3	1	1	6	8

SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

AIRPORT ROAD UPTOWN
CAGAYAN DE ORO CITY

(Business Address: No. Street City/Town/Province)

Allan Ace R. Magdaluyo
Contact Person

02-6386832
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

1	7	-	Q

FORM TYPE

0	6			

Month Day
Annual Meeting

Secondary License Type, if applicable

C	G	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,119 (March 31, 2016)	Php 2,086,132,170 (March 31, 2016)	- 0 -
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the **1st** quarter ended **March 31, 2016**
2. Commission Identification Number: 31168
3. BIR Tax identification No. 002-724-446-000
4. **A BROWN COMPANY, INCORPORATED**
5. Metro Manila, Philippines
6. Industry Classification Code: (SEC use only)
7. **Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City 9000**
8. Telephone Nos. (088) 858-8784 or (02) 638-6832
9. Former address in last report is: **Rm. 3304-C, 33rd Floor**
West Tower, PSE Centre
Ortigas Center, Pasig City
(Liaison Office)
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares outstanding
Common shares	1,732,865,522

Amount of debt outstanding: **₱2,675,367,638**

11. Are any or all of the securities listed on a Stock Exchange?
Yes, all of the common securities are listed in the Philippine Stock Exchange

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

12.b Yes, we have been subject to such filing requirements for the past 90 days.

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PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit 1) for the First (1st) Quarter ending March 31, 2016.

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

Financial Condition – Consolidated (Unaudited)

In Thousand Pesos	Unaudited March 2016	Audited 2015	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)			
			Amount	%	Unaudited March 2015	Audited 2015
Current Assets	**1,469,909**	1,519,821	(49,912)	-3%	26%	28%
Noncurrent Assets	**4,126,957**	3,987,969	138,988	3%	74%	72%
Total Assets	**5,596,866**	5,507,789	89,076	2%	100%	100%
Current Liabilities	**1,438,876**	1,467,895	(29,019)	-2%	26%	27%
Noncurrent Liabilities	**1,236,492**	1,227,967	8,525	1%	22%	22%
Capital	**2,921,498**	2,811,927	109,571	4%	52%	51%
Total Liab. & Capital	**5,596,866**	5,507,789	89,076	2%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – March 31, 2016 vs. December 2015

The Group's total assets increased by **2% or ₱89.1 million,** from a balance of ₱5.5 billion as of end of the year 2015 to **₱5.6 billion** as of March 31, 2016.

Current assets decreased by 3% or ₱49.9 million as a result of the net effect of the following:

61% or ₱26.6M decrease in Cash– due to the net effect of cash provided by operating activities and cash used in investments and deposits and other investing and financing activities.

3% or ₱11.3 M increase in Current Receivable due to the net effect of:

a) **4% or ₱17.8M increase in contract receivables on sale of real estate**
b) **111% or ₱14.6M increase in Trade Receivable** – directly related from the increase sale of Crude Palm Oil (CPO), Palm Olein, Palm Stearin and other palm products
c) **8% or ₱111.4k decrease in advances to officers and employees**
d) **1% or ₱1M increase in accounts receivable others**

5% or ₱30.4M decrease in Real estate held for sale – due to the net effect of the increase in sales (number of lots sold) as compared with development costs for horizontal and vertical development of various projects which is lower than the cost of booked sales and reclassification of accounts

29% or ₱13M decrease in Inventories – due to increase in sales of fertilizers, aggregates and crude palm oil with cost of inventory sold higher than inventory cost of production for the period

3% or ₱8.7M increase in Prepayments and Other Current Assets – due to the net effect of:

a) 5% or ₱3.8M increase in creditable withholding taxes – as a result of increase in real estate sales made during the period.
b) 92% or ₱24.3M increase in prepaid expenses – due to advance payments made by the group during the quarter in relation to various expenses.
c) 2% or ₱767K increase in input VAT - due to increase in recognized input VAT from various purchases made during the period.
d) 28% or ₱12.2M decrease in other deposits
e) 100% or ₱1.7M increase in other current assets

Non-Current assets increased by 3% or ₱139 million as a result of the net effect of the following:

11% or ₱105.5M increase in Available for sale Investments – due to the increase in the market value of investments.

₱731K increase in Investment in Associates – due to the Group's share in the net income of the associates

6% or ₱13.1M decrease in Investment Properties – due to the net effect of disposals made and depreciation during the quarter.

₱453K increase in Property and Equipment - net due to the net effect in:

a) 0.04% or ₱209k increase in machinery and equipment
b) 1% or ₱108k increase in furniture and fixtures
c) 5% or ₱77k increase in tools and other equipment – related to additions made during the quarter.
d) 16% or ₱5.4M increase in construction in progress – due to additional costs of the refinery plant and water system
e) 1% or ₱148k increase in other fixed assets

1% or ₱5.6M increase in Land and Improvements – due to the additional costs incurred for new real estate projects.

2% or ₱8.5M increase in Biological Assets – due to additional capitalized costs for Kalabugao plantation

1% or ₱0.3M decrease due to amortization of Leasehold Rights

25% or ₱10.2M increase in Deferred Tax Assets – directly related to the increase in the net operating loss carry over (NOLCO) of the group during the quarter.

5% or ₱522k decrease in Refundable Deposits – due to the return of deposits made during the quarter.

Current liabilities decreased by 2% of ₱29 million as a result of the net effect of the following:

2% or ₱6.2M decrease in Accounts Payable and Accrued Expenses – primarily due to the net effect of the following:

a) 3% or ₱9.8M decrease in accounts payable
b) 4% or ₱986k increase in accrued expenses
c) 3% or ₱150k decrease in contracts payable
d) 5% or ₱536k decrease in accrued interest payable
e) 1% or ₱66k increase in retention payable
f) 15% or ₱3.2M increase in other payables

52% or ₱22.1M decrease in Deposit from Customers – due to increase in book sales settled through end buyer's financing.

69% or ₱200M increase in Short Term Debt – due to the net effect of the additional clean term loan availed by the group amounting to ₱200M from CBC during the quarter

29% or ₱200.7M decrease in Current maturities portion of long-term debt *due to settlement of the current portion of the long term debt with China Bank*

Non-Current liabilities increased by 1% or ₱8.5million as a result of the net effect of the following:

₱0.6M decrease in Long-term Debt – due to the net effect of reclassification of the principal amount that will be due within one year and new long term loans availed.

11% or ₱9M increase in Deferred Tax Liabilities - due to the increase in the tax effect of sales on deferred payment scheme.

Equity increased by 4% or ₱109.6 million as a result of the net effect of the following:

70% or ₱105.5M increase in Net Unrealized Gain on Available for Sale – due to the increase in market value of available for sale investments

1% or ₱4M increase in the Retained Earnings – due to the effect of net income earned during the period

Results of Operations – Consolidated (Unaudited)

In Thousand Pesos	March 31, 2016	March 31, 2015	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2016	2015
Net Sales	166,465	146,746	19,720	13%	93%	89%
Financial Income	2,578	4,695	(2,117)	-45%	1%	3%
Rental Income	3,634	3,746	(113)	-3%	2%	2%
Discount on Loans Payable	1,109	-	1,109	0%	1%	0%
Sale of aggregates	2,147	1,464	683	47%	1%	1%
Equity in net income of an associate	731	1,857	(1,126)	0%	0%	1%
Other Income	2,201	6,955	(4,753)	-68%	1%	4%
Total Revenues	**178,865**	**165,462**	13,403	8%	**100%**	**100%**
Cost of sales and services	91,229	84,400	6,830	8%	51%	51%
General and Admin Expenses	52,248	46,975	5,273	11%	29%	28%
Finance Cost	22,967	18,904	4,063	21%	13%	11%
Marketing	8,280	7,601	679	9%	5%	5%
Provision for Impairment Loss	-	382	(382)	-100%	0%	0%
Total Cost and Expenses	**174,724**	**158,263**	16,462	10%		
Income before Tax	**4,140**	**7,200**	(3,059)	-42%		
Tax expense	118	1,942	(1,824)	-94%	0%	1%
Income after Tax	**4,023**	**5,258**	(1,235)	-23%	**2%**	**3%**
Unrealized gain on Available-For-Sale investments	105,548	32,179	73,369	228%		
Actuarial loss	-	4,658	(4,658)	-100%		
Comprehensive Net Income	**109,571**	**42,095**	67,475	160%		

A Brown Company - CONSOLIDATED
Results of Operations
For the1st Quarter ending March 31, 2016

The consolidated financial statements for the quarter ending March 31, 2016 resulted to a net income after tax of **₱4.02 million** compared to a **₱5.26 million** net income for the same quarter last year, a decrease by 23% or 1.2 million due to the net effect of the following:

13% or ₱19.7M increase in Sales due to:

a) ***Increase in Real estate Sales by 22% or P22.2M*** - due to the additional sales recognized by the group during the quarter of 2016 as against that of 2015.
b) ***Decrease in Sales of crude palm oil by 56% or P20.7M –*** This is due to further processing of crude palm oil, palm olein, and palm stearin with the decrease in quantity sold by 79.58% or 975.73 metric tons, from a volume of 1,226.11 metric tons in the 1st quarter of 2015 to 250.38 metric tons in 2016 of the same quarter; the average selling price per metric ton increased by P 34,368.50 per metric ton from P 30,076.95 per metric ton last year to P 64,445.45 per metric ton in this 1st quarter of 2016.
c) ***Increase in Palm Fatty Acid Distillate Sales by 100% or P1.5M –*** due to the increase in quantity sold by 100% or 129.66 metric tons in quarter of 2016; and additional by product produced by processing crude palm oil further to palm olein and palm stearin.
d) ***Increase in Sales from water services by 17% or P639k***– The increase in the quarter's revenue is due to the increase in the billed water consumption to 139,145 cubic meter in the first quarter of 2016
e) ***Decrease in Other by-products of CPO Sales by 100% or P1.2M***
f) ***Increase in RBDO Sales by 100% or P718k –*** Due to further processing of crude palm oil to RBDO. This quarter's sales of RBDO amounted to P718k for a total quantity sold of 20.16 metric tons at a selling price of P 35,607.64.

g) ***Increase in Palm Acid Oil Sales by 100% or P1M -*** This quarter's sales of palm acid oil amounted to P1.05M for a total quantity sold of 122.24 metric tons at a selling price of P8,618.14.
h) ***Increase in Palm Olein Sales by 100% or P10.3M –*** Due to further processing of crude palm oil to palm olein
i) ***Increase in Palm Stearin Sales by 100% or P6.4M -*** Due to further processing of crude palm oil to palm stearin
j) ***Decrease in Kernel Nuts and Fertilizer Sales by 54% or P1M***
k) ***Decrease in Sales from crop and palm seedlings by 100% or P0.2M***

45% or P2.1M decrease in Financial Income– due to the increase in end-buyer's financing by the bank leading to decrease in the in-house financing of real estate sales.

61% or P1.1M decrease in Equity in Net Gain of an Associate – this pertains to the group's 20% share on the net earnings of PCPC and PEI's operating companies.

47% or P683k increase in Sales of Aggregates– in the first quarter of 2016, the Group sold a total of 3,726 cubic meters which is higher than the 3,354 cubic meters sold in the first quarter of 2015

3% or P113K decrease in Rental income – due to the reduction of rental of construction equipment.

100% or P1.1M increase in Discount on loans payable – due to the discounting of additional non-interest bearing loans availed from various stockholders during the first quarter of 2016

68% or P4.8M decrease in Other income– due to the net effect of the following:

a) ***Decrease in Income from forfeited deposits by 10% or P81K –*** foreclosed accounts in the first quarter of 2016 is lower compared to last year's forfeited accounts of the same quarter.
b) ***Decrease in Income from penalties and surcharges by 46% or P324k*** – due to the increase in end-buyer's financing by the bank leading to decrease in the collection of penalties and surcharges through the in- house financing of real estate sales.
c) ***Decrease in Other income by 80% or P4.3M*** – due to the decrease in scrap sales from empty fresh fruit bunches

8% or P6.8M increase in Cost of Sales due to:

a) ***13% or P7M increase in cost of Real estate –*** the increase is relatively due to increase in lots sold
b) ***53% or P13.34M decrease in cost of production of Crude palm oil*** – **–** This is due to further processing of Crude Palm Oil, Palm Olein, and Palm Stearin
c) ***Increase in cost of Palm Fatty Acid Distillate by 100% or P666k***
d) ***Increase in cost from Water services by 16% or P208k***– The increase is relatively due to increase in service income in water and increase in new connections during the quarter.
e) ***110% or 1M increase in cost of Aggregates***–the increase is relatively due to the increase in sales of aggregates
f) ***Decrease in cost of Kernel Nuts and Fertilizer by 100% or P1.8M -*** the decrease is relatively due to the decrease in sales of Kernel Nuts and Fertilizers
g) ***Increase in cost of RBDO by 100% or P419k***
h) ***Increase in cost of Palm Kernel by 100% or P675k***
i) ***Increase in cost of Palm Acid Oil by 100% or P755k***
j) ***Increase in cost of Palm Olein by 100% or P7.7M***

k) ***Increase in cost of Palm Stearin by 100% or P4.4M***
l) ***Decrease in cost of Crop and palm seedlings by 100% or P89k –*** the decrease is relatively due to the decrease in sales of crop and palm seedlings
m) ***87% or P845k decrease in Other direct cost –*** related to the increase in the direct plantation cost

11% or P5.3M increase in General and Administrative Expenses - due to the following net effect of:

a) ***9% or P1.4M increase in Personnel expenses -*** due to the net effect of the increase in manpower during the first quarter of 2016
b) ***27% or P1.4M decrease in Depreciation and amortization***– due to the net effect of the fully depreciated property and equipment items and various additions in the first quarter of 2016
c) ***5% or P404k increase in Taxes and Licenses –*** the increase is due to the increase in monthly amortization of business permits and other taxes related to the new real estate projects
d) ***45% or P1M decrease in Repairs and maintenance*** – due to the decrease in cost of repairs and maintenance during the quarter as against the first quarter of 2015.
e) ***30% or P700k decrease in Utilities and supplies –*** due to the decrease in usage of supplies during the first quarter of 2016 as against that of 2015.
f) ***14% or P276k increase in Rental expense*** – the increase pertains to the escalation of rental fees as charged by the lessor
g) ***69% or P189k decrease in Representation and Entertainment*** – this refers to the cost of providing comfort/convenience (e.g. meals) to the prospective clients
h) ***17% or P595k increase in security services*** - due to the increase in number of security personnel assigned to real estate projects
i) ***51% or P1.7M decrease in professional fees***– directly related to the various consultancy services incurred by the group
j) ***39% or P691k decrease in travel and transportation*** – directly related to the various site visitation for mill and plantation operations and power group operations
k) ***64% or P146k increase in board meeting expenses –*** due to the various materials and other expenses incurred related to board meetings and annual reports
l) ***13% or P22.4k decrease in insurance***
m) ***17% or P46k increase in director fees***
n) ***6% or P5k decrease in training and seminars*** – due to the minimal trainings and seminars conducted and attended the first quarter of 2015 as compared this year
o) ***3% or P7k decrease in subscription and dues***
p) ***3620% or P207k increase in bank charges*** – directly related to availment of loans, cancellation of mortgages and various charges on interbank deposits
q) ***39211% or P7.3M increase in litigation expenses*** – the increase is directly related to the settlement of Yulo case.
r) ***21% or P341k increase in miscellaneous expenses –*** includes community relations expenses such as scholar's tuition and other humanitarian assistance

21% or P4M increase in Finance costs – directly related to the group's new loan availments during the first quarter of 2016.

9% or P679K increase in Marketing expenses – due to the increase in various sponsorships of events for ads and promotions.

Financial Soundness Indicators/Top Key Performance Indicators
(Consolidated Figures)

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

Financial Ratios Consolidated Figures	**Unaudited 3/31/2016**	**Unaudited 3/31/2015**	**Audited 12/31/2015**
Current ratio[1]	1.02:1	1.45:1	1.04:1
Current Debt to Equity ratio[2]	0.49:1	0.25:1	0.52:1
Total Debt to Equity ratio[3]	0.92:1	0.73:1	0.96:1
Asset to Equity ratio[4]	1.92:1	1.88:1	1.96:1
Interest coverage ratio[5]	1.18x	1.38x	1.30x
Profit Margin ratio[6]	2.25%	3.18%	1.34%
Return on Assets[7]	0.07%	0.09%	0.17%
Return on Equity[8]	0.14%	0.17%	0.34%

[1] *Current assets/Current liabilities*
[2] *Current liabilities/Stockholders' equity*
[3] *Total liabilities/Stockholders' equity*
[4] *Total assets/Stockholders' equity*
[5] *Earnings before interest, income tax (EBIT)/Total financing cost*
[6] *Net income/Total revenue*
[7] *Net income/Average total assets*
[8] *Net income/Average total stockholders' equity*

Real Property Development:

Xavier Estates: The percentage of completion of Xavier Estates Phase 5**- Ventura Residences** is 91% as of March 31, 2016. This project has a saleable area of 5.8124 hectares. Cluster A is subdivided to produce 128 saleable house and lot packages of which 110 units are already completed. Cluster B is expected to provide 50 saleable lots while 91 saleable lots for Cluster C. For the 1st quarter of 2016, there were three (3) lots sold, the same number of lots were sold for the 1st quarter of last year in **Xavier Estate**s. For **Ventura Residences**, there were four (4) house and lot packages recorded as sold in this quarter of the year while four (4) house and lots for the 1st quarter of 2015. For **Ventura Lanes,** there were four (4) lots sold this quarter.

Xavierville Homes: Phase 1 and 2 are 100% complete. Retouching of existing and completed units is being done for its housing component when necessary. There were three (3) units sold for the 1st quarter of the current year.

Teakwood Hills: This project has three (3) phases. Phase 1 & 2 are expected to produce a total of 522 saleable lots after an alteration has been made from the previous 795 and 59 saleable lots for the development area of 40 and 5.2 hectares, respectively. Percentage-of-completion is at 81%. For this year's 1st quarter, sixteen (16) lots were sold compared to eight (8) lots for the same quarter last year.

St. Therese Subdivision: The subdivision is a 1.6720-hectare socialized housing project located in mid- Balulang, Cagayan de Oro that will provide 155 lots of which 91 lots are row houses, 38 units are duplex, 17 single attached units and nine (9) units which have been allotted for a new design. There were four (4) units sold for this year's 1st quarter while five (5) units for the 1st quarter of 2015.

Valencia Estates: The project is 100% done. The main gate, the multi-purpose hall and swimming pool were completed in 2012. Three (3) lot were sold for the 1st quarter of 2015 while Eight (8) for the 1st quarter of this year.

Coral Resort Estates: The project is considered as the first residential resort estates in Northern Mindanao. It is strategically located in Initao, Misamis Oriental with a total development area of 5.397 hectares. Phase 1-Cluster A of the project with a development area of 2.5361 hectares is 97% completed. Phase 1-Cluster B is currently 88% completed. There are five (5) lots that were sold for the 1st quarter of this year while four (4) lots for the 1st quarter of last year.

West Highlands is a golf and residential estate located in Brgy. Bonbon, Butuan City. The estate has a total developmental area of 25.9 hectares and is 289 feet above sea level which gives lot owners a panoramic view of historic Mt. Mayapay or the cityscape. Phase 1 which is 99.62% is expected to generate 293 saleable lots. The spillway, concrete barrier, riprap, and spine road were completed this period. There were twenty seven (27) lots sold for this quarter as compared to the four (4) lots sold for the same quarter last year.

Mountain View Homes is located in mid-Balulang, Cagayan de Oro City and is the latest project offering of ABCI. This has a development area of 2.3179 hectares with 216 saleable house and lots. Project development is 99% accomplished with amenities. There were twenty two (22) lots sold this quarter.

ABCI is engaged in quarrying and mining of basalt rocks for the production of construction aggregates of four different sizes as follow: 1 1/2" gravel, 3/4" gravel 3/8" gravel and crushed sand. The quarry site which is rocky in nature is located in Sitio Balaon, San Isidro, Talakag, Bukidnon. A total of 2,410 cubic meters of aggregates were produced for the first quarter of this year. There was no production of aggregates for the same quarter of last year due to defective crushing plant equipment.

