name of Issuing Entity and Association of each issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount shown in the Statement of Financial Position</b>	<b>Value based on Market Quotation at End of Reporting Period</b>	<b>Income Received and Accrued</b>
<b><i>Financial Assets at Amortized Cost</i></b>					
Cash	N/A	N/A	₱46,063,573	N/A	₱ 10,874
Receivables:					
Rent receivable	N/A	N/A	24,938,348	N/A	18,837
Receivable from a broker			4,303,908		
Other noncurrent assets					
Refundable deposits	N/A	N/A	2,701,019	N/A	–
			78,006,848		29,711
<b><i>Financial Assets at FVTPL</i></b>					
Equity investments	AC Energy Philippines Inc.	4,006,757	17,549,596	17,549,596	180,270
Equity investments	ACE Enexor, Inc	300,000	1,470,000	1,470,000	–
Equity investments	Security Bank Corp.	35,000.00	2,502,500	2,502,500	105,000
Equity investments	Philex Mining Corp.	1,000,000.00	3,210,000	3,210,000	20,000
Equity investments	PXP Energy Corp.	150,000.00	592,500	592,500	–
Equity investments	Cebu Landmasters, Inc.	223,000	550,810	550,810	40,140
Equity investments	SFA Semicon Philippines Corp.	400,000	884,000	884,000	26,480
Equity investments	Lepanto Cons. Mining Co. "A"	3,545,455	283,636	283,636	–
Equity investments	Universal Rightfield Prop Holdings, Inc.	600,000	22,800	22,800	–
		10,260,212	27,065,842	27,065,842	371,890
<b><i>Financial Assets at FVOCI</i></b>					
Equity investments	PBCOM	8,965,609	126,594,399	126,594,399	–
			126,594,399	126,594,399	–
<b>Total Financial Assets</b>			<b>₱231,667,089</b>	<b>₱153,660,241</b>	<b>₱1,098,271</b>

**LFM PROPERTIES CORPORATION****(A Subsidiary of Liberty Flour Mills, Inc.)****ANNEX C: SCHEDULE B. AMOUNT RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)****December 31, 2023**

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

**LFM PROPERTIES CORPORATION**

(A Subsidiary of Liberty Flour Mills, Inc.)

**ANNEX C: SCHEDULE C. AMOUNT RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

December 31, 2023

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

**LFM PROPERTIES CORPORATION****(A Subsidiary of Liberty Flour Mills, Inc.)****ANNEX C: SCHEDULE D. LONG - TERM DEBT****December 31, 2023**

<b>Title of Issue and Type of Obligation</b>	<b>Amount Authorized by Indenture</b>	<b>Amount shown under Caption “Current portion of notes payable” in related Statement of Financial Position</b>	<b>Amount shown under Caption “Notes payable – net of current portion” in related Statement of Financial Position</b>
Five-year secured term loan	₱290,000,000	₱153,529,412	₱ –
Five-year secured term loan	290,000,000	153,529,412	–
<b>Total</b>	<b>₱580,000,000</b>	<b>₱307,058,824</b>	<b>₱–</b>

**LFM PROPERTIES CORPORATION**

(A Subsidiary of Liberty Flour Mills, Inc.)

**ANNEX C: SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES**

December 31, 2023

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non-Current	Balance at End of Period
			Amounts Collected	Amounts Written off			
<i>Affiliate</i> N/A	P-	P-	P-	P-	P-	P-	P-

**LFM PROPERTIES CORPORATION****(A Subsidiary of Liberty Flour Mills, Inc.)****ANNEX C: SCHEDULE F. Guarantees of Securities of Other Issuers****December 31, 2023**

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

**LFM PROPERTIES CORPORATION****(A Subsidiary of Liberty Flour Mills, Inc.)****ANNEX C: SCHEDULE G. CAPITAL STOCK****DECEMBER 31, 2023**

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<b>Title of Issue</b>	<b>Number of shares authorized</b>	<b>Number of Shares outstanding</b>	<b>Number of shares reserved</b>	<b>Number of shares held by related parties</b>	<b>Directors and officers</b>	<b>Others</b>
Common	40,000,000,000	25,000,000,000	–	18,825,964,932	10	–

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**LFM PROPERTIES CORPORATION****(A Subsidiary of Liberty Flour Mills, Inc.)****SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS (Annex 68-E)****DECEMBER 30, 2023, 2022 and 2021**

	<b>Formula</b>	<b>2023</b>	2022	2021
Current Ratio	Total current assets/ Total current liabilities	<b>0.08</b>	0.49	1.26
Acid Test Ratio	(Cash and cash equivalents + Receivable) / Total current liabilities	<b>0.03</b>	0.18	0.27
Solvency Ratio	(Net income + Depreciation)/ Total liabilities	<b>0.058</b>	(0.003)	0.22
Debt-to-Equity Ratio	Total liabilities/Total equity	<b>3.66</b>	2.29	1.82
Asset-to-Equity Ratio	Total assets/Total equity	<b>4.66</b>	3.29	2.82
Interest Rate Coverage Ratio	Income before interest expense and tax/Interest expense	<b>2.90</b>	(0.50)	6.49
Return on Equity	Net income/Total equity	<b>0.11</b>	(0.12)	0.31
Return on Assets	Net income/Total assets	<b>0.02</b>	(0.04)	0.11
Net Profit Margin	Net income/Revenue	<b>0.27</b>	(0.20)	0.67
Debt Service Coverage Ratio	Earnings before interest expense, income tax, depreciation and amortization / Total debt service (interest expense + principal payments)	<b>0.95</b>	0.18	7.90