Oil Palm Plantation:

For the Quarter Ending March 31, 2016

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				20,459
Phase II				16,057
Phase III				4,774
Phase IV				3,492
Phase V				1,457
Impasug-ong	4.14	4.14	4.14	824
Opol	1,089.85	630.77**	623.27	28,100
Tignapoloan	1,328.56	929.96	-	
XE Plantation	43.74	43.74	43.74	2,795
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**77,958**

**Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.*

***Total area that can be planted in Opol is net of 60.03 has. It was discovered that it's not suitable for planting due to soil texture (rocky with limestone outcropings).*

For the Quarter Ending March 31, 2015

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				22,008
Phase II				19,048
Phase III				2,888
Phase IV				2,540
Phase V				-
Impasug-ong	4.14	4.14	4.14	912
Opol	1,089.85	630.77**	623.27	57,439
Tignapoloan	1,328.56	929.96	-	
XE Plantation	43.74	43.74	43.74	5,559
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**110,394**

**Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.*

***Total area that can be planted in Opol is net of 60.03 has. It was discovered that it's not suitable for planting due to soil texture (rocky with limestone outcropings).*

The following are the status of the four plantation areas as of March 31, 2016:

Location	Flowering	Vegetative
Kalabugao		
Phase I	100%;70%	0%;30%
Phase II	100%;70%	0%;30%
Phase III	100%;40%;0%	0%;60%;100%
Phase IV	20%;0%	80%;100%
Phase V	20%	80%
Impasug-ong	100%	0%
Opol		
Phase I a	100%	0%
Phase I b	70%	30%
Phase I c	70%	30%
Phase II a	60%	40%
Phase II b	40%	60%
Phase II c	10%	90%
Phase III a	30%	70%
Phase III b	20%	80%
Phase IV a	10%	90%
Phase V a	0%	100%
XE Plantation		
Phase I	100%	0%
Phase II	100%	0%

The following are the status of the four plantation areas as of March 31, 2015:

Location	Flowering	Vegetative
Kalabugao		
Phase I	100%;70%	0%;30%
Phase II	100%;70%	0%;30%
Phase III	100%;40%;0%	0%;60%;100%
Phase IV	20%;0%	80%;100%
Phase V	0%	100%
Impasug-ong	100%	0%
Opol		
Phase I a	100%	0%
Phase I b	70%	30%
Phase I c	70%	30%
Phase II a	60%	40%
Phase II b	40%	60%
Phase II c	10%	90%
Phase III a	30%	70%
Phase III b	20%	80%
Phase IV a	10%	90%
Phase V a	0%	100%
XE Plantation		
Phase I	100%	0%
Phase II	100%	0%

Nursery Operation:

The 3rd batch of oil palm seeds are sourced from Thailand. All seedlings were already sold.

Palm Oil Mill

A total of 2,905.39 metric tons of fresh fruit bunches derived from internal and external sources were processed for the first quarter of 2016, compared to 6,675.83 metric tons in the same period of last year. This is average of 968.46 metric tons of fresh fruit bunch processed per month as against 2,225.28 of the same period last year. The yield for the first quarter of this year was 509.77 metric tons of crude palm oil with an average oil extraction rate of 17.55% as compared to 1,110.82 metric tons having an average extraction rate of 16.64% for the same period last year.

The kernels that produced totaled to 100.40 metric tons as compared to 161.04 metric tons of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 1st quarter of 2016, the refinery produced a total of 612.20 MT of RBDO compared to 419.71 MT of the same period last year. Of the 612.20 metric tons of RBDO produced, 20.16 metric tons were sold and the rest were processed further into Palm Olein and Palm Stearin. There were no production of Palm Olein and Palm Stearin in the same period of last year.

In addition, 45.99 metric tons of Palm Fatty Acid Distillate was produced and sold 129.66 metric tons in the first quarter of this year. This by product is generated during production of RBDO.

Fractionation Plant

The production of Palm Olein and Palm Stearin started in June 2015. Crude Palm Oil produced is further processed into Refined Bleached and Deodorized Oil, the raw material of Palm Olein and Palm Stearin. In the first quarter of 2016, there were 271.67 metric tons of Palm Olein and 106.91 metric tons of Palm Stearin produced. The quantity sold during the first quarter were 314.49 metric tons of Palm Olein and 309.06 metric tons of Palm Stearin.

Power Generation

Coal-Fired Power Project

Palm Concepcion Power Corporation (PCPC) whose outstanding capital stock has been acquired by Palm Thermal Consolidated Holdings Corp. (PTCHC) in 2010 – is the project company that is currently constructing and will be operating a 135-megawatt coal-fired power plant in Concepcion, Iloilo. This project will be a base-load plant and will make use of Circulating Fluidized Bed Combustion (CFBC) technology.

While only 135-megawatt is on a firm basis, the plant site and support units are programmed for two (2) units. The preparation for the second unit is projected to begin two to three (2 to 3) years after commissioning of the first unit if the power market in the region continues to expand as projected.

PCPC signed an agreement to tap the services of SNC - Lavalin, Inc., a global leader in the field of Engineering, Construction and Operations, as its Owner's Engineer of the project in the early second quarter of 2012. SNC-Lavalin is providing technical advisory from the engineering stage up to the completion of the power project. Its services cover detailed engineering that will include review and evaluation of Engineering Procurement and Construction (EPC) specifications, system's design parameters and operating features and development of conceptual layouts, among others. In early October 2012, PCPC signed a Connection Agreement with the National Grid Corporation of the Philippines (NGCP). This connection agreement paves the way and ensures dispatch of PCPC's generation output to its customers via the facilities of system operator NGCP.

ABCI together with its subsidiaries, by then: PTCHC, PCPC and Panay Consolidated Land Holdings Corporation (PCLHC) signed a Memorandum of Agreement with AC Energy Holdings, Inc. (ACEHI) last September 2012. Towards the end of October 2012, PTCHC together with other principal stockholders of PCPC namely: ACEHI and Jin Navitas Resource, Inc. (JNRI) finalized and executed their Shareholders' Agreement to document and implement the PCPC shareholders' respective agreements and undertakings, including the constitution of PCPC as the Project Company as well as to confirm the terms and conditions by which PCPC will be owned, managed and controlled, and by which PCPC shall implement the development and operation of its power generation project.

To implement the Shareholders Agreement, ABCI transferred all of its equity interest in PCLHC to its other wholly-owned subsidiary, PTCHC. With this, PCLHC ceased to be a direct subsidiary of ABCI. At the same time, ACEHI, JNRI and PTCHC subscribed to the remaining Nine Million shares (9 M shares) of PCLHC. As a result of these new subscriptions, PCLHC mirrored the same equity structure as that of PCPC, i.e. 30% PTCHC, 30% JNRI and 40% ACEHI as of end of 2012.

Last January 15, 2013, PCPC had its official ground breaking ceremony to launch the project. NLSC- the consortium of First Northeast Electric Power Engineering Corp. of China (NEPC), Liaoning Electric Power Survey & Design Institute and Shenyang Electric Power Design Institute Co., Ltd.- is the project's general engineering, procurement and construction (EPC) contractor. Alstom Power of Europe, one of the world's foremost suppliers of steam turbines and power generation equipment, will provide the steam turbine and generator for this project. SNC-Lavalin is also tapped as the Project Construction Manager.

However, as a result of ACEHI's strategic decision to focus on its other existing power imminent in its development pipeline, PTCHC and ACEHI agreed the acquisition by PTCHC of ACEHI's 40% interest in the 135-megawatt coal-fired power plant project in Iloilo on May 2013.

The financial closing was completed last July 2013 when lending banks: China Banking Corporation (Php 3.5B); Asian United Bank (Php 2.5B) and BDO Unibank, Inc. (Php 4B) signed the term loan financing totaling Php 10B to partially finance the Engineering, Procurement and Construction (EPC) and finance costs of the project. BDO Capital & Investment Corporation acted as the Lead Arranger and Sole Bookrunner for the term loan facilities.

During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC with PCPC as the surviving entity as well as the increase in authorized capital stock (ACS) of PCPC. The merger and the increase in ACS resulted to the Company's 30% equity interest in PCPC.

On January 6, 2015, the SEC approved PCPC's application of the increase in authorized capital stock to 6,000,000,000 shares divided into 1,500,000,000 common shares and 4,500,000,000 redeemable preferred shares both with a par value of P1.00 per share which reduced PTCHC equity interest in PCPC to 20%.

PCPC's power plant will be synchronized with the Visayas grid by last week of April 2016, and will be delivering power supply to its customers in Panay, Negros and the rest of Visayas. Synchronization will be done in coordination with NGCP. Currently, the planning for the second unit is in the advanced phase. The company is scheduled to have its reliability tests run in second quarter and once this is completed, the first unit of the 2 X 135-MW plant will be up for full commercial operations.

Bunker-Fired Power Project

In 2013, Peakpower Energy, Inc. (PEI) was formed to implement projects designed to generate peaking energy spread across various A+/Green rated electric cooperatives in Mindanao. These are Build-Operate-Maintain and Transfer agreements for brand new bunker-fired engines, which will last for 15 years through its subsidiaries as operating units: Peakpower Soccsargen (PSI) and Peakpower San Francisco, Inc.

Peakpower Soccsargen Inc. (PSI)

Peakpower Soccsargen Inc. (PSI) is a 20.9MW Power Plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (Socoteco 2). Socoteco 2 is the largest distribution utility in Mindanao and its franchise area includes General Santos City, the municipalities of Glan, Malapatan, Alabel, Makungon, Kiamba, Maasim and Maitum in Saranggani and the municipalities of Polomolok and Tupi in South Cotabato.

The Energy Regulatory Commission issued the PSI Certificate of Compliance on December 1, 2014. Its commercial operation started last January 27, 2015.

Peakpower San Francisco Inc. (PSFI)

Peakpower San Francisco Inc. (PSFI) is a 5.2MW Power Plant located in San Francisco, Agusan del Sur. It has a 15-year BOMT agreement with the Agusan del Sur Electric Cooperative Inc. (Aselco). Aselco's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City. San Francisco serves as the primary commercial and service center in the province of Agusan del Sur, being situated at the crossroads leading to other production centers in the region.

The commercial operation of the 5.2MW power plant started on February 2015 as targeted.

Peakpower Bukidnon Inc. (PBI)

Peakpower Bukidnon Inc. (PBI) was incorporated for a 15-year Build-Operate-Maintain and Transfer agreement with the Bukidnon II Electric Cooperative Inc. (Buseco) on July 24, 2014. PBI and Buseco signed a Power Purchase and Transfer Agreement for 10.4MW Diesel/Bunker-fired power plant to be constructed in Manolo Fortich, Bukidnon on August 22, 2014. Buseco's franchise area is located in the highlands of Bukidnon province, which is considered to be the food basket of the Philippines and is home to some of the largest food processing companies in the country. The franchise includes the municipalities of Baungon, Cabanglasan, Impasug-ong, Lantapan, Libona, Malitbog, Manolo Fortich, Sumilao, Talakag, and Barangay Lilingayon. The Environmental Compliance Certificate (ECC) was approved by the DENR-EMB X and issued on September 21, 2015. The PBI power plant target commercial operations was moved to December 2016.

On July 29, 2015, the BOD approved the sale of company's 100% interest in PBI to its associate Peakpower Energy, Inc. (PEI). This is to consolidate all its peaking projects under one holding company. The execution agreements were signed on October 16, 2015.

Outlook for the Year and Onwards

Real Estate Business:

The Philippine real estate sector players believe that the industry is definitely bullish about prospects at least in a medium term, barring any major crisis. This outlook is based on the recent developments and urgent issues which the industry associations are advocating to be resolved and with the support of the policy-makers and lawmakers in charge on housing and urban development in helping the sector achieve its full potential as drivers of economic growth. A Department of Housing, better fiscal incentives and closer public-private partnership are all included in their work program.

Adding to these initiatives is the pronouncements by the business process outsourcing (BPO) sector about better business for this and incoming years which will mean more office spaces and employment are needed for its expansion. Though the country is considered as the most attractive BPO destination next to India, it has overtaken the leader in the number of new hires and in the revenue of call centers. In December 2010, the new hires in the Philippines since the start of the year totaled 15,000 as compared to the 13,800 hires of India. The Philippine revenues were placed at $ 5.5 billion against India's $5.3 billion. Based on the IT-BPO Road Map 2011-2016 developed jointly by Everest Group and Outsource2Philippine in cooperation with the Business Processing Association of the Philippines, IT-BPO industry revenues are projected to reached $20 billion and jobs to 900,000 in five years, from the current $9 billion and the 500,000 jobs. *(http://www.malaya.com.ph/12082010/busi2.html).* Tourism, another booming sector also poses huge potentials considering the requirements for hotels, resorts, restaurants and related developments.

A considerable cause of this increasing backlog is population growth. It was reported that with the population growing at an annual rate of 2.32 percent, demand for shelter is also expected to increase. Given this, government policy makers are bent on providing more shelter assistance and pursuing strategies to encourage more private sector participation in housing production. In fact, "jumpstarting" the housing construction sector can spur economic growth and alleviate poverty by taking advantage of its multiplier effect. Housing has a high multiplier effect of 16.6 times, meaning that every 10 billion worth of housing units, it can contribute a total of Php 166 billion of economic activity for the country (MTDP 2004-2010). Thus, this positive ripple impact on the sub-sectors and allied industries that the housing provides is an evidence of the sector's important role acting as driver of economic growth.

Despite the annual increase in real estate developments, the Philippine housing backlog, which is a result of the higher demand in the market than the supply, is estimated at 4.6M, as of the end of 2016. Industry players said that this may even increase in the next years through 2030 if the demand for socialized houses or mass houses in particular is not addressed. Sixty seven percent (67%) of the housing needs in the country are economic and socialized houses.

New Housing Need, 2012-2030

Market Segment	***Price Range***	***Units Needed***	***% of TOTAL Need***
Can't Afford / Needs Subsidy	400K & below	1,449,854	23%
Socialized Housing	400K & below	1,582,497	25%
Economic Housing	400K – 1.25M	2,588,897	42%
Low Cost Housing	1.25M – 3M	605,692	10%
Mid Cost Housing	3M – 6M	No need	
High End Housing	> 6M	No need	
TOTAL Need		6,226,940	

Total New Need Average: **345,941** housing units per year

Estimated Backlog by 2030*	
Those who can't afford	832,046
Backlog, as of 2011	3,087,520
Total Housing Backlog, as of 2011	3,919,566
New Housing Need, 2012-2030 (345,941 units/yr X 18 yrs.)	6,226,540
Housing Production Capacity (200,000 units/yr X 18 yrs.)	3,600,000
Backlog by 2030	6,546,106

**If no special housing program is created.*

Source: http://industry.gov.ph/industry/housing/

The issuance of the BIR Revenue Regulation No.16-2011 dated October 27, 2011 which was effective starting January 1, 2012 eliminated the burden of those prospective clients who will acquire residential property to pay the value added tax (VAT) of 12% for the gross selling price not exceeding Php 1,919,500.00 for the sale of residential lot and the gross selling price not exceeding Php 3,199,200.00 for the sale of residential house and lot. The Bureau responded the call to ease the imposition of VAT in consideration of the inflation for the last six years from the time of the passage of Republic Act 9337.

While pursuing new projects, the Company will continue to roll-out new phases in its existing project called Xavier Estates. It will expand its product offerings to build up its portfolio across a wider market. This will be complemented by intensified sales and marketing efforts to broaden market reach and tap the growing market of overseas-based Filipinos.

The management is also optimistic that sales will increase in 2016 due to steady global demand for Filipino labor. There is also an increasing demand from local professionals investing in affordable housing projects especially with the support from the local banks and PAG-IBIG for more affordable housing loan rates.

ABCI will complete the development of the property in Initao, Misamis Oriental (Coral Resort Estates) and in Butuan City (West Highlands). ABCI will also venture on socialized and economic housing projects tapping the facility of PAG-IBIG and the National Home Mortgage as well as the banks through end-buyers' financing. For 2016 onwards, the company will launch Mountain View Homes expansion, Adelaida Residences and Simple Homes developments in Cagayan de Oro City (Mambuaya), Butuan City (Brgy. Bancasi), Bukidnon (Valencia City and Malaybalay City), Rizal (Tanay), and Davao City (Toril). The shift in focus from high-end real estate developments to middle income economic housing and socialized housing projects will take advantage of the housing backlog in these sectors.

Palm Oil Business:

The palm oil industry is a promising enterprise as the palm oil continuously being considered as the most important tropical vegetable oil in the global oils and fats industry, in terms of production and trade. It accounts for about 31%, ahead of soybean oil with 28% and rapeseed oil with 19%. Aside from its many food and non-food applications, it has been promoted as a feedstock for the production of biofuels in response to the depletion of world's reserve on fossil fuels and skyrocketing price of oil in the world market. The significant growth of palm oil production, consumption and market share is also to a large extent due to its cost competitiveness and its inherent crop productivity yielding from 3.80 to 5 tons per hectare with minimum land utilization which is 9.3, 7.6 and 5.8 times higher than soybean oil, rapeseed oil and sunflower oil, respectively *(Oil World 2008)*. Thus, it has been viewed as the cheapest, versatile and most productive oil among the three vegetable oils.

As the growing population would keep consuming more oil palm products processed to products of higher value-added, increase in oil palm production is to be expected. Domestic demand for palm oil is seen five percent annually from 1995 to 2015 according to the study by the University of Asia and the Pacific *(http://ppdci.org/?p=20)*. Since oil palm thrives in tropical countries where agro-climactic conditions favor its growth, the Philippines has been suitable for its production with its neighboring countries, Indonesia and Malaysia as the leaders.

The Philippines has 7.4 million hectares of idle land *(Yosuf and Yew, 2009)*. In 1994, the Palm Oil Research Institute of Malaysia identified at least 300,000 hectares in eight provinces in Mindanao suitable for oil palm plantation. The Philippine Coconut Authority (PCA) and the Southern Philippines Development Authority (SPDA) have also identified some 447,000 hectares of potential areas in Mindanao and Visayas region suitable for oil palm planting. Based on the report during the Malaysian Palm Oil Council Forum on Malaysian Palm Oil in Cebu City on August 27, 2014, Caraga region registered as the largest area with 384,000 hectares or 39.4% of total potential production area of oil palm in the country. The existing milling plants in Visayas and Mindanao areas are owned by Buluan Palm Oil Mill, Phil. Agric Lan development & Mill, Inc., Filipinas Palm Oil Plantations, Inc., Kenram Philippines Inc., Palawan Agumil Inc., Univanich Milling Plant and Agusan Plantations Inc. (*http://ppdci.org/?p=628*)

From 2003 to 2009, the area planted to oil palm increased from about 25,227 hectares to 46,608 hectares, an increase of about 85% within a 7-year period or about 14% per year. Growing at an average of 82,500 metric tons in 2000, it is projected to reach 171,700 metric tons in 2015. Along with this data, the palm oil industry players need to expand the current plantations and out grower farms to grow more by 38,934 hectares by 2015.

In 2008, although the crude palm oil production exceeded 50,000 metric tons, it was not enough to meet the local demand. Hence, the country imported about 300,000 metric tons. This volume of crude palm oil import translates to an immediate requirement of 80,000 hectares of mature oil palm plantation to cope with the domestic demand. *(http://ppdci.org/wp-content/uploads/2010/04/6thnpocreport.pdf)*
The demand for palm oil is expected to increase by 25.7 million tons in 2020 based on the projected 52.3 million tons in 2012 in consideration with the projected world population growth parallel to the increasing consumption of vegetable oil. Based on the statistics, world population is projected to grow from 7 billion in 2011 to 9 billion by 2043, an increase of 29%.*(PPDCI; Basiron, 2012).*

Year	Demand of palm oil (in million tons)
1980	4.6
1990	11.0
2000	21.9
2010	45.9
2011	50.4
2012	52.3
2020	78.0

Source: PPDCI; Thomas M. (POTS KL, 2012)

According to Philippine Palmoil Development Council, Inc. (PPDCI), the government's continued neglect in supporting the palm oil industry to expand to at least 144,000 hectares by the year 2017 would mean that by 2022 the country shall import, based on import trends reported by the Malaysian Palm Oil Council (MPOC), estimated to be 576,596 MT of palm oil valued at US$ 634.26 million or P27.26 billion. It shall forfeit in favor of the Malaysians (through import) the opportunity of giving high farm income to 60,000 would-be oil palm farmers and direct employment of 288,000 rural workers. Member countries of the ASEAN within 10^0 North and South of the equator which have areas highly suitable for palm oil production include the whole of Malaysia and Indonesia, Mindanao, Philippines and Southern Thailand. With the four (4) member countries of the ASEAN, the government of Malaysia, Indonesia and Thailand fully supported the expansion of the palm oil plantations resulting to significant reduction in poverty, and high export generation. In contrast, the Philippine government neglected the palm oil industry resulting to huge palm oil importation to meet domestic demands, now at P6.68 billion annually.

In the PPDCI report presented during the Malaysian Palm Oil Council Forum on Malaysian Palm Oil last August 2014, the country with an estimated 1,000,000 hectares of potential area for planting palm oil has only 73,340 (as of April 2013) hectares planted, lagging behind as compared to 625,000 hectares in Thailand. The neighboring countries has exported palm oil amounting to US$ 400 million (Thailand), US$ 17 billion (Malaysia), US$ 15 billion (Indonesia) while the Philippines imported US$ 225 million at P6.68 billion in 2010 and to increase to P27.26 billion in 2022. (*http://ppdci.org/?p=628*)

Given the current domestic demand and supply conditions and projected growth in incoming years, there will be disparity between production and consumption which needs to be addressed. To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Kalabugao, Impasug-ong, Bukidnon in 3-5 years time as targeted in 2010. As of the end of the 1st quarter of 2016, about 3,743 (gross area) hectares were already acquired for development, of which almost 1,592 hectares were planted while about 1,105 hectares are prepared to be available for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental for its expansion program aggregating to 3,000 hectares. Due to the synergy and tax efficiency, ABERDI and Nakeen Corp. applied for an Amended Articles and Plan of Merger as approved by its Board of Directors and shareholders.

Our refinery with fractionation machine is now operational in full capacity 50 MT/day. Likewise, we are producing Palm Olein, Palm Stearin and Palm Fatty Acid Distillate in bulk sales. Expansion will be determined and decided this year as we move forward in the coming years. This year, the company's thrust is to engage in branding and packaging of premium cooking oil and shortening. Our strategic *Route to Market* design is divided into two (2) service packages. First service package is direct serve outlets which will cover industrial or food processing companies, supermarkets, hypermarts, wholesalers, groceries, catering services, hotels and restaurants around Mindanao region. Second service package will be indirect serve outlets like sari-sari stores, traditional food outlets, mini marts, direct household consumptions or specials events markets will serve by our potential trade execution partners. This way, our customer and consumers will enjoy our quality service to best quality products.

Power Generation:

The energy requirements of the Philippines, especially Visayas and Mindanao, have been a significant undertaking of the government as it looks to attract more investments and pursue industrialization.

In the energy sector, the objectives are to raise energy capacity, achieve a reliable and adequate supply of electric power, and expand rural electrification in the country. To sustain the current growth momentum and support the anticipated expansions in investment, power supply must be kept sufficient; policies and guidelines must remain harmonious across concerned government and private agencies regarding the exploration, development, utilization and conservation of natural resources for energy projects.

As was the case from the year prior, 2016 remains within the critical period for the Visayas Grid where additional capacity will be needed to avert shortages. This can be attributed to the strong economic growth in the region which can be seen in the fast demand expansion recorded in distribution utilities in Panay, Cebu, and Bohol. Based on projected figures by the Department of Energy, the five-year average annual growth rate (AAGR) from 2010-2014 stands at 5.79%, higher than the 20-year (1995-2014) AAGR of 5.68% and the 10-year (2005-2014) AAGR of 5.61%. The continued growth within the region will entail higher demands for power generation. Apart from increased economic activity, relief from generation deficiency in previous years is also another factor that pushed the demand to record levels. Power demand in the Visayas is expected to be at 5.05% Average Annual Compounded Growth Rate (AACGR) from 2014 until 2023.

Meanwhile, the Mindanao grid posted an AACGR of 3.28% for 2001-2013. After recording high annual growth rates from 2000 to 2004 (an average of 5.76%), demand growth has been sluggish from 2005 to 2010 due to the overall reduced power requirement from large non-utility customers. In the recent years, demand dropped in 2008, 2010 and 2012. 2008 was characterized by the large decrease in the demand of non-utility customers, possibly a direct effect of the global financial crisis, which adversely affected exporting industries. On the other hand, due to the El Niño that hampered hydropower generation, the grid has been experiencing under-generation that has impeded demand growth in 2010 and 2012. The existing capacity in the region is composed of more than 50% hydroelectric power plant, along with bulk base load power from coal-fired power plants. Based on DOE projections, a total of 1.600MW additional capacity is needed in the planning period to meet the electricity demand and the required reserve margin of the grid.

Even as the reported AAGR of 2014 (2.89%) was lower than 2013 (8.08%), the positive value can attest to the continued growth and positive forecasts within the Mindanao grid.

The new projects and expansions for power and infrastructure will be financed through a combination of self-generated equity, joint ventures and partnerships, and project financing.

Coal-Fired Power Project:

To fill the anticipated tight power supply situation in Panay and the Visayas grid by 2016 as economic activity continues to expand in the area, a 2 x 135MW coal-fired power plant project in Concepcion, Iloilo was proposed and project implementation is at 90% as of December 2015. The power plant will be synchronized with the Visayas grid in coordination with NGCP by last week of April 2016, and will be delivering power supply to Panay, Negros, and the rest of Visayas.

Target date for commissioning of the first unit is June 2016. Once reliability tests have been completed, the first unit will be up for full commercial operations. Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their baseload power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers.

Preparations for the second unit are also underway, with construction estimated to take two to three years after commissioning of the first unit.

Bunker-Fired Power Project:

The island of Mindanao has continuously experienced power shortage due to the inadequate supply of power generation capacities. This bunker-fired power project addresses the lack of base load power in the Mindanao grid for the next 2 to 3 years and in the future to allow the cooperatives to meet the needs for peaking power.

Peakpower Energy, Inc. was set up in 2013 to implement projects designed to generate peaking energy across various A+/Green rated electric cooperatives in Mindanao. These are Build-Operate-Maintain and Transfer agreements for brand new bunker-fired engines, which will last for 15 years.

After signing a power purchase and transfer agreement for 20-megawatt of peaking power supply with South Cotabato II Electric Cooperative and 5-megawatt with Agusan del Sur Electric Cooperative in 2013, the respective plants Peakpower Soccsargen, Inc. (PSI) and

Peakpower San Francisco, Inc. (PSFI) are commercially operational, supplying the very much needed power capacities in their franchise areas.

Preparations are underway for the expansion of the two plants, with contracting and equipment procurement slated for first quarter of 2016. The necessary planning stages and studies are also being undertaken for a third plant, 2 x 5.2MW Peakpower Bukidnon, Inc. with Bukidnon Second Electric Cooperative (BUSECO).

Hydro Power Project:

The Carac-an Hydropower Project will explore the hydropower potential of the Carac-an River in the northern part of Surigao del Sur. After the signing of the hydropower service contract with the Department of Energy (DOE), the company has proceeded with the processing of the necessary permits in coordination with local government officials for their support of the project.

The feasibility study has been completed as part of the pre-development activities, in compliance to the service contract requirements. The report projected an optimal capacity of 16.3 MW with estimated annual energy generation of 78.9 GWh.

The output of the power station is proposed to be connected to the nearest substation of the Surigao del Sur Electric Cooperative II (SURSECO II) in Madrid substation. It currently has a peak demand of about 13MW; excess power can be sold to other customers around the Mindanao grid.

For 2016, further studies and investigations will be conducted in compliance to all government requirements, such as environmental impacts study and presentations to local government units.

Likewise, the company will continue to look for other projects similar to this, in the light of the much-needed additional power capacities for the green-rated cooperatives in Mindanao.

Bulk Water Project

AB Bulk Water Company, Inc. (ABWCI) was incorporated on March 31, 2015 to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol, securing any needed licenses to engage in such business activities and purchasing or otherwise acquiring, for the purpose of holding or disposing of the same, shares of stock, equity, rights, and property of any person, firm, association, or corporation engaged in industries or activities related to water development, paying for the same in cash, shares of stocks, or bonds of this corporation.

ABWCI is pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project which will tap the water resources of Lumayagan River aims to supply about 15 to 20 MLD of potable water to cater the present and future requirements of the municipality. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on the study, these are potential growth areas.

Pre-feasibility study has been completed confirming the technical viability of the project. Likewise, the detailed engineering design has been completed

Impact of Economic/Political Uncertainties:

The Company's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company. Good governance will definitely lead to better economy and better business environment and vice-versa. Political stability encourages people to work better and spend more and the investors to infuse funds for additional investment. Given the other positive economic indicators like recovery in exports, sustained rise in remittances and growing liquidity in the domestic financial market, the monetary officials agree that the government's projected growth targets is attainable.

The average headline inflation rate for full year 2015 slowed down to 1.4% from the previous rate of 4.1% (using the 2006-base price). Inflation for 2015 was below the government's target range of 2%-4%. The generally low inflation environment was largely due to favorable supply-side factors such as relatively lower domestic retail prices of corn, oil and rice; lower international oil prices and the contraction in the prices of housing and other utilities. Head inflation rate is the percent increase in the prices of goods and services commonly purchased by households, as measured by the Consumer Price Index (CPI). Core inflation represents a more long-term inflation trend, as it excludes certain items that have volatile price movements. The annual average core inflation declined at 2.1% in 2015 as compared to the 3.0% in 2014. For 2016, the inflation target of the Development Budget Coordination Committee (DBCC) is between 2 to 4 percent, (at 3% plus or minus 1 percentage point for 2016 to 2018). The current low inflation target could be sustained over the medium term as underlying structural inflation dynamics are favorable with the improved ability of the domestic economy to accommodate supply shocks.

In 2015, the country's full year real GDP growth was 5.8% (growth rates at constant 2000 prices) short of the government's 7% to 8% target and slower than the 6.1% in 2014 and 7.2% growth in 2013. Nonetheless, it still remains as one of the best performing economies in the Asian region. On the supply side, while the services remained the key driver of growth, industry output remained firm and agriculture sector managed to grow slightly amid extreme weather conditions. On the demand side, growth was driven by private demand, strong capital formation and remarkable improvement in government spending. Sustained low inflation environment, decline in oil prices, better employment figures, and continued remittance inflows provide strong support to household consumption. The impact of weak net exports dragged down the GDP growth rate with -3.1 percentage points. Philippine economy is perceived to remain strong in 2016 with the government's 6.8% to 7.8% growth target which believed to be attainable given domestic demand remains firm and supported by brewing production efficiency and robust labor market dynamics. Structural and policy reforms will continue to be implemented by the new administration. Spending will accelerate due to the election season and implementation of government projects. Low prices will also help spur economic growth.

We believe that the Company's available cash, including cash flow from operations and drawings from existing and anticipated credit facilities, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures and debt service requirements for the next twelve months. We have also implemented a number of initiatives under our liability management program to meet our debt service requirements in the short and medium term.

The Company does not expect to conduct any product research and development in the foreseeable future. No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company's operations. The Brown Group of Companies foresees change in the number of employees at around fifteen (15) new employees for 2016 to cover new and/or additional positions, replacement for resigned/(ing) and retired/(ing) employees. Hiring of employees will continue in the regular course of business. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation nor material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Material Event/s and Uncertainties:

The Company has no other events to report on the following:

a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
b) Any material commitments for capital expenditures.
c) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/ income from continuing operations.
d) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
e) Any seasonal aspects that had a material effect on the financial condition or results of operations.
f) Any event/s that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
g) Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C (if any).

SIGNATURES:

Pursuant to the requirements of the Securities Regulations Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **A BROWN COMPANY, INC.**

ROBERTINO E. PIZARRO	**MARIE ANTONETTE U. QUINITO**
President	Chief Finance Officer

DATE: APRIL 28, 2016

EXHIBIT I

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Notes	**March 31, 2016 (Unaudited)**	December 31, 2015 (Audited)
ASSETS			
Current Assets			
Cash	6	**₱ 17,294,954**	₱ 43,920,481
Current portion of accounts receivable – net	7	**447,219,103**	435,880,598
Real estate held for sale	8	**640,543,804**	670,938,440
Advances to a related party	19	**24,721,000**	24,721,000
Inventories	9	**31,701,149**	44,668,043
Prepayments and other current assets	9	**308,428,569**	299,692,171
Total Current Assets		**1,469,908,579**	1,519,820,733
Noncurrent Assets			
Noncurrent portion of accounts receivable	7	**131,976,898**	109,980,748
Available-for-sale investments	10	**1,094,487,506**	988,939,404
Investment in associates	11	**992,665,036**	991,933,944
Investment properties – net	12	**207,848,828**	220,989,321
Property and equipment – net	13	**473,033,466**	472,579,972
Land and improvements	14	**719,572,643**	713,999,468
Biological assets	15	**412,181,601**	403,666,418
Leasehold rights	16	**33,922,552**	34,244,607
Deferred tax assets	28	**50,738,036**	40,582,210
Refundable Deposits	5	**10,530,589**	11,052,656
Total Noncurrent Assets		**4,126,957,155**	3,987,968,748
		₱5,596,865,734	₱5,507,789,481

	Notes	**March 31, 2016 (Unaudited)**	December 31, 2015 (Audited)
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	17	**₱375,015,824**	₱ 381,241,640
Short-term debt	18	**489,000,000**	289,000,000
Current portion of long-term debt	18	**484,707,459**	685,396,811
Deposit from customers	30, 31	**20,126,815**	42,230,985
Subscription payable	10, 30, 31	**70,025,817**	70,025,817
Total Current Liabilities		**1,438,875,915**	1,467,895,253

(Forward)

(Carryforward)

	Notes	**March 31, 2016 (Unaudited)**	December 31, 2015 (Audited)
Noncurrent Liabilities			
Long-term debt – net of current portion	18	**₱ 1,112,424,711**	₱1,112,983,579
Retirement liability	26	**32,557,786**	32,557,786
Deferred tax liabilities	28	**91,509,226**	82,425,417
Total Noncurrent Liabilities		**1,236,491,723**	1,227,966,782
Total Liabilities		**2,675,367,638**	2,695,862,035
Equity	32		
Equity attributable to equity holders of Parent Company			
Share capital	20	**1,732,865,522**	1,732,865,522
Additional paid-in capital	20	**586,198,947**	586,198,947
Net unrealized gain on available-for-sale investments		**256,549,629**	151,001,526
Net cumulative remeasurement loss on retirement benefits	26	**(23,298,404)**	(23,298,404)
Retained earnings		**365,774,620**	361,793,923
		2,918,090,314	2,808,561,514
Non-controlling interests		**3,407,782**	3,365,932
Total Equity		**2,921,498,096**	2,811,927,446
		₱5,596,865,734	₱ 5,507,789,481

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Philippine Pesos)

		Three months ended March 31	
	Notes	**2016 (Unaudited)**	2015 (Unaudited)
REVENUES			
Sales	21	**₱166,465,430**	₱146,745,689
Financial income	22	**2,577,533**	4,694,997
Rental income	19, 27	**3,633,512**	3,746,113
Equity in net income of an associate	11	**731,092**	1,856,918
Discount on long-term debt	18	**1,109,440**	–
Sales of aggregates		**2,146,627**	1,463,884
Others	23	**2,201,022**	6,954,515
		178,864,656	165,462,116
COST AND EXPENSES			
Cost of sales and services	24	**91,229,425**	84,399,657
General and administrative	25	**52,248,061**	46,975,378
Finance costs	18	**22,966,736**	18,904,147
Marketing		**8,280,011**	7,601,168
Provision for impairment loss	12	**–**	382,150
		174,724,233	158,262,500
INCOME BEFORE INCOME TAX		**4,140,423**	7,199,616
INCOME TAX EXPENSE (BENEFIT)	28		
Current		**1,196,475**	1,885,137
Deferred		**(1,078,599)**	56,825
		117,876	1,941,962
NET INCOME		**₱4,022,547**	₱5,257,654
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**₱3,980,697**	₱ 5,592,568
Non-controlling interests		**41,850**	(334,914)
		₱4,022,547	₱5,257,654
BASIC AND DILUTED EARNINGS PER SHARE	29		
Attributable to:			
Equity holders of the Parent Company		**₱ 0.00230**	₱ 0.00323

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

		Three months ended March 31	
	Note	**2016 (Unaudited)**	2015 (Unaudited)
NET INCOME		**₱4,022,547**	₱5,257,654
OTHER COMPREHENSIVE INCOME			
Unrealized gain on available-for-sale investments	10	**105,548,103**	705,128,705
COMPREHENSIVE NET INCOME		**₱109,570,650**	₱710,386,359
Attributable to:			
Equity holders of the Parent Company		**₱109,528,800**	₱710,721,273
Non-controlling interests		**41,850**	(334,914)
		₱109,570,650	₱710,386,359

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Philippine Pesos)

	Notes	**As of 03/31/2016 (Unaudited)**	As of 03/31/2015 (Unaudited)	As of 12/31/2015 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				
SHARE CAPITAL - ₱1 par value				
Authorized – 2,000,000,000 shares				
Subscribed – 1,732,865,522 shares	20			
Balance at beginning and end of year		**₱1,732,865,522**	₱1,732,865,522	₱1,732,865,522
ADDITIONAL PAID-IN CAPITAL	20	**586,198,947**	586,198,947	586,198,947
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENTS				
Balance at beginning of year		**151,001,526**	176,572,963	176,572,963
Increase due to deconsolidation of subsidiary		**–**	200,000	–
Net change in unrealized gain during the year	10	**105,548,103**	704,928,705	(25,771,437)
Reclassification due to deconsolidation of a subsidiary during the year		**–**	–	200,000
Balance at end of year		**256,549,629**	881,701,668	151,001,526
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS	26			
Balance at beginning of year		**(23,298,404)**	(22,624,441)	(22,624,441)
Increase due to deconsolidation of subsidiary		**–**	503,756	
Remeasurement gain during the year		**–**	–	(1,177,719)
Reclassification due to deconsolidation of a subsidiary during the year		**–**	–	503,756
Balance at end of year		**(23,298,404)**	(22,120,685)	(23,298,404)

(Forward)

(Carryforward)

	As of 03/31/2016 (Unaudited)	As of 03/31/2015 (Unaudited)	As of 12/31/2015 (Audited
RETAINED EARNINGS			
Balance at beginning of year	**₱361,793,923**	₱347,042,787	₱347,042,787
Decrease due to deconsolidation of subsidiary	**–**	(1,431,638)	–
Net profit during the year	**3,980,697**	5,592,568	10,025,365
Effect of deconsolidation of subsidiaries during the year	**–**	–	4,725,771
Balance at end of year	**365,774,620**	351,203,717	361,793,923
Total Equity Attributable to Equity Holders of Parent Company	**2,918,090,314**	3,529,849,169	2,808,561,514
NON-CONTROLLING INTERESTS			
Balance at beginning of year	**3,365,932**	3,828,206	3,828,206
Net profit (loss) during the year	**41,850**	(334,914)	(462,274)
Balance at end of year	**3,407,782**	3,493,292	3,365,932
	₱2,921,498,096	₱ 3,533,342,461	₱2,811,927,446

See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Philippine Pesos)

	Note	**Three months ended March 31** **2016 (Unaudited)**	2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and non-controlling interest		**₱4,140,423**	₱7,199,616
Adjustments for:			
Finance costs	18	**22,966,736**	18,904,147
Discount on long-term debt	18	**2,818,759**	846,556
Depreciation and amortization	12, 13	**6,125,074**	8,785,233
Financial income	22	**(2,577,533)**	4,694,997
Equity in net gain of associate	11	**(731,092)**	(1,856,918)
Amortization of leasehold rights	16	**322,055**	322,055
Provision for retirement benefits		**–**	607,136
Provision for impairment losses	12	**–**	382,150
Unrealized foreign exchange loss		**3,332**	10,121
Operating income before working capital changes		**33,067,754**	39,895,093
Decrease (increase) in:			
Accounts receivable	7	**(33,328,047)**	28,486,058
Real estate held for sale	8	**30,394,636**	11,001,239
Prepayments and other current assets	9	**8,071,379**	5,315,516
Increase (decrease) in:			
Accounts payable and accrued expenses	17	**(5,689,501)**	(32,190,079)
Deposit from customers	30, 31	**(22,104,170)**	1,698,781
Cash provided by operations		**10,412,051**	54,206,608
Interest received		**2,577,533**	4,694,997
Income tax paid		**(5,037,382)**	(6,679,686)
Net cash provided by operating activities		**7,952,202**	52,221,919

(Forward)

(Carryforward)

	Note	Three months ended March 31 **2016 (Unaudited)**	2015 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	13	**(₱5,938,076)**	(₱39,250,923)
Land and improvements	14	**(5,573,175)**	(173,479)
Refundable deposits		**522,067**	(24,911,811)
Increase in biological assets	15	**(8,515,183)**	(6,876,237)
Collection of notes receivable		**-**	347,316
Proceeds from disposal of investment property		**12,500,000**	7,959,109
Decrease in cash due to deconsolidation of subsidiary		**-**	5,609,180
Net cash used in investing activities		**(7,004,367)**	(57,296,845)
CASH FLOWS FROM FINANCINGACTIVITIES			
Payments of:			
Finance cost	18	**(23,503,051)**	(24,171,270)
Short-term debt	18	**(3,000,000)**	(15,000,000)
Long-term debt	18	**(283,666,979)**	(71,457,736)
Proceeds from:			
Short-term debt	18	**203,000,000**	20,000,000
Long-term debt	18	**79,600,000**	40,000,000
Net cash used in financing activities		**(27,570,030)**	(50,629,006)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	6	**(3,332)**	(10,121)
NET INCREASE IN CASH		**(26,625,527)**	(55,714,053)
CASH AT BEGINNING OF YEAR		**43,920,481**	93,045,062
CASH AT END OF PERIOD/YEAR	6	**₱17,294,954**	₱37,331,009

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

1. Corporate Information

A Brown Company, Inc. (Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendaña Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On October 1, 1992, the Parent Company amended its articles of incorporation to change its registered name to EPIC Holdings Corporation, which was further amended on July 1, 1993 to its current registered name. On February 8, 1994, the Parent Company was listed in the Philippine Stock Exchange.

The Parent Company's principal purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including of shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any other corporation, associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized without being a stock broker or dealer, and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, provided the corporation shall not exercise the functions of a trust corporation. The principal activities of the operating subsidiaries are as follows:

Name of Subsidiary	Principal Activity
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing, trading of goods on wholesale and retail basis and other services.
Bonsai Agri Corporation (BAC) and Nakeen Corporation (NC)	Development of land for palm oil production and sale of palm seedlings and crude palm oil.
Masinloc Consolidated Power, Inc. (MCPI)	Operating of power plants and/or purchase, generation, production supply and sale of power. However, as of March 31, 2016, the Company has not yet started its commercial operations.
Simple Homes Development, Inc. (SHDI)	Development of socialized housing properties.
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	Holding of properties of every kind and description.
Hydro Link Projects Corp. (HLPC)	Developing, constructing and operating power generating plants
AB Bulk Water Company, Inc. (ABWCI)	Holding and providing rights to water to pubic utilities and cooperatives

On June 13, 2012, the SEC approved the amendment of the Company's By-Laws to amend and define the functions of its Executive Chairman and President, remove the requirement that the Company's vice presidents must be a member of the Board, and to impose certain requirements on granting of bonuses to its BOD, officers and employees.

On October 5, 2012, the Parent Company's Board of Directors (BOD) approved during their meeting the private placement of 250.0 million of its listed common shares consisting of 173.6 million treasury common shares and 76.4 million common shares owned by a shareholder. The Placement Shares, with a par value of ₱1 per share was sold at a price of ₱2.89 per share and crossed in the Exchange on October 8, 2012. The BOD likewise approved the issuance of an equal number of shares of the Parent Company at an issue price equal to the net proceeds per share in favor of the lending shareholder. The shares will be issued out of the increase in the Parent Company's authorized capital stock from₱1.32 billion divided into 1.32 billion shares with a par value of ₱1 to ₱1.62 billion divided into 1.62 billion shares with par value of ₱1. On December 28, 2012, the SEC approved the Company's application for increase in authorized capital stock. Subsequently, the 76.4 million common shares were issued.

On June 7, 2013 the Parent Company's Board of Directors (BOD) unanimously approved the proposed 25% stock dividend declaration or equivalent to 346.6 million of the Parent Company's outstanding shares. The shares will be distributed to the stockholders record as of September 12, 2013 and shall be issued out of the increase in the Parent Company's authorized capital stock from ₱1.62 billion divided into 1.62 billion shares with par value of ₱1 to ₱2.0 billion divided into 2 billion shares with par value of ₱1. On August 16, 2013, the SEC approved the Parent Company's application for increase in authorized capital stock. Subsequently, 346.6 million shares were issued.

The Parent Company's registered office and principal place of business is at Xavier Estates, Upper Balulang, Cagayan de Oro City, Philippines (see Note 35).

2. **Basis of Preparation**

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair values. These consolidated financial statements are presented in Philippine Peso, which is the Group's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council.

Principles of Consolidation

The consolidated unaudited financial statements consist of the financial statements of the Parent Company and its subsidiaries as of end of the first three quarters of each year. This report covers the period ending March 31, 2016. The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

Noncontrolling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from equity attributable to the Parent Company.

The subsidiaries and the percentage of ownership of the Parent Company are as follows:

Name of subsidiary	Nature of business	Percentage of ownership 03/31/2016	12/31/2015
ABERDI	Manufacturing and trading/Service/Agriculture	100	100
BAC	Agriculture	100	100
NC	Agriculture	100	100
SHDI	Real Estate	100	100
MCPI	Power plant operations	49	49
PTCHC	Holdings	100	100
HLPC	Power plant operations	100	100
ABWI	Service	100	100

All of the above subsidiaries were incorporated in the Philippines.

ABERDI obtained control in the ownership of AC, BAC and NC. AC and BAC are still in their development stages. NC started its commercial operations as of March 1, 2007. Prior to 2013, NC manages the palm oil nursery and plantations operations. The separate financial statements of these companies are included in the consolidated financial statements as of March 31, 2016 and December 31, 2015.

In December 2014, the Parent Company bought AC from ABERDI to undertake its socialized housing projects. On March 13, 2015, SHDI filed an application with the SEC to amend its primary purpose in the Articles of Incorporation from engaging business in agriculture to socialized housing property development and to change its name from AC to SHDI. This was later approved on April 10, 2015. As of March 31, 2016, AC has not yet started its commercial operations.

On August 30, 2012, the SEC approved the ABERDI's and NC's Articles and Plan of Merger which was approved by their Board of Directors (BOD), in their meeting on March 6, 2012. However, on July 31, 2012, before the SEC approved the ABERDI's Articles and Plan of Merger which was filed on July 12, 2012, the BOD and the Stockholders of Nakeen approved and ratified the subscription by ABERDI to the 750,000 unsubscribed shares of Nakeen at ₱1 per share with ₱50 million as Additional Paid-in Capital. The BOD and the Stockholders of Nakeen also approved the filing with SEC the amended Articles and Plan of Merger reflecting the new capital structure of Nakeen and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval.

On February 19, 2013, the BOD of Nakeen approved the filing of the amended Articles and Plan of Merger using the 2012 audited Financial Statements. The amended articles and plan was filed to the SEC on July 24, 2013 to amend certain provision on the articles and plan of merger as follows:

1. Issuance of the ABERDI shares to NC shareholders in exchange of the net assets of the latter as result of the merger.
2. Specify the effectivity date of the merger which will be the first day of the month succeeding the month of approval of the merger by the SEC.

On February 11, 2015, SEC denied the petition to amend plan of merger. NC and ABERDI's management filed a request for reconsideration to approve the petition. As of March 31, 2016, the request for reconsideration is still pending with SEC.

In 2007, the Parent Company invested ₱4.9 million in MCPI representing 49% equity holdings. However, control over the operating and financial policies of MCPI is exercised by the Parent Company through its representations in the Board. Accordingly, MCPI qualifies as a subsidiary of the Parent Company. The financial statements of MCPI as of and for each the three years ended December 31, 2015, 2014 and 2013 are included in the consolidated financial statements.

The BOD in their meeting on February 6, 2009, unanimously decided to wind up the affairs of MCPI, cease any and all of its operations; and close its business. Pursuant to the same, MCPI shall do all acts legally that are necessary and required. However, on October 29, 2009, the Board of Directors resolved the revocation of its previous resolution to dissolve the MCPI and any act pursuant to the dissolution.

In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of PTCHC and PCLHC, respectively, at par value. The investment represents 95% and 100% equity holdings of PTCHC and PCLHC, respectively. PTCHC and PCLHC are newly organized companies in 2010.

On December 8, 2010, PTCHC acquired 100% of equity holdings of Palm Concepcion Power Corporation (PCPC), formerly DMCI Concepcion Power Corporation. DMCI Power Corporation, PCPC's former parent company, transferred and conveyed to PTCHC all of the rights, title and interest in and to the shares of stock of PCPC. The acquisition cost is higher than the fair value of the identifiable net assets of the acquired subsidiary. Accordingly, goodwill of ₱21,472,567 is recognized in the 2010 consolidated statements of financial position. In 2011, additional acquisition cost amounting to ₱1,199,375 was capitalized as investment in subsidiaries which resulted to additional goodwill of the same amount. In 2012, when the Group's equity interest in PCPC was reduced to 30%, the entire goodwill was derecognized.

On January 12, 2011, the Parent Company and HLPC entered to a deed of subscription, which increased HLPC's authorized share capital from 10,000 to 160,000 shares with par value of one hundred pesos (₱ 100) per share. Out of the 150,000 increase in authorized shares of HLPC, the Parent Company subscribe an aggregate share of 37,500 common shares which represents ninety three and seventy five percent (93.75%) of the resulting total issued and subscribed share capital of 40,000 shares. Accordingly, goodwill of ₱250,000 is recognized in the 2011 consolidated statements of financial position. In December 2011, a deed of assignment was entered into by the Parent Company and HLPC's stockholder, assigning the remaining six and twenty five percent (6.25%) shares of HLPC to the Parent Company.

In September 2012, the Parent Company, together with its subsidiaries, PTCHC, Palm Concepcion Power Corporation (PCPC) and Panay Consolidated Land Holdings Corporation (PCLHC), has signed a Shareholders' Agreement with AC Energy Holdings, Inc. (ACEHI) and Jin Navitas Resource, Inc. (JNRI) to implement the Memorandum of Agreement between the parties to build power generation plant in the Province of Iloilo.

In relation to the above agreements, the Parent Company transferred all of its equity interest in PCLHC to PTCHC. Likewise, PTCHC, ACEHI and JNRI subscribed on the remaining unissued authorized share capital of PCLHC and PCPC. The subscription of ACEHI and JNRI to PCLHC and PCPC reduced the Parent Company's holdings, through PTCHC, to 30%.

In May 2013, ACEHI sold all its interest in PCPC and PCLHC to focus its investing power to its existing power projects imminent in its development pipeline. In the light of this event, PTCHC has taken the opportunity to acquire the entire stake of ACEHI bringing PTCHC's interest to 70% on both entities. Later before the end of the year, Oriental Knight Limited bought out and subscribed to the 30.46% equity interest of PCPC from PTCHC. Additional shares were subscribed by PTCHC bringing its equity interest to 39.54%. On the other hand, PTCHC's interest in PCLHC as of December 31, 2013 remained at 70%. On December 11, 2013, the BOD and shareholders of PCLHC and PCPC approved the merger of the two entities, with PCPC as the surviving entity. PTCHC will hold sufficient interest in PCPC for it to be able to exercise significant influence. PTCHC's interest in PCLHC will still be presented under the investment in associate account (see Note 11).

In July 2014, the Parent Company caused the incorporation of PBI with the primary purpose of acquiring, developing, constructing, investing in, and operating power generating plants in Bukidnon and engaging in the business of a generation company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001(the "EPIRA").

In 2014, the Parent Company invested ₱2.5 million in PBI representing 100% of the equity holdings, of which the related subscription payable amounted to ₱1.9 million. As of December 31, 2014, the paid-up capital and deposits for future subscriptions made by the Parent Company to PBI relative to this investment amounted to ₱0.6 million and ₱7.5 million, respectively. In 2015, the Parent Company applied ₱1.9 million of deposits for future subscriptions against its subscription payable to PBI. Also in 2015, the Parent Company sold its 100% equity interest in capital stock of PBI and assigned the remaining balance of deposit for future subscription of ₱5.6 million to Peakpower Energy, Inc. (PEI), an associate.

In January 2015, the Parent Company sold its 100% equity interest in BRC to Angelus Agri Corporation, an affiliate, for ₱23.7 million.

In March 2015, the Parent Company invested ₱5.0 million in AB Bulk Water Company, Inc. representing 100% equity holdings. AB Bulk Water Company, Inc. engages in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol, Misamis Oriental.

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3. **Changes in Accounting Policies**

<u>Changes in Accounting Policies</u>

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following amended PFRS, amended PAS and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) which became effective in 2015:

- Amendments to PAS 19, *"Employee Benefits - Defined Benefit Plans: Employee Contributions"*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments will not have any significant impact on the financial statements of the Group.

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9 reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The Group will quantify the effect, if any, in conjunction with other phases, when issued, to present a comprehensive picture.

Annual Improvements to PFRS (2010 to 2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *"Share-based Payment - Definition of Vesting Condition"*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it currently has no share-based payments.

- PFRS 3, *"Business Combinations - Accounting for Contingent Consideration in a Business Combination"*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32, Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

  The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations, if any.

- PFRS 8, *"Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets"*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

  The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments are not relevant to the Group since it is not one of the entities required to adopt PFRS 8.

- PFRS 13, *"Fair Value Measurement - Short-term Receivables and Payables"*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *"Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation"*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance since it currently has no property and equipment at revalued amounts.

- PAS 24, *"Related Party Disclosures - Key Management Personnel"*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

  The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

- PAS 38, *"Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization"*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset

after taking into account any accumulated impairment losses.

b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. These amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Group's financial position or performance.

Annual Improvements to PFRS (2011 to 2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *"First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRS"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *"Business Combinations - Scope Exceptions for Joint Arrangements"*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment is currently not relevant to the Group.

- PFRS 13, *"Fair Value Measurement - Portfolio Exception"*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Group's financial position or performance.

- PAS 40, *"Investment Property"*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will not have a significant impact on the Group’s financial statements.

Amendments to PFRS 10, *"Consolidated Financial Statements", PFRS 11, "Joint Arrangements" and PAS 27, "Separate Financial Statements": Investment Entities*

The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL).

The amendments have no impact on the Group since it does not qualify as investment entities within the scope of this amendment.

- Amendment to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The amendments have no impact on the Group's financial position or performance since it has no financial assets and liabilities that are offset.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
  The amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

  The amendments require additional disclosure only and have no impact on the Group's financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
  The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

  The amendments have no impact to the Group's financial statements since it has no derivatives nor has applied hedge accounting to its accounts.

- Philippine Interpretation IFRIC 21, *"Levies"*
  The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

  The interpretation does not have a material financial impact on the Group's financial statements.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2015 The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective in 2016

• PFRS 10, PFRS 12 and PAS 28, "Investment Entities": Applying the Consolidation Exception" The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with PFRS 10. Consequential amendments have also been made to PAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.
The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.
Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12 Disclosure of Interests in Other Entities.
The amendments to PFRS 10 are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not relevant to the Group.

• PFRS 11, "Accounting for Acquisitions of Interests in Joint Operations" The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply the principles on business combinations accounting. Previously held interest in joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. Amendments do not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party.
The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. The amendments are currently not applicable to the Group.

• PFRS 14, "Regulatory Deferral Accounts" PFRS 14 is an optional standard that allows an entity whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

The standard is currently not applicable to the Group.

• PAS 1, "Presentation of Financial Statements": Disclosure Initiative The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in PAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are follows:

- o An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- o An entity need not provide a specific disclosure required by a PFRS if the information resulting from that disclosure is not material.
- o In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosure for the following items:

- The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss;
- The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group does not expect that the amendments will have significant impact on the financial statements.

• PAS 16, "Property, Plant and Equipment" and PAS 38, "Intangible Assets": Classification of Acceptable Methods of Depreciation and Amortization The amendments clarify that revenue-based methods to calculate the depreciation of an asset is inappropriate because revenue generated by an activity that includes the use of an asset reflects factors other than the consumption of the economic benefits embodied in the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are effective from annual periods beginning on or after January 1, 2016, with earlier application permitted and are applied prospectively. The amendments are not expected to have an impact on the Group's financial position or performance.

• PAS 16, “Property, Plant and Equipment” and PAS 41, “Agriculture”: Bearer Plants The amendment clarifies that biological assets that meet the definition of bearer plants will be accounted for in the same way as property, plant and equipment PAS 16 Property, Plant and Equipment. The amendment also clarifies that produce growing on bearer plants continues to be accounted under PAS 41. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance will apply.

These amendments are effective from annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group will assess the impact of the amendments on the financial statements.

• PAS 27, “Separate Financial Statements”: Equity Method in Separate Financial Statements The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply the change retrospectively. For first time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS.

These amendments are effective from annual periods beginning on or after January 1, 2016, with earlier application permitted and to be applied retrospectively. The Group does not expect that these amendments to have impact on the financial statements.

Annual Improvements to PFRS (2012 - 2014 Cycle) The annual improvements to PFRS (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 5,”Noncurrent Assets Held for Sale and Discontinued Operations”: Changes in Methods of Disposal The amendment clarify the accounting for a change in a disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa) when an entity reclassifies an asset (or disposal group) directly from one method of disposal to other should not be considered a new plan rather as a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change date of classification.

This is currently not applicable to the Group.

- PFRS 7, “Financial Instruments: Disclosure – Servicing Contracts” This amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to disclose any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will be applied retrospectively. An entity that first applies the amendments is not required to provide comparative disclosures for any period beginning before the annual period of first application.

The Group does not expect that this amendment will have significant impact on its financial statements.

- PFRS 7, “Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements” The amendment clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. This amendment is applied.

The Group does not expect that this amendment will have significant impact on its financial statements.

- PAS 19, “Employee Benefits”: Regional Market Issue Regarding Discount Rate This amendment clarifies that the rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Where there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the postemployment benefit obligations.

This amendment is not expected to have any impact on the Group's financial statements.

- PAS 34, "Interim Financial Reporting" Disclosure of information 'elsewhere in the Interim Financial Report' These amendments clarify that an entity discloses information elsewhere in the interim financial report when it incorporates disclosures by cross-reference to information in another statement and wherever they are included within the greater interim financial report (e.g., management commentary or risk report).

This amendment is not expected to have significant impact on the Group's financial statements.

Effective in 2018 PFRS 9, "Financial Instruments: Classification and Measurement" PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.
The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.
On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. This is not expected to have a significant impact on the Group's financial statements.

Deferred

- Philippine Interpretation IFRIC 15, "Agreements for the Construction of Real Estate" This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Management will continuously assess the impact of this interpretation. Currently, management believes that the adoption of the interpretation will not have a significant impact on the Group's financial statements.

- PFRS 10, "Consolidated Financial Statements" and PAS 28, Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is a housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will be effective for annual periods beginning on or after January 1, 2016, with early application permitted. The amendments are currently not expected to have significant impact on the Group's financial statements.

Standards issued by the IASB but not yet been adopted by the FRSC IFRS 15, "Revenue from Contracts with Customers" IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard once adopted locally.

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's financial statements when these are adopted.

4. Summary of Significant Accounting and Financial Reporting Policies

<u>Revenue Recognition</u>
Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of real estate*
  Sale of real estate is recognized in full provided the profit is determinable, and the earning process is virtually complete. Specifically, revenue recognition is applied to sale if construction development is almost complete, sufficient cumulative down payment has been received, and that collectibility of sales price is reasonably assured.

  The percentage of completion method is used to recognize revenue from sales of projects where the Group has material obligations to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

  Pending recognition of sale when conditions for recording a sale are not met, cash received from buyers are presented under "Deposit from customers" in the liability section of the consolidated statements of financial position. Any excess of collections over the recognized receivables are also included in the said account.

- *Sale of crude palm oil*. Revenue is recognized upon delivery or shipment of goods to customers at invoice.

- *Sale of aggregates, seedlings and fresh fruit bunch*. Revenue is recognized when goods are delivered to the buyer.

- *Water service income*. Revenue is recognized when services are rendered and normally when billed.

- *Interest income*. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.

- *Rental income.* Rental income on leased properties arising from operating leases or investment properties is accounted for on a straight-line basis over the lease term.

- *Dividend income*. Dividend income is recognized when the shareholders' right to receive payment is established.

- *Other income*. Revenue is recognized as other income accrues.

- *Realized gains and losses.* Realized gains and losses are recognized when the sale transaction occurs.

Cost and Expense Recognition
Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Expenses are recognized in the consolidated statements of income upon utilization of the assets or services or at the date they are incurred.

Preoperating Expenses
Preoperating expenses are expensed as incurred.

Cash
Cash is stated at face value and includes cash on hand and in banks.

Financial Assets and Liabilities

Date of recognition
The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Determination of fair value
Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Financial Assets
The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation every reporting date. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- *Financial asset at fair value through profit or loss (FVPL)*
  A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. Derivatives are also categorized as held at fair value through profit or loss, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are accounted for in consolidated statements of income. Financial instruments held at fair value through profit or loss are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

  As of March 31, 2016 and December 31, 2015, the Group has no financial asset at FVPL.

- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

  Such assets are carried at cost or amortized cost in the consolidated statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets.

  The Group's cash, accounts receivable, due from related parties and refundable deposits are included in this category (see Notes 6, 7, 19 and 30).

- *Held-to-maturity investments*
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the consolidated statements of financial position. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within 12 months from the end of financial reporting period and as non-current assets if maturity is more than a year from the end of financial reporting period.

  As of March 31, 2016 and December 31, 2015, the Group has no held-to-maturity investments.

- *Available-for-sale financial assets*
  Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of income.
  The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include reference to recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Group's investment in shares of stocks in golf, sports and country clubs, listed and non-listed companies are included in this category (see Note 10).

Financial Liabilities

- *Financial liability at FVPL*
  Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

  As of March 31, 2016 and December 31, 2015, the Group has no financial liabilities at FVPL.

- *Other financial liabilities*
  This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g. payables, accruals) or borrowing (e.g., long-term debt).

  The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

  The Group's accounts payable and accrued expenses, dividends payable, due to related parties, deposit from customers, subscriptions payable and long-term debt are included in this category (see Notes 17, 18, 19 & 31).

Impairment of Financial Assets

The Group assesses at each end of financial reporting period whether a financial asset or group of financial assets is impaired.

- *Assets carried at amortized cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated statements of income.

  The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

  If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

- *Assets carried at cost.* If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

- *Available-for-Sale Financial Assets.* If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from consolidated equity to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the consolidated statement of income. For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income, is removed from consolidated equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in consolidated equity.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 consolidated statements of income.

Classification of Financial Instrument between Debt and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Real Estate Held for Sale and Land and Improvements
Real estate held for sale, and land and improvements consisting of properties held for future development are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the development and improvement of the properties. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

Inventories
Finished goods are valued at the lower of cost and net realizable value.

Costs incurred in bringing inventory to its present conditions are accounted for as follows:

- Finished goods and goods in process – cost includes direct materials and labor and proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs. Cost is determined by the moving average method.

- Materials and supplies – at cost using the first-in-first out method.

Prepayments and Other Current Assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

- Input Tax. Input tax is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.

- Prepaid Commission and Other Expenses. Prepaid commission and other expenses are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statements of income when incurred.

- Creditable Withholding Tax. Creditable withholding tax is recognized for income taxes withheld by customers. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable.

Prepayments and other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset.

Investment in an Associate
Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for under the equity method. Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition.
Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. Any excess of the fair value of the identifiable assets, liabilities and contingent liabilities and assets of the investee company over cost is included in the determination of the Group's share of the profit or loss in the period in which the investment is acquired.

Under the equity method, investment in shares of stock is carried at cost adjusted by post-acquisition changes in the Group's share of the net assets of the investee. The Group's share in the investee's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in reserves is recognized in reserves, if any. The cumulative post-acquisition movements are adjusted against the carrying amount of investment. The carrying value is also decreased for any cash or property dividends received.

Investment in a Joint Venture

Investment in joint venture is initially accounted for at cost and is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The Group has an investment in jointly controlled operations whereby the venturers have a contractual arrangement that establishes joint control. The operation of the joint venture involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale of the joint venture product and any expenses in common are shared among the venturers.

Investment Properties

Investment properties consist of properties held to earn rental income, for capital appreciation or both. These are initially recorded at cost, including transaction cost. The carrying amount includes the cost of replacing part of an existing property at the time the cost are incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation and amortization are computed on a straight-line method over estimated useful lives ranging from 2 to 20 years. The useful lives and depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from the use of the properties for lease.

Investment properties are derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the consolidated statements of income in the year of retirement or disposal.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

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

Depreciation of crushing properties is calculated using units-of-production method based on estimated recoverable reserve. Depreciation and amortization of other items of property, plant and equipment are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over their estimated lives or term of the lease, whichever is shorter:

Category	Estimated useful life
Land improvements	3 to 25 years
Building and improvements	10 to 20 years
Leasehold improvements	2 to 5 years
Machinery and equipment	2 to 10 years
Furniture, fixture and equipment	2 to 9 years
Transportation equipment	2 to 7 years
Tools and other equipment	2 to 5 years
Other fixed assets	3 to 15 years

The useful life and depreciation and amortization methods are reviewed periodically to ensure the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.
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 consolidated statements of income in the year the asset is derecognized.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and ready for operational use.

Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statements of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. The intangible asset recognized and determined by the Group has finite useful lives and represents leasehold rights.

Intangible assets with finite lives are amortized over the straight-line method over their useful economic lives of three (3) to twenty (20) years and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least annually. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is capitalized as part of the “Biological assets” account in the in the consolidated statements of financial position consistent with the function of the intangible asset.

Biological Assets and Agricultural Produce

The Group’s biological assets include growing palm oil seedlings, which are grouped according to their physical state, transformation capacity and location/areas.

These are carried at its fair value with any resultant gain or loss recognized in the statements of income. The fair value of the biological assets is determined using the cost approach of fair valuation. It involves valuing based on the original cost plus improvements to the biological assets.

The Group’s agricultural produce consists of those harvested from the biological assets and is measured at fair value less point-of-sale costs at the point of harvest. The fair value is based on the quoted price in the market at any given time.

Goodwill
Goodwill arising from the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if event of changes in circumstances indicate that the carrying value may be impaired. An impairment loss recognized for goodwill is not reversed in a subsequent period. Negative goodwill which is the excess of net fair value of subsidiaries' identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognized as income.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of Nonfinancial Assets
The carrying values of assets such as investment properties, property and equipment, leasehold rights and biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Employee benefits
Short-term benefits
Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wage, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Retirement benefits
Retirement benefit cost is actuarially determined using projected unit credit method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to a retirement plan, past service cost is recognized immediately.

The define benefit obligation is the aggregate of the present value of the defined benefit contribution and actuarial gains and losses not recognized, reduced by past service costs not yet recognized, and the fair value of plan assets, out of which the obligation are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that these exceed any reduction in the present value of those economic benefits. If there is no change or increase in the present value of the economic benefits, the entire net actuarial losses or the current period and past service cost of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

The Group has defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever the employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences
Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the financial reporting period.

Operating Lease
Group as a lessee
Leases of assets under which the lessor effectively retains all the risks and reward of ownership are classified as operating lease. Operating lease payments are recognized as expense in the consolidated statements of income on a monthly basis based on the contractual agreement. Associated costs such as repairs and maintenance and business taxes are expense when incurred.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Operating lease receipts are recognized in the consolidated statements of income on a straight line basis over the lease term.

Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes intangibles and property and equipment, is being constructed are capitalized as part of the cost of that asset. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

All other borrowing costs are expensed as incurred.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency. Items included in the consolidated financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as of the financial reporting date. Gains or losses arising from these transactions and translations are recognized in the consolidated statements of income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Tax

Income taxes represent the sum of the tax currently due and deferred tax.

The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred tax is provided, using the liability method. Deferred tax assets and liabilities are recognized for future tax consequence attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and carry forward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each end of financial reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Related Party Transactions

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Provisions
A provision is recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a borrowing cost.

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

Equity
Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Net unrealized gain on available-for-sale investment accounts for the excess of the fair market value over the carrying amounts of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to consolidated statements of income in the year that the permanent fluctuation is determined.

Treasury shares are stated at the cost of re-acquiring such shares.

Retained earnings include all current and prior period results as disclosed in the consolidated statements of income.

Noncontrolling Interests
Noncontrolling interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Group. If losses applicable to the minority interest in a subsidiary exceed the minority interest’s equity in the subsidiary, the excess, and any further losses applicable to the minority interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority interest’s share of losses previously absorbed by the majority interest has been recovered.

Earnings per share
Basic earnings per share is determined by dividing net income for the year by weighted average number of common shares outstanding during the year (after retroactive adjustment for any stock dividends declared in the current year).

Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

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

Segment reporting

For management purposes, the Group is organized into six (6) major operating businesses which comprise the bases on which the Group reports its primary segment information. Financial information on business segments is presented in Note 35. The Group has no geographical segments as all of the companies primarily operate only in the Philippines.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products and services. The measurement policies the Group used for segment reporting are the same as those used in the consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine profit and loss. No asymmetrical allocations have been applied between segments.

Inter-segment assets, liabilities, revenue, expenses and results are eliminated in the consolidated financial statements.

Events After End of Financial Reporting Period

Post year-end events that provide additional information about the Group's position at the end of financial reporting period, if any, are reflected in the consolidated financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Actual results could differ from such estimates. The following is a summary of these significant estimates and judgments and the related impact and associated risks on the consolidated financial statements.

Judgments

- *Determination of Control.*
  The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

  - Power over the entity;
  - Exposure, or rights, to variable returns from its involvement with the entity; and,
  - The ability to use its power over the entity to affect the amount of the Parent Company's returns.

  The Parent Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- *Real Estate Revenue and Cost Recognition*
  In determining whether economic benefits will flow to the Group and the revenue can be reliably measured, the Group assesses certain judgments based on buyers' commitment on sale which may be ascertained through the significance of the buyer's initial down payment, and stage of completion of the project development. Total costs of property development are based on cost estimates made by the Group's technical personnel made in concurrence with management. These estimated costs are

reviewed at least annually and are updated if expectations differ from previous estimates. Changes are mainly due to adjustments in development plan, materials and labor prices.
Also, the Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate sales are recognized based on the percentage-of-completion and the completion rate is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of projects. Revenue and costs from sale of real estate are shown in Notes 22 and 25, respectively.

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

- *Classification of Leases*
  The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group's lease agreements are determined to be operating leases.

  Rental expense and income for the first quarter of 2016 and 2015 are shown in Notes 19 and 27, respectively.

- *Distinction Between Investment Property and Owner-Occupied Property*
  The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the supply process.

  Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property in making its judgment.

- *Determination of Fair Value of Financial Instruments*
  The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect income and loss and equity.

  The summary of the carrying values and fair values of the Group's financial instruments as of March 31, 2016 and December 31, 2015 is shown in Note 30.

<u>*Estimates*</u>

- *Estimation of Allowances for Doubtful Accounts*
  Recoverability of specific receivables including amounts due from related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

The Group's allowance for doubtful accounts amounted to ₱0.4 million as of March 31, 2016 and December 31, 2015 (see Note 7). The carrying values of accounts receivables and amounts due from related parties as of March 31, 2016 and December 31, 2015 are shown in Notes 7 and 19, respectively.

- *Estimation of Impairment of Financial Assets*
The computation for the impairment of available-for-sale financial assets and refundable deposits requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. In the case of available-for-sale equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group's investments.

No impairment losses on financial assets were recognized in the first quarter of 2016 and December 2015.

- *Estimation of Useful Lives of Certain Assets*
The Group estimates the useful lives of investment properties, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by any changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment properties, property and equipment and intangible assets would increase recorded operating expenses and decrease noncurrent assets. There were no significant changes on the estimated useful lives of the above mentioned assets.

The carrying value of the Group's investment properties, depreciable property and equipment, and leasehold rights amounted to ₱208 million, ₱461 million and ₱34 million, respectively as of March 31, 2016 and ₱221 million, ₱460 million and ₱34 million, respectively as of December 31, 2015, (see Notes 12, 13 and 16).

As of March 31, 2016 and December 31, 2015, the Group's property and equipment have no residual values.

- *Determination of Net Realizable Value of Inventories*
The Parent Company uses the fair value to determine how much it could gain by selling its real estate held-for-sale inventories, agricultural produce and other inventories. The net realizable value is calculated in an effort to prevent the Parent Company from under or overestimating the value of its real estate held-for-sale inventories, agricultural produce and other inventories.

- *Impairment of Non-financial Assets*
The Group reviews inventories, land and improvements, investment properties, property and equipment, biological assets, leasehold rights and other assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect

land and improvements, investment properties, property and equipment, biological assets and other assets.

The Group's allowance for impairment loss pertaining to an investment property amounted to ₱20 million as of March 31, 2016 and December 31, 2015, respectively (see Note 12). Provision for impairment loss recognized in the consolidated statements of income amounted to ₱0.6 million in the first quarter of 2015.

The carrying amounts of investment properties, property and equipment, biological assets and leasehold rights are disclosed in Notes 13, 14, 16 and 17, respectively.

- *Estimation of Pension and Other Retirement Benefits*
  The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

  The assumptions for pension costs and other retirement benefits are described in Note 25, and include among others, expected returns on plan assets and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

- *Estimation of Deferred Income Tax Assets and Deferred Tax Liabilities*
  Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

  The Group's deferred income tax assets amounted to ₱50.7 million and ₱40.6 million as of March 31, 2016 and December 31, 2015, respectively (see Note 28). The Group's deferred tax liabilities amounted to ₱91.5 million and ₱82.4 million as of March 31, 2016 and December 31, 2015, respectively (see Note 28).

- *Estimation of Provisions for Contingencies*
  The Group is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business.

  The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

  There is no provision for probable losses recognized in the consolidated financial statements in 2016 and 2015.

- *Estimation of Fair Value of Biological Assets and Agricultural Produce*
  The total estimated production of the Company's biological assets is based on the expected crop yield over its expected lifespan which patterned on the scientific studies conducted on neighboring countries wherein similar biological assets are also grown. Unit-of-harvest method is used in determining the periodic amortization over the estimated yield of the crops over its life span.

  As of March 31, 2016 and December 31, 2015, the Group's biological assets have a carrying value of ₱ 412 million and ₱404 million, respectively (see Note 15).

6. **Cash**

This account consists of:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Cash on hand	**₱ 1,138,635**	₱861,629
Cash in banks	**16,156,319**	43,058,852
	₱ 17,294,954	₱43,920,481

Cash in banks pertain to savings and current account that generally earned interest based on prevailing respective bank deposit rates of approximately less than 1% per annum in 2016 and 2015.

The Group's cash in banks include dollar-denominated accounts with Peso equivalent amounting to ₱348,721 and ₱389,395 as of March 31, 2016 and December 31, 2015, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of ₱46.108/$1.00 and ₱44.166/$1.00 as at March 31, 2016 and December 31, 2015, respectively.

In 2013, the Parent Company established and opened a project deposit account with the Development Bank of the Philippines for the purpose of complying with the requirements of Republic Act No. 7279, otherwise known as the "Urban Development and Housing Act of 1992" relative to the Parent Company's socialized housing at West Highland Subdivision Project located in Butuan, Agusan Del Norte. Total cash in bank restricted for other purposes except those related to the project amounted to ₱0.1 million as of March 31, 2016 and December 31, 2015, respectively.

Financial income recognized in the consolidated statements of income on cash in banks amounted to ₱1,207 and ₱16,285 for the quarters ending March 31, 2016 and March 31, 2015 respectively (see Note 21).

7. **Accounts Receivable**

This account consists of:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Contract receivables on sale of real estate	**₱456,524,150**	₱438,734,960
Trade receivable	**27,748,330**	13,130,365
Advances to officers and employees	**1,315,921**	1,427,312
Others	**94,060,825**	93,021,934
Total receivables	**579,649,226**	546,314,571
Allowance for doubtful accounts	**(453,225)**	(453,225)
	579,196,001	545,861,346
Noncurrent portion of receivables:		
Contract receivables on sale of real estates	**(131,976,898)**	(109,980,748)
	₱447,219,103	₱435,880,598

Contract receivables on sale of real estate represent amounts due and collectible in monthly installment over a period of 5 to 15 years, and bear interest ranging from less than 10% to 18% in 2016 and 2015.

The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.
Interest income on contract receivables on sale of real estate amounted to ₱2.6 million and ₱4.6 million for the first quarter in 2016 and 2015, respectively (see Note 21).

No contract receivables on sale of real estate are collateralized as of March 31, 2016 and December 31, 2015.
Accrued interest receivable includes interest from contract receivables, notes receivable and loans receivable.

Other receivables are interest-free. These include receivables from various companies for the sale of available-for-sale investments in 2008 and various advances to suppliers and contractors in 2016 and 2015. Other receivables amounting to ₱0.5 million as of March 31, 2016 and December 31, 2015, were impaired and fully provided for.

There was no additional provision for doubtful accounts in the first quarter of 2016.

8. Real Estate Held for Sale

Real estate held for sale represents land, development costs and construction materials issued to the Group's various projects in Cagayan de Oro City, Initao, Valencia City, Bukidnon and Butuan detailed as follows:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Land	**₱ 178,008,435**	₱173,795,994
Development cost and materials	**462,535,369**	497,142,446
	₱640,543,804	₱670,938,440

Real estate held for sale with carrying value of ₱550.8 million and ₱518.5 million as of March 31, 2016 and December 31, 2015, respectively, are collateralized to the loans obtained from UCPB, BPI, BPIF, UBP, and DBP (see Note 18).

In 2013, the Group reclassified land and improvements amounting to ₱10.5 million into real estate held for sale. Also, investment property with carrying value of ₱22.3 million was reclassified to real estate held for sale.

The Group reclassified land cost of ₱107.1 million in 2012 into real estate held for sale previously accounted for as land and improvements and investment properties (see Notes 12 and 14).

The Group also reclassified real estate held for sale with a total cost of ₱13.8 million in 2015, ₱203.8 million in 2014 and ₱173.3 million in 2013 into land and improvements (see Note 14).

9. Inventories, Prepayments and Other Current Assets

a. Inventories

This account consists of:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Refined bleached deodorized oil	**₱12,630,854**	₱11,569,301
Palm Olein	**5,608,551**	6,354,518
Aggregates and water meter	**4,354,081**	5,008,799
Palm acid oil and fatty acid distillate	**4,286,351**	4,234,707
Crude palm oil	**3,349,611**	13,902,968
Palm Stearin	**1,373,212**	3,597,750
Palm kernels	**98,489**	-
	₱31,701,149	₱44,668,043

b. Prepayments and Other Current Assets

This account consists of:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Deposit for land acquisition	**₱106,758,303**	₱106,758,303
Creditable withholding taxes	**76,520,418**	72,679,535
Prepaid expenses	**50,632,534**	26,311,717
Value-added input taxes	**41,025,822**	40,259,226
Other deposits	**31,776,394**	43,966,440
Supplies and materials	**-**	9,716,950
Others	**1,715,097**	–
	₱308,428,568	₱299,692,171

In 2011, the Group entered into several contracts to sell with several sellers of land. Installments made by the Group to the sellers were presented as deposit for land acquisition as the Transfer Certificates of Title were not yet transferred to the name of the Group.

Other deposits pertain to payments made by the Group in connection with its engagement to a third party to look for suitable parties for the Group to enter into a joint venture agreement for acceptable agriculture related and real estate development projects. Such payment will be used to answer for the out-of-pocket expenses to be incurred in relation to and during the engagement.

10. Available-for-Sale Investments

The rollforward analysis of the net carrying value of this account is shown below:

	As of 03/31/2016 (Unaudited)			
	Golf, Sports and Country Clubs	Non-listed Companies	Listed Companies	Total
Carrying value:				
Balance at beginning of year	₱824,275,828	₱48,684,575	₱115,979,001	₱ 988,939,404
Unrealized gain on fair value	–	–	105,548,103	105,548,103
Balance at end of year	₱824,275,828	₱48,684,575	₱221,527,104	₱1,094,487,507

	As of 12/31/2015 (Audited)			
	Golf, Sports and Country Clubs	Non-listed Companies	Listed Companies	Total
Carrying value:				
Balance at beginning of year	₱135,906,548	₱209,969,995	₱280,619,601	₱626,496,144
Reclassification from deposit for future stock subscriptions included in Investments and deposits	388,694,697	–	–	388,694,697
Unrealized gain (loss) on fair value	299,674,583	(161,285,420)	(164,160,600)	(25,771,437)
Deconsolidation due to deconsolidation of a subsidiary	–	–	(480,000)	(480,000)
Balance at end of year	₱824,275,828	₱48,684,575	₱115,979,001	₱988,939,404

Available-for-sale (AFS) investments are stated at fair value. The changes in the fair value are recognized directly in equity, through the consolidated statements of comprehensive income and consolidated statements of changes in equity.

- The fair values of AFS investments in listed companies have been determined directly by reference to published prices in active market. Fair values of unquoted equity instruments are determined at the present value of estimated future cash flows. Fair values of golf, sports and country club shares are based on prevailing market prices.

  In 2014, the Group sold its investment in a listed company with a cost of ₱24.9 million at a gain of ₱25.5 million. Accordingly, the cost of ₱24.9 million and previously recognized unrealized loss on fair value of ₱18.2 million were derecognized in 2014.

  The related subscriptions payable on the above investments in listed companies amounted to ₱70 million as of March 31, 2016 and December 31, 2015, respectively.

  - As of December 31, 2013, the Group had investments in Monte Oro Resources and Energy, Inc. (MOREI), a non-listed company, of ₱295.1 million, representing 11.70% equity holdings, and deposits for future stock subscriptions of ₱93.1 million. The Group has no power to govern the financial and operating policies of MOREI. In 2014, a total of ₱93.6 million deposits to MOREI were applied to subscription. In October 2014, all of its investments in MOREI were sold at cost of ₱388.1 million and the proceeds were used as deposits for future stock subscriptions to Apex Mining Corporation's (AMC) increase in authorized capital stock which was applied with the SEC. In February 2015, the SEC approved AMC's application for increase in authorized capital stock. The Group subsequently reclassified the related deposits for future stock subscriptions (included in Investment and deposits account) to available-for-sale investments.

- On November 29, 2011, the Group acquired investment in shares of stock of Phigold Limited (Phigold), with 22.87% ownership wherein it exercises significant influence over its operations. The acquisition cost equals the fair value of the net assets acquired. The Group reclassified its investment in shares of stock of Phigold Limited amounting to ₱209.0 million previously recognized as investment in associate into available-for-sale investment after losing significant influence in 2013. As of March 31, 2016, the Group's equity interest in Phigold was reduced to 18.70% with the entry of new investors.

11. **Investment in Associates**

Workforward analysis of this account follows:

	Percentage of ownership		Amount	
	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)	**As of 03/31/2016 (Unaudited)**	As of 12/31/2015 (Audited)
PCPC	**20.00%**	20.00%	**₱ 877,686,484**	₱866,428,382
PEI	**20.00%**	20.00%	**114,978,552**	125,505,562
			₱992,665,036	₱991,933,944

The workforward analysis of this account follows:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Carrying value at beginning of year	**₱991,933,944**	₱1,237,194,151
Reduction in subscription during the year	–	(252,800,000)
Equity in net income (loss) for the year	**731,092**	7,539,793
Carrying value at end of year	**₱992,665,036**	₱991,933,944

- On November 29, 2011 the Group acquired investment in shares of stocks of Phigold Limited (Phigold). In 2013, the Group reclassified this investment into available-for-sale investment (see Note 10).

- In February 2013, the Parent Company subscribed to 25% of 160,000,000 authorized shares of PEI with ₱1 par value per share for ₱40.0 million. In October 2013, a shareholders' agreement was signed together with new investors to the joint venture whereby the Parent Company will hold 20% of the total outstanding shares.

  Total deposit for future stock subscriptions to PEI amounted to ₱63.8 million as of December 31, 2013. In 2014, the deposits of ₱63.8 million were applied to subscription of PEI's capital stock.

- As discussed in Note 2, the Parent Company, together with its subsidiaries, PTCHC, PCPC and PCLHC, has signed a Shareholders' Agreement with AC Energy Holdings, Inc. (ACEHI) and Jin Navitas Resource, Inc. (JNRI) to implement the Memorandum of Agreement between the parties to build power generation plant in the Province of Iloilo. PTCHC reacquired the interest of ACEHI in PCPC and PCLHC in 2013 bringing its interest to 70%. OKL subscribed to the 30.46% equity interest of PCPC from the PTCHC.

  In May 2013, ACEHI sold all its interest in PCPC and PCLHC to focus its investing power to its existing power projects imminent in its development pipeline. In light of this event, PTCHC has taken the opportunity to acquire the entire stake of ACEHI bringing its interest to 70% on both entities. Later before the end of the year, OKL bought out and subscribed to the 30.46% equity interest of PCPC from PTCHC. Additional shares were subscribed by PTCHC bringing its equity interest to 39.54%. On the other hand, PTCHC's interest in PCLHC as of December 31, 2013 remained at 70%. On December 11, 2013, the BOD and shareholders of PCLHC and PCPC approved the merger of the two entities, with PCPC as the surviving entity. PCTHC will hold sufficient interest in PCPC for it to be able to exercise significant influence. PTCHC's interest in PCLHC will still be presented under the investment in associate account as a result of the merger application. During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC as well as the increase in authorized capital stock of PCPC.

  After the merger of PCPC and PCLHC, PTCHC retained its 30% interest in the outstanding capital of PCPC. As a result of the merger and the increase in PCPC's authorized capital stock, the PTCHC's investment in PCLHC was converted to Investment in PCPC – Redeemable Preferred Share comprising of the net asset of PCLHC amounting to ₱34,634,779 and DFFS amounting to ₱35,000,000. In addition, PTCHC's DFFS in PCPC amounting to ₱91,373,331 was converted to Investment in PCPC - Common Shares while another DFFS amounting to ₱412,113,000 was converted to Investment in PCPC - Preferred Shares. Total costs of the investment including direct costs fees related to the acquisition of such investment totaled ₱1,173,510,918 as of December 31, 2015. As of March 31, 2016, the subscription payable related to the above investment amounted to ₱70,025,817.

  On January 6, 2015, the SEC approved PCPC's application of the increase in its authorized capital stock to 6 billion shares divided into 1.5 billion common shares and 4.5 billion redeemable preferred shares both with a par value of ₱1.00 per share which reduced PTCHC equity interest in PCPC to 20%. PTCHC continues to account its investment in PCPC as investment in associate as it continues to exercise significant influence over PCPC. The reduction of the subscription in preferred shares amounted ₱252,800,000 and subsequently, DFFS was applied as full payment to the remaining subscription payable amounting to ₱165,452,221 on February 6, 2015.

The aggregated financial information of the associates is summarized below:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Total assets		
Current assets	**₱3,283,931,999**	₱2,873,399,456
Noncurrent assets	**13,135,330,491**	12,574,302,114
	₱16,419,262,490	₱15,447,701,570
Current liabilities	**₱414,160,436**	₱877,091,825
Total equity	**5,237,773,294**	4,664,247,573
Gross revenues for the year	**185,411,018**	903,422,954
Net loss for the year	**3,655,461**	37,698,966

12. **Investment Properties**

This account consists of:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Properties held for capital appreciation – net	**₱ 185,430,785**	₱197,930,785
Properties held under lease	**22,418,043**	23,058,536
	₱207,848,828	₱220,989,321

Investment properties are stated at cost less any impairment. Investment properties have a fair market value of about ₱453 million as of March 31, 2016 and December 31, 2015, respectively, as determined by an independent firm of appraisers. The excess of the fair market value over the carrying amount of the asset is not recognized in the consolidated financial statements.

The rollforward analysis of properties held for capital appreciation as of March 31, 2016 and December 31, 2015 follows:

		As of March 31, 2016 (Unaudited)		
	Note	Land and improvements	Building	Total
Cost:				
Balance at beginning of year		₱ 188,267,450	₱30,532,806	₱218,800,256
Disposal		(2,836,665)	(30,532,806)	(33,369,471)
Balance at end of year		185,430,785	-	185,430,785
Allowance for impairment loss:				
Balance at beginning of year		–	20,869,471	20,869,471
Disposal		–	(20,869,471)	(20,869,471)
Balance at end of year		–	-	-
Net carrying value		₱185,430,785	₱-	₱185,430,785

	Note	As of December 31, 2015 (Audited)		
		Land and improvements	Building	Total
Cost:				
Balance at beginning of year		₱199,777,415	₱30,532,806	₱230,310,221
Disposal		(11,509,965)	–	(11,509,965)
Balance at end of year		188,267,450	30,532,806	218,800,256
Allowance for impairment loss:				
Balance at beginning of year		–	16,814,602	16,814,602
Provision for impairment		–	4,054,869	4,054,869
Balance at end of year		–	20,869,471	20,869,471
Net carrying value		₱188,267,450	₱9,663,335	₱197,930,785

In 2014, the Group reclassified land under property and equipment into investment property (see Note 13) and reclassified parcels of land under investment properties to real estate held for sale (see Note 8). The provision for impairment loss of ₱1.5 million in 2014, 2013 and 2012 represents the write-down of an unfinished building to its estimated net recoverable amount.

The provision for impairment loss of ₱0.38 million in the first quarter 2015 represents the write-down of an unfinished building to its estimated net recoverable amount. This building was sold in January 2016.

The details of the properties held under lease follows:

	As of March 31, 2016 (Unaudited)		
	Land	Building and improvements	Total
Cost:			
Balance at beginning of year and end of period	₱15,423,024	₱87,753,962	₱103,176,988
Accumulated depreciation:			
Balance at beginning of year	–	80,118,452	80,118,452
Additions	–	640,493	640,493
Balance at end of period	–	80,758,945	80,758,945
Net book value	₱15,423,024	₱6,995,017	₱22,418,043

	As of December 31, 2015 (Audited)		
	Land	Building and improvements	Total
Cost:			
Balance at beginning of year	₱23,382,132	₱87,753,964	₱111,136,096
Disposals	(7,959,109)	–	(7,959,109)
Balance at end of year	15,423,023	87,753,964	103,176,987
Accumulated depreciation:			
Balance at beginning of year	–	77,556,480	77,556,480
Additions	–	2,561,971	2,561,971
Balance at end of year	–	80,118,451	80,118,451
Net book value	₱15,423,023	₱7,635,513	₱23,058,536

Rental income generated from investment properties held under lease amounted to ₱3.6 million and ₱3.75 million for the first quarter of 2016 and 2015, respectively.

13. **Property and Equipment - net**

The carrying value of this account is as follows:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Land	**₱ 12,967,297**	₱12,967,297
Refined bleached deodorized (RBD) and fractionation machineries	**248,622,268**	248,622,268
Machinery and equipment	**144,994,980**	142,786,031
Construction in progress	**40,156,312**	34,761,294
Building and improvements	**10,194,842**	10,513,767
Transportation equipment	**9,151,065**	10,297,081
Furniture, fixtures and equipment	**1,763,534**	1,987,359
Land improvements	**1,347,866**	1,370,819
Tools and other equipment	**369,697**	570,343
Leasehold improvements	**126,539**	171,687
Other assets	**3,339,066**	8,532,026
	₱473,033,466	₱472,579,972

Rollforward analysis of this account is shown below:

	As of March 31, 2016 (Unaudited)		
	Balance at beginning of year	Additions/ Depreciations	Balance at end of year
Cost:			
Land	₱ 12,967,297	₱–	₱ 12,967,297
Land improvements	2,410,831	–	2,410,831
RBD and fractionation machineries	248,622,268	–	248,622,268
Building and improvements	54,450,232	–	54,450,232
Leasehold improvements	2,955,708	–	2,955,708
Machinery and equipment	308,670,461	209,689	308,880,150
Furniture, fixtures and equipment	21,642,167	108,433	21,750,601
Transportation equipment	57,732,113	–	57,732,113
Tools and other equipment	1,447,366	76,962	1,524,328
Other assets	28,684,238	147,974	28,832,212
Construction in progress	34,761,294	5,395,018	40,156,312
	774,343,975	5,938,076	780,282,052
Accumulated depreciation and amortization:			
Land improvements	1,040,011	22,953	1,062,964
Building and improvements	43,928,506	326,885	44,255,391
Leasehold improvements	2,784,023	45,146	2,829,169
Machinery and equipment	161,082,557	2,802,613	163,885,169
Furniture, fixtures and equipment	19,750,517	236,550	19,987,067
Transportation equipment	47,431,767	1,149,281	48,581,048
Tools and other equipment	1,096,808	57,823	1,154,631
Other assets	24,649,816	843,331	25,493,147
	301,764,004	5,484,581	307,248,586
Net carrying value	₱ 472,579,971	₱ 453,495	₱ 473,033,466

	As of December 31, 2015 (Audited)					
	Balance at beginning of year	Additions/ Depreciations	Disposals	Inc/Dec due to Deconsolidations	Reclassification	Balance at end of year
Cost:						
Land	₱12,967,297	₱–	₱–	₱–	₱–	₱ 12,967,297
Land improvements	3,651,606	726,454	–	(1,967,229)	–	2,410,831
Building and improvements	90,898,516	192,568	–	(39,637,192)	2,996,340	54,450,232
Leasehold improvements	2,797,786	157,922	–	–	–	2,955,708
Machinery and equipment	301,670,328	3,000,804	(1,500,000)	–	254,121,597	557,292,729
Furniture, fixtures and equipment	29,267,115	837,436	(120,536)	(8,341,848)	–	21,642,167
Transportation equipment	57,176,214	4,691,665	(1,868,143)	(2,267,623)	–	57,732,113
Tools and other equipment	3,599,952	603,115	–	(2,755,701)	–	1,447,366
Other assets	25,994,121	5,329,048	–	(2,744,404)	105,473	28,684,238
Construction in progress	215,680,651	76,304,053	–	–	(257,223,411)	34,761,294
	743,703,586	91,843,065	(3,488,679)	(57,713,997)	–	774,343,975
Accumulated depreciation and amortization:						
Land improvements	2,590,561	62,754	–	(1,613,304)	–	1,040,011
Building and improvements	54,908,874	1,328,299	–	(12,308,667)	–	43,928,506
Leasehold improvements	2,440,870	343,153	–	–	–	2,784,023
Machinery and equipment	145,280,245	16,589,812	(787,500)	–	–	161,082,557
Furniture, fixtures and equipment	24,781,360	1,046,125	(120,536)	(5,956,433)	–	19,750,516
Transportation equipment	45,618,838	5,486,567	(1,770,167)	(1,903,471)	–	47,431,767
Tools and other equipment	3,066,001	464,602	–	(2,433,795)	–	1,096,808
Other assets	22,930,893	3,135,716	–	(1,416,793)	–	24,649,816
	301,617,642	28,457,028	(2,678,203)	(25,632,463)	–	301,764,004
Net carrying value	₱442,085,944	₱ 63,386,037	(₱ 810,476)	(₱32,081,534)	–	₱ 472,579,971

In 2014, the Group reclassified land amounting to ₱3.43 million to investment property (see Note 12).

The Group's management had reviewed the carrying values of the property and equipment as of March 31, 2016 and December 31, 2015 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired. Furthermore, there is no property whose title is restricted from use of the Group in both years.

The RBD and fractionation machineries, machineries and equipment, and land with carrying value totaling to ₱340.2 million and ₱84.0 million as of December 31, 2015 and 2014, respectively were used as collateral to the Company's loans availed from UCPB and BPI (see Note 18).

There are no contractual commitments to purchase property and equipment. There also no property and equipment that are pledged as securities for liabilities.

14. **Land and Improvements**

This account represents land held for future development and improvements consisting of various properties in Tanay, Initao, Cagayan de Oro City, Bukidnon and Butuan City.

The rollforward analysis of this account is shown below:

	As of March 31, 2016 (Unaudited)		
	Land	Improvements	Total
December 31, 2015	₱338,058,990	₱375,940,478	₱713,999,468
Additions	–	5,573,175	5,573,175
March 31, 2016	₱338,058,990	₱381,513,653	₱719,572,643

	As of December 31, 2015 (Audited)		
	Land	Improvements	Total
December 31, 2014	₱347,268,780	₱452,566,590	₱799,835,370
Additions	(9,209,790)	(76,626,112)	(85,835,905)
December 31, 2015	₱338,058,990	₱375,940,478	₱713,999,468

In 2013, the Group reclassified land with a total cost of ₱10.5 million into real estate held for sale. Also, in 2013 the Group reclassified real estate held for sale with a total cost of ₱173.3 million to land and improvements (See Note 8).

The Group reclassified real estate held for sale to land and improvements with a total cost of ₱85.8 million as of March 31, 2016 and December 31, 2015 (see Note 8).

The reclassification has no impact on the statements of cash flows

15. **Biological Assets**

These represent the fair value of oil palm trees as follows:

	Note	**As of 03/31/2016 (Unaudited)**	As of 12/31/2015 (Audited)
Cost:			
Balance at beginning of year		**₱417,955,754**	₱348,820,403
Additions during the year		**8,515,183**	67,847,130
Amortization of leasehold rights	17	–	1,288,221
Balance at end of year		**426,470,937**	417,955,754
Accumulated amortization balance at beginning and end of year		**₱14,289,336**	₱14,289,336
Net carrying value		**₱412,181,601**	₱403,666,418

As of

March 31, 2016 and December 31, 2015, the Group has 193,277 palm oil trees planted on land under leasehold (see Note 16). Amortization of biological assets in 2014 was suspended in Kalabugao area because the change in estimate of the harvesting age year based on the latest study made for the plantation in this area. The palm oil trees in Kalabugao area are considered to be commercially fruiting for a longer period from the year of planting.

The amortization of biological assets was charged to cost of sales in profit or loss.

Management believes that there is no indication of impairment on the Group's biological assets account and that its net carrying amount can be recovered though use in operations.

16. Leasehold Rights

This account pertains to amounts paid by the Group for the rights to use parcels of land in Impasugong and Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as oil palm commercial plantations (see Note 36).

Rollforward analysis of this account is shown below:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Cost:		
Balance at beginning and end of year	**₱41,655,391**	₱41,655,391
Accumulated amortization:		
Balance at beginning of year	**7,410,784**	6,122,563
Amortization during the year	**322,055**	1,288,221
Balance at end of year	**7,732,839**	7,410,784
Balance at end of year	**₱33,922,552**	₱34,244,607

As of March 31, 2016, the biological assets in all the plantation areas were still in their growing stage (see Note 15). Accordingly, the amortization of leasehold rights was capitalized as part of the production cost of the Company's biological assets as of March 31, 2016. In 2014, some of the palm oil trees in plantation reached their commercially fruiting stage. The amortization of leasehold rights in these areas were directly charged to direct plantation cost (see Note 15). The amortization of leasehold rights attributable to palm oil trees that were still in growing stage were still capitalized as part of the production costs of the Company's biological assets. As of December 31, 2015, the management has re-assessed that biological asset in all the plantation areas have not reached their commercially fruiting stage. Accordingly, the amortization of leasehold rights was fully capitalized to biological assets (see Note 15).

Management believes that there is no indication of impairment on the Group's leasehold rights account and that its net carrying amount can be recovered through use in operations.

17. Accounts Payable and Accrued Expenses

This account consists of:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Accounts payable	**₱ 292,731,894**	₱302,564,734
Accrued expenses	**28,993,882**	28,008,312
Retention Payable	**12,673,488**	12,607,039
Accrued interest payable	**10,066,618**	10,602,933
Contracts payable	**5,176,335**	5,326,335
Others	**25,373,607**	22,132,287
	₱375,015,824	₱381,241,640

The above accounts payable and accrued expenses do not include any advances from directors, officers, employees, principal stockholders and related parties which are not arising in the ordinary course of business.

Details of accounts payable and accrued expenses-others are as follows:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Output VAT payable	**3,672,406**	8,479,321
Construction bond payable	**8,133,565**	7,562,828
Withholding tax payable	**3,103,343**	2,190,039
SSS, HDMF, PHIC premium payable	**642,271**	614,067
Deposit from subscribers	**6,636,652**	–
Others	**3,185,370**	3,286,032
	₱25,373,607	₱22,132,287

Retention payable pertains to the amount withheld by the Group from contractors' billings relative construction in progress which serves as security for the completion of the construction in acceptable condition as stipulated in the contracts. This will become due upon compliance and completion of the terms and conditions of the contracts.

Others include various accruals for security services, telephone expenses, rent expense, labor and other recurring expenses and unearned income on land lease.

18. **Short-term and Long-term Debt**

Short-term debt consists of loans obtained from the following:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Financial Institutions:		
Union Bank of the Philippines (UBP)	**₱100,000,000**	₱100,000,000
China Banking Corp. (CBC)	**300,000,000**	100,000,000
PBCOM	**65,000,000**	65,000,000
United Coconut Planters Bank (UCPB)	**20,000,000**	20,000,000
Others	**4,000,000**	4,000,000
	₱489,000,000	₱289,000,000

- The loan from UBP pertains to the term loans availed by the Group totaling ₱100 million in January 2012 and October 2011. The loan bears annual interest rate of 5.5% and will mature one (1) year from the date of availment and was subsequently renewed on December 20, 2013. On December 15, 2014, the loan was renewed under the same term and interest rate. The loan balance as of March 31, 2016 and December 31, 2015 is unsecured (see Note 8).

- The loan from CBC pertains to a clean term loan availed by the Group amounting to ₱70 million in September 2012 with an annual interest rate of 6.0%. The loan matured in July 2013 and was renewed for another year until July 2014 with an annual interest rate of 5.5%. On October 4, 2013, the Group availed term loan amounting to ₱30 million with an annual interest rate of 5.5% which matured on July 31, 2014. In April 2014, the Group availed additional clean loan amounting to ₱5 million with an interest of 5.5% which was repaid in July 2014. In October 2014, a total of ₱100 million loans were renewed for another year until October 23, 2015 of which ₱10 million was already repaid on December 29, 2014.

  In January 29, 2015, The Group availed additional loan amounting to ₱10 million which bears annual interest rate of 5.5% and will mature one (1) year from the date of availment.
  On October 23, 2015, a total of ₱100 million loans were renewed for another year until October 23, 2016 with an annual interest rate of 5.5%.

The group obtained additional loans from CBC on various dates within February to March 2016 totaling 200 million and will mature on February 16, 2017. These loans bear an interest rate of 5.75% per annum.

- A clean term loan amounting to ₱65 million was obtained by the Group on May 8, 2014 from PBCOM. The loan bears annual interest rate of 5.5% which is subject to renewal and collectible monthly in arrears and will mature on April 30, 2015. Prior to maturity, total principal payments made amounted to ₱15 million. The remaining ₱50 million loan was renewed on the same date payable after one year from the date of availment with 5.5% interest rate. On April 16, 2015, the Group availed additional loan amounting to ₱15 million payable after one year from the date of availment which bears annual interest rate of 5.5%

- On July 15, 2015, the Group availed clean term loan from Maybank Philippines, Inc. (MPI) totaling ₱ 6,204,579 with an interest rate of 6.5% payable after 30 days. The loan matured and was paid on August 14, 2015.

- Other loans include loan availment from XSCCI and a third party in 2015. On June 16, 2015, the Group obtained a noninterest-bearing loan amounting to ₱1.0 million from XSCCI payable on June 14, 2016.

- On December 17, 2015, the Group obtained a noninterest-bearing loan amounting to ₱3.0 million from a third party payable on March 15, 2016. This loan was paid and reavailed of the same day.

Long-term debt consists of loans obtained from the following:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Financial Institutions:		
United Coconut Planters Bank (UCPB)	**₱ 421,252,364**	₱433,752,364
Asia United Bank (AUB)	**312,180,000**	330,930,000
Union Bank of the Philippines (UBP)	**311,621,821**	329,583,808
China Banking Corp. (CBC)	**101,448,024**	301,562,539
BPI Family Savings Bank (BPIF)	**179,697,523**	190,944,250
Bank of the Philippine Islands (BPI)	**60,750,000**	67,500,000
Maybank Philippines Inc. (MPI)	**48,333,333**	53,333,333
Development bank of the Philippines (DBP)	**35,000,000**	–
	1,470,283,065	1,707,606,294
Shareholders	**126,849,105**	90,774,096
	1,597,132,170	1,798,380,390
Less current portion	**484,707,459**	685,396,811
	₱1,112,424,711	₱1,112,983,579

- On December 2, 2013, the Group availed of loan from AUB amounting to ₱85 million that will mature on December 1, 2017 with an interest rate of 5%. This loan is collateralized by real estate mortgage on the Group's investment properties with net carrying amount of ₱0.1 million as of December 31, 2015 (see Note 13) and real estate mortgage on the property of the Group's stockholder.

  In January 2014, the Group obtained loan from AUB amounting to ₱180.00 million that will mature in 5 years from release date. This loan bears an annual interest of 5.5%. In March 2014, additional loans totaling ₱83.8 million were obtained by the Group from AUB. The ₱65.0 million loans bear an annual interest rate of 5.0% and will mature in December 2017 and the ₱18.8 million loans bear an annual interest rate of 5.5% and will mature in January 2019. These loans were collateralized by the Group's real estate held for sale assets with carrying amount of ₱40.1 million.

- The Group availed several clean loans from CBC on various dates within February to July 2011 and will mature five (5) years after loan release dates. These loans bear interest rate of 7.33% per annum. A total of 200 million was paid within February to March 2016.
  The Group obtained from CBC a 3-year car plan loan with 8.08% annual interest rate loan amounting to ₱0.9 million availed in July 2015. Another car plan loan was availed in August 2015 amounting to ₱0.8 million with 10% annual interest rate. The loans are payable monthly in arrears.

- In August and December of 2011, the Group obtained ₱400 million loan from UCPB to refinance its outstanding term loan and finance various real estate development projects. The loan has a term which shall expire at the end of ten (10) years from initial date of drawdown and bears interest payable quarterly in arrears, based on 3-month Philippine Dealing System Treasury-Fixing rate obtaining at the time of availment, plus a spread of two percent (2.0%) inclusive of Gross Receipt Tax (GRT) or floor rate 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting. This loan is collateralized by real estate mortgage over the real estate held for sale with a carrying value of ₱133.9 million as of December 31, 2015 (see Note 8).

- On September 22, 2015, the Group availed a loan from UCPB amounting to ₱80.1 million to pay the remaining balance of the loan from BPI with interest initially fixed at the rate of 5.50% per annum which is the prevailing market rate at the time of issuance for the first three (3) years. Succeeding rate shall be based on the present prevailing market rate and shall have a term of six (6) years until September 21, 2021. The principal shall be payable in quarterly installments amounting to ₱4.0 million to commence on December 22, 2016. On October 29, 2015, the Group availed additional loans amounting to ₱104.9 million from UCPB with interest initially fixed at the rate of 5.50% per annum with a term of six (6) years until October 29, 2021 to finance the rehabilitation of RBD and fractionation plant. The principal shall be payable in quarterly installments amounting to ₱5.3 million to commence on January 29, 2017. The loan is collateralized by the Company's land and machineries under Property and equipment with a total carrying amount of ₱340.2 million (see Note 13).

- The loan from UBP pertains to a 7-year loan availed by the Group in 2012, with 3 years grace period on principal. Principal payments of 48 equal monthly amortizations will be made starting on the end of the grace period which will start in 2015. Quarterly interest payment in arrears is made for the first 3 years, then monthly payments for the rest of the term. The loan bears annual interest of 5.56% and is collateralized by the Group's real estate held for sale assets with carrying amount of ₱101.6 million as of December 31, 2015.

- The loans from BPIF were obtained on various dates within 2004 to 2012 and will mature ten (10) years after loan release dates, the last of which will be in 2022. These bear interest at the rates ranging from 5.5% to 11.50% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Group with a total carrying value of ₱98.0 million as of December 31, 2015 (see Note 8).

- The loans from BPI were obtained on various dates within 2011 and will mature five (5) years after loan release dates, the last of which being 2016. These bear interest at 3-month Philippine Dealing System Treasury- R2 plus a spread of one and a half percent (1.50%) per annum or the applicable bank floor lending rate at the time of availment, whichever is higher, subject to monthly payment and quarterly resetting, with one time option to fix rate based on 5-year Philippine Dealing System Treasury- R2 rate, plus a spread of one and a quarter percent (1.25%) per annum. The interest rate is currently at 4.75% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Group with a total carrying value of ₱96.0 million as of December 31, 2015.

  On December 20, 2012, the Group availed a loan amounting to ₱89 million with interest initially fixed at the rate of 4.75% per annum which is the prevailing market rate at the time of issuance hereof repriceable quarterly and payable monthly in arrears with option for rate fixing for one (1) or three (3) or five (5) years and payable monthly in arrears and shall have a term of seven (7) years until

December 20, 2019. This loan was settled by the UCPB loan availed by the Group last September 22, 2015.

- The Group availed of a ₱60.0 million loan from MPI in August 2014 with an annual interest rate of 5.5% subject to quarterly repricing and payable monthly in arrears that will mature in August 2018. This loan is collateralized by the Group's investment properties in Binangonan, Rizal with carrying amount of ₱21.2 million.

- On March 18, 2016, the Group obtained a loan from DBP amounting to ₱35 million that will mature on March 18, 2022 with 2 years grace period on principal. This loan bears an interest of 5.25% per annum (exclusive of GRT). Quarterly interest payment in arrears. The principal shall be payable in quarterly installments amounting to ₱2.2 million to start on June 18, 2018. The loans are collateralized by the Group's real estate held for sale assets with carrying amount of ₱32.5 million.

- The loans from shareholders represent a 10-year noninterest-bearing loan with a total principal amount of ₱129.3 million availed on various dates from October to November 2012. The loans are repayable in lump sum on or before maturity. The Group recognized discount on loans payable amounting to ₱52.9 million in the statements of income in 2012.

  In September 2014, the Group availed of another 10-year noninterest-bearing loan from the shareholders amounting to ₱60.0 million. In 2015, the Parent Company availed from shareholders additional noninterest-bearing loans totaling ₱62.0 million with 5 and 10-year term. A total of ₱16.7 million and ₱24.9 million was recognized as discount on loans payable in the statements of income in 2015 and 2014, respectively. Amortization of discount on loans recognized amounted to ₱26.4 million in 2015, ₱13.5 million in 2014 and ₱4.3 million in 2013. A total of ₱12,014,533 loans payable was derecognized in 2015 in view of the deconsolidation of a subsidiary.

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19. **Related Party Transactions**

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

The Parent Company enters into transactions with related parties. Outstanding balances at year-end are unsecured and noninterest-bearing and are settled based on agreed upon terms. The following are the related party transactions.

a. Lease of Parent Company's office space from an affiliate

	For the quarters ending March 31	
	2016	2015
Amount of rent expense	**₱781,212**	₱710,198
Outstanding balances	**358,082**	236,733

b. Noninterest-bearing loans received from shareholders

   The loans from the shareholders represent a 10-year noninterest-bearing loan with a total principal amount of ₱129.28 million availed on various dates from October to November 2012. The loan is re-payable in lump sum on or before maturity (see Note 18).

c. Advances made to an associate.
The Group made unsecured and noninterest-bearing advances to PEI, an associate, amounting to ₱24,721,000 in 2015

d. Loan availed from an affiliate.
On June 2015, the Parent Company availed ₱1,000,000 noninterest-bearing loan from XSCCI payable within one year from date of availment (see Note 18).

The summary of the above related party transactions follows:

	March 31, 2016			
Category	Amount/Volume	Outstanding balance	Terms and Condition	Guaranty/Settlement /Provision
Shareholders				
1. Loans received from shareholders	₱41,600,000	₱126,849,105	Noninterest-bearing and repayable in lump sum on or before maturity after 10 years from 2012	Unsecured; no significant covenants
Affiliates				
2. Lease of office space from an affiliate	₱781,212	₱358,082	One year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
3. Loans availed	₱-	1,000,000	Noninterest-bearing and repayable in cash within 1 year from date of availment	Unsecured; no significant warranties and covenants
4. Collection of notes receivable from an affiliate	₱347,316	-	One year and to be collected in twelve monthly installments at 10% per annum.	No guarantees
Associate				
5. Advances made	₱-	24,721,000	Payable on demand; noninterest-bearing	Unsecured; no significant warranties and covenants; no impairment

	March 31, 2015			
Category	Amount/Volume	Outstanding balance	Terms and Condition	Guaranty/Settlement /Provision
Shareholders				
1. Loans received from shareholders	₱40,000,000	₱89,152,830	Noninterest-bearing and repayable in lump sum on or before maturity after 10 years from 2012	Unsecured; no significant covenants
Affiliates				
2. Lease of office space from an affiliate	₱710,198	₱236,732	One year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
3. Collection of notes receivable from an affiliate	₱347,316	-	One year and to be collected in twelve monthly installments at 10% per annum.	No guarantees

Below are the account balances as of March 31, 2016 and December 31, 2015 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

- Receivables/Payables

As of March 31, 2016 (Unaudited)

	Payable				
	ABCI-Parent	MCPI	SHDI	ABERDI	Total
Receivable:					
ABCI-Parent Company	₱–	₱–	₱–	₱ 9,877,208	₱1,083,713
ABERDI	–	–	278,826	–	7,773,940
BAC	–	–	–	460,377	51,555
SHDI	167,941	–	–	–	32,299
PTCHC	–	6,568,367	–	–	6,251,013
NC	–	–	–	87,253	12,964
	₱167,941	₱6,568,367	₱278,826	₱10,424,838	₱15,205,484

As of December 31, 2015 (Audited)

	Payable			
	ABCI - PARENT	ABERDI	MCPI	Total
Receivable:				
ABBWCI	₱7,971,853	₱–	₱–	₱7,971,853
PTCHC	21,094	–	6,508,784	6,529,878
ABERDI	1,535,235	–	–	1,535,235
NC	–	874,419	–	874,419
SHDC	167,941	403,938	–	571,870
BAC	–	423,095	–	423,095
	₱ 9,696,123	₱ 1,701,452	₱6,508,784	₱17,906,359

- Deposits for future stock subscription

As of March 31, 2016 (Unaudited)

	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱ 818,368,221	₱ –	₱818,368,221
ABERDI	414,603,584	–	414,603,584
SHDI	9,600,000	–	9,600,000
HLPC	13,132,708	–	13,132,708
NC	700,000	247,165,103	247,865,103
Total	₱1,256,404,513	₱ 247,165,103	₱1,503,569,616

	As of December 31, 2015 (Audited)		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱818,305,221	₱ –	₱818,305,221
ABERDI	376,303,228	–	376,303,228
HLPC	10,355,922	–	10,355,922
AC	9,600,000	–	9,600,000
NC	–	247,085,103	247,085,103
Total	₱1,228,464,371	₱247,085,103	₱ 1,475,549,474

20. **Share Capital**

The details of the number of shares of authorized and subscribed capital stock follows:

	As of 03/31/2016 (Unaudited)	As of 12/31/2016 (Audited)
Authorized (Note 1)	**2,000,000,000**	2,000,000,000
Subscribed and issued (Note 1)	**1,732,865,522**	1,732,865,522

All subscribed shares are issued and outstanding as of March 31, 2016 and December 31, 2015

Movements of the amount of subscribed capital stock and additional paid in capital (APIC) during the quarter ending March 31, 2016 follow:

	CAPITAL STOCK			
	Subscribed and issued	Subscribed but not issued	Total	Additional paid in capital
Balance as at January 1, 2016 and March 31, 2016	₱ 1,732,865,522	₱–	₱1,732,865,522	₱586,198,947

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities: SEC-BED Order No. 1179 issued on December 17, 1993 amounting to ₱200,000,000; SEC-BED Order No. 847 issued on August 15, 1994 amounting to ₱230,000,000 and SEC-CFD Order No. 64 issued on March 12, 1996 totaling ₱530,000,000. Common shares are the only equity securities registered and issued by the Group. As of December 31, 2015 and 2014, there are 2,121 and 2,129 stockholders in the records of the transfer agent, Professional Stock Transfers, Inc. (PSTI), respectively. As of March 31, 2016, there are two thousand one hundred nineteen (2,119) stockholders in the books of the transfer agent.

21. **Sales**

This account consists of:

	For the three months ended 03/31/2016	For the three months ended 03/31/2015
Real estate	**₱ 124,931,448**	₱ 102,707,324
Crude palm oil (CPO)	**16,135,853**	36,877,505
Palm olein	**10,340,714**	-
Palm stearin	**6,438,450**	-
Water services	**4,475,796**	3,837,231
Palm Fatty Acid Distillate	**1,471,612**	-
Palm Acid Oil	**1,053,481**	-
Kernel nuts and fertilizers	**900,226**	1,953,388
RBDO	**717,850**	-
Other by-products of CPO	**-**	1,152,881
Fertilizers	**-**	217,360
	₱ 166,465,430	₱ 146,745,689

22. **Financial Income**

This account consists of:

	For the three months ended 03/31/2016	For the three months ended 03/31/2015
Interest from:		
Sales of real estate (Note 7)	**₱2,562,731**	₱4,643,450
Notes and loans receivable (Notes 7 and 8)	**13,596**	35,262
Cash in banks (Note 6)	**1,207**	16,285
	₱2,577,534	₱4,694,997

23. **Other Income**

This account consists of:

	For the three months ended 03/31/2016	For the three months ended 03/31/2015
Income from forfeited accounts	**₱ 692,962**	₱ 773,821
Surcharge income	**387,926**	711,948
Others	**1,120,135**	5,468,746
	₱ 2,201,023	₱6,954,515

Other income includes driving range fees and sale of by-products derived from the production of crude palm oil.

24. **Cost of Sales and Services**

This account consists of:

	For the three months ended 03/31/2016	For the three months ended 03/31/2015
Real estate	**₱ 61,088,980**	₱ 54,124,401
Crude palm oil	**11,793,270**	25,131,750
Palm olein	**7,747,925**	-
Palm stearin	**4,404,673**	-
Aggregates	**2,044,961**	973,686
Water services	**1,508,408**	1,300,873
Palm acid oil	**754,913**	-
Palm Kernel	**674,866**	-
Palm fatty acid distillate	**665,986**	-
Kernel nuts and fertilizers	**-**	1,808,379
RBDO	**418,888**	-
Crop and palm seedlings	**-**	88,920
Other direct costs	**126,555**	971,647
	₱91,229,425	₱84,399,657

Cost of sales and services includes depreciation charges and other direct costs (e.g. repairs and maintenance, salaries and wages) related to the Group's investment properties and property and equipment which were included as part of cost of real estate. This also includes amortization charges of biological assets and leasehold rights which were included as part of cost of sales of crude palm oil.

25. **General and Administrative Expenses**

This account consists of:

	For the three months ended 03/31/2016	For the three months ended 03/31/2015
Personnel cost (Notes 20 and 27)	**₱17,230,617**	₱15,808,052
Taxes and licenses	**8,549,117**	8,145,194
Depreciation and amortization (Notes 13 and 14)	**3,857,204**	5,252,707
Utilities and supplies	**1,587,687**	2,263,681
Repairs and maintenance	**1,232,133**	2,243,365
Rental (Notes 20 and 28)	**2,229,149**	1,953,216
Entertainment, amusement and recreation	**84,203**	273,053
Others	**17,477,952**	11,036,110
	₱52,248,061	₱46,975,378

Significant components of other operating expenses follow:

	For the three months ended 03/31/2016	For the three months ended 03/31/2015
Security services	**₱4,090,581**	₱3,495,928
Professional fees	**1,654,717**	3,372,681
Transportation and travel	**1,086,025**	1,777,464
Director fees	**310,065**	264,471
Board meetings	**372,328**	226,522
Subscription and dues	**206,249**	213,703
Insurance	**156,142**	178,506
Training and seminar	**79,362**	84,437
Litigation fees	**7,302,503**	18,576
Bank charges	**213,170**	5,730
Unrealized foreign exchange loss	**3,332**	-
Miscellaneous	**2,003,479**	1,662,563
	₱17,477,954	₱11,036,110

Miscellaneous expense includes supervision, regulation, notarization, listing and other fees.

26. **Retirement Benefits Costs**

The Group has a funded non-contributory retirement plan covering all regular and full time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003).

Actuarial valuations are made with sufficient regularity at least every one or two years. The last actuarial valuation was made for the year 2015 and the report was dated February 29, 2016.

Regulatory Framework in which the Retirement Plan Operates
In accordance with the provisions of the Bureau of Internal Revenue (BIR) RR No. 1-68, it is required that a formal Retirement Plan be Trusteed; that there must be no discrimination in benefits; that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or diverted to, any purpose other than for the exclusive benefit of the Plan members.

Responsibilities of Trustee
The Group's plan assets are maintained by a trustee bank. The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration 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 manage the Retirement Fund, an independent accountant to audit the Fund, and an actuary to value the Retirement Fund.

Unusual or Significant Risks to which the Retirement Plan Exposes the Group
There are no unusual significant risks to which the plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

Plan Amendments, Curtailments, or Settlements
There were no plan amendments, curtailments or settlements recognized for the years ended December 31, 2015 and 2014.

The principal actuarial assumptions used to determine retirement benefits were as follows:

	2015	2014
Discount rate, beginning of year	**5.17%**	4.73%
Discount rate, end of year	**5.17%**	5.17%
Salary increase rate , beginning and of year	**5.00%**	5.00%

Asset-liability matching strategies to manage risks
The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

Funding arrangements
The Group 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 are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then become due and payable by the Group to the Retirement Fund.

27. **Lease Agreement**

Group as a Lessor

The Group leased its various properties under operating lease with various lessees. The term of the lease agreements is for one to five years and is renewable upon the agreement of both parties. The lease agreements that are existing as of March 31, 2016 and December 31, 2015 will expire in various dates in 2017 to 2024.

The agreements account the lessees for all major and minor repairs, business taxes, and charges for water, light, telephone, other utilities expense.

Group as a Lessee

The Group entered into an operating lease agreement with a related and nonrelated party for its office space in Cagayan de Oro City and Metro Manila. The term of the lease agreements is for one year and is renewable upon the agreement of both parties.

There are no other significant restrictions imposed by lease agreements such as those concerning dividends, additional debt and further leasing.

28. **Income Taxes**

a. The current income tax expense is composed of MCIT and regular corporate income tax. Components of current income tax reported in the consolidated statements of income follows:

	03/31/2016	03/31/2015
MCIT	**₱1,112,813**	₱1,828,312
Regular corporate income tax	**83,662**	56,825
	₱1,196,475	₱1,885,137

b. The components of deferred tax accounts represent the future tax consequence of the following:

	As of 3/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Deferred tax assets		
Tax effects of:		
NOLCO	**₱21,212,643**	₱12,170,631
Retirement liability and unamortized past service cost	**11,248,183**	11,248,183
Allowance for impairment losses on investment properties	**6,260,841**	6,260,841
Allowance for doubtful accounts	**135,967**	135,968
Others	**8,211,994**	8,210,992
MCIT	**3,668,408**	2,555,595
	₱50,738,036	₱40,582,210

	As of 3/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Deferred tax liabilities		
Tax effects of:		
Deferred income on sale of real estate	**₱89,620,995**	₱80,776,419
Deferred rental income	**1,888,230**	1,644,894
Unrealized foreign exchange gain	**–**	4,104
	₱91,509,226	₱82,425,417

The Group did not recognize the deferred income tax asset on NOLCO amounting to ₱7,419 as of March 31, 2016 since management believes that this could not be utilized prior to its expiration. NOLCO amounting to ₱71 million as of March 31, 2016, can be carried forward and claimed as deduction against regular taxable income for the next three (3) years as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
December 31, 2013	₱2,527,217	–	₱2,527,217	December 31, 2016
December 31, 2014	36,326,281	–	36,326,281	December 31, 2017
December 31, 2015	1,236,034	–	1,236,034	December 31, 2018
March 31, 2016	30,619,278	–	30,619,27	December 31, 2019
	₱70,708,810		₱70,708,810	

The carry forward benefits of MCIT totaling ₱3.7 million as of March 31, 2016, can be claimed as deduction from regular corporate income tax for the next three (3) years as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
December 31, 2013	₱242,133	–	₱242,133	December 31, 2016
December 31, 2014	1,222,769	–	1,222,769	December 31, 2017
December 31, 2015	1,090,692	–	1,090,692	December 31, 2018
March 31, 2016	1,112,814	–	1,112,814	December 31, 2019
	₱3,668,408	₱–	₱3,668,408	

c. The income tax expense shown in consolidated statements of income follows:

	As of 03/31/2016 (Unaudited)	As of 03/31/2015 (Unaudited)	As of 12/31/2015 (Audited)
Income tax expense computed at statutory tax rate	**₱276,103**	₱1,611,500	9,687,976
Income tax effects of:			
Write-off of expired NOLCO and other deferred tax assets	**–**	–	10,270,217
Discount on long-term debt	**(332,832)**	–	(5,015,435)
Amortization of discounts on long-term debt	**–**	(194,696)	8,005,410
Change in unrecognized deferred tax assets	**–**	213,904	1,247,606
Nondeductible expenses	**167,549**	255,919	711,231
Amortization of discount on notes receivable	**–**	60,272	(94,142)
Gain on disposal of net assets of deconsolidated subsidiaries	**–**	–	(31,381)
Interest income subject to final tax	**(362)**	(4,937)	(19,301)
Capital gains tax paid	**–**	–	–
Dividend income	**–**	–	(3,861)
Unrecognized NOLCO	**7,419**	–	–
Equity in net loss of an associate	**–**	–	(2,261,938)
Applied and expired MCIT	**–**	–	233,778
	₱117,877	₱1,941,962	₱22,730,160

d. The Group opted for the itemized deduction scheme for its income tax reporting in 2016 and 2015.

29. Earnings per Share (EPS)

Basic EPS is computed as follows:

	For the Quarter 03/31/2016 (Unaudited)	For the Quarter 03/31/2015 (Unaudited)
Net income attributable to equity holders of Parent Company	**₱ 3,980,697**	₱5,592,568
Divided by weighted average number of shares outstanding	**1,732,865,522**	1,732,865,522
Basic earnings per share (for the quarter)	**₱0.00230**	₱0.00323

The Group has no dilutive potential shares as of March 31, 2016.

30. **Financial Instruments**

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of March 31, 2016 and December 31, 2015:

	As of March 31, 2016 (Unaudited)	
	Carrying value	Fair value
Financial assets:		
Cash (Note 6)	₱17,294,954	₱17,294,954
Accounts receivable (Note 7)*	578,351,667	578,351,667
Advances to a related party	24,721,000	24,721,000
Refundable deposits (Note 5)	10,530,589	10,530,589
AFS investments (Note 11)	1,094,487,506	1,094,487,506
	₱1,725,385,716	₱1,725,385,716
Financial liabilities:		
Accounts payable and accrued expenses (Note 18)**	₱ 366,792,319	₱ 366,792,319
Short-term debt (Note 19)	486,000,000	486,000,000
Long-term debt (Note 19)	1,600,937,654	1,600,937,654
Subscription payable (Notes 11 and 12)	70,025,817	70,025,817
	₱2,523,755,790	₱2,523,755,790

	As of December 31, 2015 (Audited)	
	Carrying value	Fair value
Financial assets:		
Cash (Note 6)	₱43,920,481	₱43,920,481
Accounts receivable (Note 7)*	533,964,983	533,964,983
Notes receivable (Note 8)	24,721,000	24,721,000
Refundable deposits (Note 5)	11,052,656	11,052,656
AFS investments (Note 11)	988,939,404	988,939,404
	₱1,602,598,524	₱1,602,598,524
Financial liabilities:		
Accounts payable and accrued expenses (Note 18)**	₱369,958,213	₱369,958,213
Short-term debt (Note 19)	289,000,000	289,000,000
Long-term debt (Note 19)	1,798,380,390	1,798,380,390
Subscription payable (Notes 11 and 12)	70,025,817	70,025,817
	₱2,527,364,420	₱2,527,364,420

*Receivables exclude advances to suppliers and contractors as of March 31, 2016 and December 31, 2015.

**Accounts payable and accrued expenses exclude statutory payables as of March 31, 2016 and December 31, 2015.

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash, accounts receivable, loans receivable, notes receivable, due from related parties, refundable deposits, accounts payable and accrued expenses, deposits from customers, due to related parties and loans payable approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

31. **Financial Risk Management Objectives and Policies**

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, receivables, investment in equity securities, and bank loans. The main purpose of investing these financial instruments (assets) is to maximize interest yield and for capital appreciation. The main purpose of bank loans is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and accrued liabilities, which arise directly from operations. The Group's policies and guidelines cover credit risk, liquidity risk and interest rate risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

The main risks arising from the use of financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk. The Group's Board of Directors reviews and agrees with policies for managing each of these risks. These are summarized below:

- *Credit risk*
  Credit risk refers to the risk that counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The Group only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities such as those listed in the Philippine Stock Exchange. Moreover, the Group follows strict credit policies and procedures in granting of credit to customers, which are regularly reviewed and updated to reflect changing risk conditions, which includes credit evaluation, administration, monitoring and collection guidelines. The Group, likewise monitors exposures through continuing assessment of creditworthiness of customers and monitoring of the aged schedules of receivables.
  Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered.

Generally, the maximum credit risk exposure of the financial assets is the carrying amounts of the Group's financial assets as summarized below:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Cash	**₱16,156,319**	₱43,058,852
Accounts receivable	**578,351,667**	533,964,983
Advances to a related party	**24,721,000**	24,731,000
Refundable deposits	**10,530,589**	11,052,656
Available-for-sale investments	**1,094,487,506**	988,939,404
	₱1,724,247,081	₱1,601,746,895

The Group's cash have been invested with various creditworthy banks, thus limiting exposure to credit risk, in regard to its liquid assets. The Parent Company's contract receivable consists of significant number and various customers/lot buyers. Customers of the Group have been subjected to credit evaluation prior to sale. Moreover, ownership of the shares and title of the real estate sold on installment to various customers/lot buyers are only transferred, upon full payment of the agreed total contract price.
Available-for-sale investments include investment in shares that are actively traded in the stock market. The Group uses other publicly available financial information to monitor its investments.

With respect to credit risk arising from other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

- *Liquidity risk*

  Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that investments have ample liquidity to finance operations and capital requirements and yield good returns. The Group manages liquidity by maintaining adequate reserves. Moreover, banking facilities and reserve bank lines and facilities are secured to fill in temporary mismatch of funds for new investments or projects.

  As of March 31, 2016 and December 31, 2015, the available credit lines with banks and outstanding balances are as follows:

	As of March 31, 2016 (Unaudited)		
	Available credit line	Drawable line	Unpaid
UCPB	₱550,100,000	₱ –	₱441,252,364
CBC	410,000,000	–	401,448,024
BPIF	275,983,414	–	179,697,523
DBP	35,000,000	–	35,000,000
AUB	348,748,000	–	312,180,000
PBCOM	65,000,000	-	65,000,000
MPI	60,000,000	–	48,333,333
BPI	135,000,000	–	60,750,000
UBP	475,000,000	–	411,621,821
	₱2,354,831,414	₱ –	₱1,955,283,065

	As of December 31, 2015 (Audited)		
	Available credit line	Drawable line	Unpaid
UCPB	₱605,000,000	₱–	₱605,000,000
CBC	110,000,000	–	110,000,000
CBC TRUST	300,000,000	–	300,000,000
BPIF	275,983,414	–	275,983,414
BPI	135,000,000	–	135,000,000
AUB	348,748,000	–	348,748,000
PBCOM	65,000,000	–	65,000,000
MPI	60,000,000	–	60,000,000
UBP	400,000,000	–	400,000,000
	₱2,374,731,414	₱–	₱2,374,731,414

  Furthermore, long-term debts are used for financing when the business requirement calls for it to ensure adequate liquidity for its operations. Additional funding requirements may be obtained from related parties.

  The following table presents the Group's non-derivative financial assets and liabilities by contractual maturity and settlement dates as of March 31, 2016 and December 31, 2015. These have been based on the undiscounted cash flows and on the earliest date on which the Group will earn and/or will be required to pay.

	As of March 31, 2016 (Unaudited)		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash	₱ 17,294,954	₱–	₱17,294,954
Accounts receivable*	447,219,103	131,976,898	579,196,001
Advances to a related party	24,721,000	–	24,721,000
Refundable deposits	10,530,589	–	10,530,589
AFS investments	–	1,094,487,506	1,094,487,506
	₱499,765,646	₱1,884,149,014	₱1,726,230,050

	As of March 31, 2016 (Unaudited)		
	Due within one year	Due beyond one year	Total
Financial liabilities:			
Short-term debt	₱ 489,000,000	₱–	₱489,000,000
Long-term debt	484,707,459	1,112,424,711	1,597,132,170
Accounts payable and accrued expenses**	367,597,804	–	367,597,804
Subscription payable	70,025,817	–	70,025,817
	₱1,411,331,080	₱1,112,424,711	₱ 2,523,755,791

	As of December 31, 2015 (Audited)		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash (Note 6)	₱43,920,481	₱–	₱43,920,481
AFS investments (Note 11)	–	988,939,404	988,939,404
Accounts receivable (Note 7)	423,984,235	109,980,748	533,964,983
Advances to a related party	24,721,000	–	24,721,000
Refundable deposits (Note 5)	–	11,052,656	11,052,656
	₱492,625,716	₱1,109,972,808	₱1,602,598,524
Financial liabilities:			
Short-term debt (Note 9)	₱289,000,000	₱–	₱289,000,000
Long-term debt (Note 9)	685,396,811	1,112,983,579	1,798,380,390
Accounts payable and accrued expenses (Note 8)	369,958,213	–	369,958,213
Subscription payable	70,025,817	–	70,025,817
	₱1,414,380,841	₱1,112,983,579	₱2,527,364,420

- *Market risks*

  Market risk refers to the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates, and agricultural production and prices will affect the Group's income. That objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

  There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk. The Group is subject to the following market risks:

  a. *Interest Rate Risk*

     The Group is exposed to interest rate fluctuations on their cash in bank, contract receivables on sale of real estate and short-term and long-term debt. Other financial assets and liabilities which principally arise in the ordinary course of its operations, are generally short-term and noninterest-bearing.

Historically, the rate of fluctuations relative to its cash in bank is minimal. Interest rates in 2016 and 2015 are approximately less than 1% for cash in banks.

The contract receivables on sale of real estate are managed within the parameters approved by management. Currently, these have been offered at approved fixed rates. Interest rates, which are highly controllable by the Parent Company, ranged from 10% to 18% in 2016 and 2015, depending on the terms and length of payment in years. Any changes in the interest rate have been subjected to thorough review and approval of the management.

Interest-bearing long-term debt carries interest rates which ranged from 5.5% to 7.3% in 2016 and 2015. Interest rates of certain debt are subject to quarterly repricing or subject to variability based on agreed terms with bank. An increase in interest rate by 1% would decrease equity by ₱ 0.2 million. An equal change in the opposite would increase equity by the same amount.

b. *Equity Price Risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. Changes in fair value of available-for-sale equity instruments due to a reasonably possible change in equity indices, with all other variables held constant will increase equity by ₱6.8 million as of March 31, 2016, if equity prices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

c. *Foreign Currency Risk*

The Group's exposure to foreign currency risk is very minimal. The Group's policy is to maintain a level of foreign currency-denominated cash in bank that would not significantly affect the Group's financial position and results of operations due to movements in foreign exchange rates.

The following table demonstrates the sensitivity to a reasonable possible change in the Philippine Peso – United States (US) dollar exchange rate, with all variable held constant, the Group's profit before tax and the Group's equity on December 31, 2015.

Reasonably Possible Changes in US Dollar – Philippine Peso Exchange Rate	Effect on Profit before tax	Effect on Equity
1%	₱68,270	₱47,789
-1%	-68,270	-47,789

The Group's exposures to foreign currency rates vary during the year depending on the dollar denominated cash deposited in banks. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

d. *Agricultural Production and Price Risk*

Agricultural production risks include all factors that affect the productivity of the crop which also affect the profitability of biological assets. The variations in crop yields are affected by a range of factors such as weather conditions/climate change, pests, diseases, technological change as well as management of natural resources such as water. Agricultural production price risk is associated with variability, mostly, in output price and also in input price.

The Group reduces the agricultural production risk and price risk by implementing good farm practices, developing and improving relevant infrastructure and access to agricultural support practices, and by adopting social schemes. The Group also ensures that proper selection of planting sites has been performed.

32. **Capital Management**

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and maintains healthy ratios in order to support its business and maximize shareholders' value.

The Group considers the following accounts as its capital:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Share capital	**₱1,732,865,522**	₱1,732,865,522
Additional paid-in capital	**586,198,947**	586,198,947
Retained earnings	**365,774,620**	361,793,923
	₱2,684,839,089	₱2,680,858,392

The debt-to-equity ratios as at March 31, 2016 and December 31, 2015 follow:

	As of 03/31/2016 (Unaudited)	As of 12/31/2015 (Audited)
Total debt	**₱2,675,367,638**	₱2,695,862,035
Divided by total equity	**₱2,684,839,089**	₱2,680,858,392
Debt-to-equity ratio	**1.00:1**	1.01:1

The Group had not been subjected to externally imposed capital requirements in 2015 and 2014. No changes were made in the objectives, policies, and processes during the quarter ended March 31, 2016 and year ended December 31, 2015.

33. **Dividend Declaration**

On December 27, 2006, the BOD declared cash dividends equal to ₱0.05 per share or a total of ₱49,439,315 to shareholders of record as of January 15, 2007 payable on February 8, 2007. Relative to this, dividend payable of ₱45,852,178 (net of withholding tax) was recognized in the December 31, 2006 Parent Company statements of financial position. As of December 31, 2014 and 2013, dividends payable amounted to ₱2,420,541 and ₱2,240,877, respectively.

On July 9, 2010, the Parent Company's Board of Directors, upon the recommendation of Management, declared a cash dividend of Twenty Centavos (₱0.20) per share. Conformably with the rules of the Philippine Stock Exchange, the Record Date for the dividend shall be August 6, 2010 and Payment Date shall be on August 31, 2010.

On August 18, 2010, the Board of Directors has approved the declaration of a total of 63,120,433 of the Parent Company's treasury shares as property dividends to be reissued at ₱3.20 per share. Shareholders as of record date owning 16 shares shall be entitled to one treasury share. No fractional shares shall be issued. Since the property dividend shall be subject to regulatory approval of the SEC, the record date was set on November 3, 2010 and the distribution date was November 29, 2010 after an instruction was received from the SEC for the Board of Directors to set those pertinent dates.

On December 2010, the Parent Company distributed 62,500,591 shares which is net of 4,609,685 shares representing the final tax due on the treasury shares.

34. **Business Segment Information**

In identifying the operating segments, management generally follows the Group's principal activities or business operations, which represent the main products and services provided by the Group as follows:

Real estate	Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales
Quarry and Mining	Quarrying and mining of basalt rocks for production of construction aggregates or sand and gravel
Service/ Manufacturing /Trading	Providing water supply and servicing Manufacturing of crude palm oil Selling of goods on wholesale and retail basis
Agriculture	Development of land for palm oil production and sale of palm seedlings and sale of crude palm oil
Power	Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operation yet as of March 31, 2016.
Holding	Holding of properties of every kind and description

The Group generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Exhibit 1-B regarding business segments presents assets and liabilities as of March 31, 2016 and revenue and profit information for quarters ending March 31, 2016 and 2015 (in thousands).

35. **Amendments to the Articles of Incorporation and the By-Laws**

In the Board of Directors meeting held on April 4, 2014 and the annual stockholders meeting on May 9, 2014, the Board of Directors and the shareholders representing 2/3 of the outstanding capital stock approved the following amendments in the Articles of Incorporation

Amendment to paragraph 7: "That the Corporation's authorized capital stock shall be increased from Two Billion Pesos (₱2,000,000,000.00) to Three Billion Pesos (₱3,000,000,000.00)".

The documents required on the application to the increase in authorized capital stock were not yet submitted to the SEC as of March 19, 2015.

In a Board of Directors meeting held on May 2, 2012 and the annual stockholders meeting on June 1, 2012, the Board of Directors and the stockholders representing 2/3 of the outstanding capital stock approved the following amendments in the Articles of Incorporation:

a. Amendment to paragraph 4: "That the term for which the Corporation is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on 20 December 2016".

b. Amendment to paragraph 6: "That the number of directors of this Corporation shall be Nine (9)……"

c. Amendment to paragraph 7: "That the amount of the capital stock of this Corporation is One Billion Six Hundred Twenty Million Pesos (₱1,620,000,000.00), Philippine Currency, and the said capital stock is divided into One Billion Six Hundred Twenty Million (1,620,000,000) shares with a par value of One Peso (₱1.00) each, provided that, stockholders shall have no preemptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors".

The SEC approved the said amendments on December 28, 2012.

The BOD in its special meetings held on May 26 and June 10, 2008 approved the following amendments in its Articles of Incorporation. The amendments were confirmed by the stockholders representing not less than 2/3 of the outstanding capital stock in the annual stockholders' meeting on July 11, 2008.

a. Amendment to paragraph 3: "That the place where the principal office of the Corporation is to be established is in Pasig City, Metro Manila".

   The change in principal office was approved by SEC on March 3, 2010.

   The BOD, during their meeting held on November 28, 2011 and by the stockholders of the Parent Company holding at least two-thirds (2/3) of the outstanding capital stock, amended the Articles of Incorporation, changing the principal office to Xavier Estates, Upper Balulang, Cagayan de Oro City. Amendment was approved by SEC on December 28, 2011.

b. Amendment to paragraph 7: "That the amount of the capital stock of this Corporation is ₱15,320,000,000 and the said capital stock is divided into 15,320,000,000 shares with the par value of ₱1.00 each, provided that shareholders shall have no preemptive right to subscribed unissued shares unless otherwise approved by the Board of Directors".

   Pending approval from SEC for the increase in its capitalization, the Parent Company received a total of ₱187.8 million as of December 31, 2009, as deposits for future stock subscription. Additional deposits were received by the Parent Company in 2010 amounting to ₱3.8 million. Inasmuch, however, that the Parent Company no longer has use for the fresh capital intended to be raised in 2008, management has proposed that the increase in capital stock be cancelled which was subsequently approved by the BOD in its board meeting last September 16, 2010. The deposits made in consideration thereof have already been returned to the stockholders concerned in 2010.

Moreover, the BOD on its meeting on March 26, 2007 and May 30, 2007, approved the following:

Amendment to paragraph 5 of the secondary purpose of the Articles of Incorporation, to read as follows:

"To engage in the power business, including but not limited to power generation, power trading and power supply, and for this purpose, to bid for or acquire power generation and power related assets, facilities, concessions and contracts, and to enter into other transactions or agreements relating to power, by itself or through joint ventures or partnerships, directly or through its subsidiaries or affiliates and to purchase, hold use, sell, transfer, mortgage, exchange, or dispose of real and personal properties of every kind and description, including all commercial papers and securities or obligations of domestic/foreign corporation or associations without being a stockholder or dealer and to pay or exchange therefore, stocks, bonds or other evidences of indebtedness or securities for this or any other corporation and to exercise any and all rights and obligations as owner or holder thereof, provided it shall not function as a trust corporation".

The foregoing amendments were confirmed by the stockholders representing not less than 2/3 of the outstanding capital stock in the annual stockholders' meeting on June 1, 2007.

On May 2, 2012, the BOD approved the cancellation of this amendment.

36. **Other Matter**

Impasug-Ong and Kalabugao Plantations

ABERDI entered into a Development Contract (DC) with Kapunungan Sa Mga Mag-uuma sa Kaanibungan (KASAMAKA) at the Municipality of Impasug-ong, Bukidnon concerning the development of Oil Palm Commercial Plantation.

KASAMAKA had been granted with Community Based Forest Management Agreement (CBFMA) no. 55093, by the Department of Environment and National Resources (DENR) on December 22, 2000 covering an area of 2,510.80 hectares. Under the CBFMA, KASAMAKA is mandated to develop, manage and protect the allocated community forest project area. Moreover, it is allowed to enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFMA area.

The project's objectives are to establish approximately 894 hectares into a commercial palm plantation within 5 years (2006-2011). However, ABERDI may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to ABERDI.

The responsibilities of KASAMAKA with regards to the project follow:

- To provide the land area of 894 hectares within CBFMA area for oil palm plantation.
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of ABERDI in regard to the project is to provide technical and financial resources to develop the 894 hectares into palm oil plantation for a period of 20 years up to 2026.
Relative to the agreement, the Group paid for leasehold rights on the land that are applicable up to year 2026 (see Note 17).

Opol Plantation
NC entered into a Development Contract for the establishment of Palm Oil Plantation in Tingalan, Opol, Misamis Oriental with Kahugpongan sa mga Mag-Uuma sa Barangay Tingalan (KMBT).

KMBT has been granted CBFMA No. 56297 by DENR on December 31, 2000 covering a total area of 1,000 hectares of forest lands located in Tingalan, Opol, Misamis Oriental to develop, manage and protect the allocated Community Forest Project Area.

The roles and responsibilities of KMBT under the Development Contract are as follows:

- To provide the land area within the CBFMA for oil plantation
- To provide manpower needs of NC in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

On the other hand, the responsibility of NC in regard to the project is to provide technical and financial resources to develop the covered area into palm oil plantation for a period of 25 years.

37. **Litigation**

Yulo Case

On December 15, 2008, the First Division of the Supreme Court issued a resolution, denying with finality the motion for reconsideration filed by the Parent Company on October 15, 2008 concerning the case involving a claim for sum of money, specific performance and damage by a certain individual in November 2001. As a result, the Parent Company recognized an estimated litigation loss of ₱34.4 million, inclusive of 12% legal interest computed from default until judgment is fully satisfied based on the Court of Appeals amended decision on July 23, 2008 and claimant.

On July 15, 2009, pursuant to the assailed Order of the trial court dated June 25, 2009, the Parent Company paid the claimant the amount of ₱22.4 million. The said payment was made with the intention of putting closure to the case. The difference between the amount of litigation liability and the amount of settlement has been recorded by the Parent Company as withholding tax on compensation pursuant to the BIR ruling that the nature of the claim is compensation income. In May 2010, the amount recorded by the Parent Company as withholding tax on compensation was released to the Court of Appeals until the decision is final.

The presiding judge who handled the case was eventually replaced.

In an Order dated April 15, 2010, the new presiding judge, reversed the order of the former presiding judge, declaring that the judgment award is not subject to income tax and, at the same time, eliminating the threshold date of 15 July 2009 set by the former presiding judge in the computation of the total amount payable to the claimant.

The new presiding judge ruled that the Parent Company was “still obligated to pay the amount of ₱14, 075,521.24 as of April 15, 2010, subject to daily interest at the rate of ₱4, 305.73 until judgment is fully satisfied.”

The Parent Company moved for reconsideration of the said order but, to no avail. The matter is elevated to the Court of Appeals and, thereafter, the Supreme Court.

In due course, the Court of Appeals and the Supreme Court confirmed that the award in favor of Yulo is subject to 32% tax.

Plaintiff filed a motion for execution with the RTC seeking additional interest. The court granted the said motion. On January 12, 2016, the Parent Company filed a Motion for Reconsideration (MR) which was denied outright by the judge.

On February 5, 2016, the Parent Company filed a petition for certiorari with prayer for temporary restraining order with Court of Appeals.

However, on March 10, 2016 through a Compromise Agreement, the Company settled the additional interest. The Plaintiff's counsel executed a notice of satisfaction of judgment to confirm the full and final satisfaction of the award on the same day.

Lustre Case

The Parent Company filed with the trial court a case for rescission with damages against defendants Home Industries Development Corporation (“HIDC”) and/or Mr. Antonio Lustre. The instant case was brought about by the defendants’ non-delivery of lots subject of a contract to sell. The amount involved in the instant case is Six Million Four Hundred Sixty-Four Thousand Four Hundred Twenty-Five Pesos (₱ 6,464,425.00) [(cash actually paid by the Parent Company) ₱794,425.00 + (present value of shares of stock) ₱5,400,000.00 + (difference between value of the shares of stock at the date of the execution of the Contract to Sell and the present value of the shares of stock) ₱270,000.00]. The trial court ruled in favor of the Parent Company.

The Parent Company learned that the shares of stock forming part of the trial court's judgment award had been disposed and were no longer in the name of Defendants Home Industries Development Corporation ("HIDC") and/or Mr. Antonio Lustre. As such, the Parent Company filed an Omnibus Motion dated 18 April 2011 praying, among others, that Defendant HIDC pay the value of the shares of stock, in lieu of the actual return of the same, which regrettably was denied by the trial court.

Considering the trial court's denial of the above-mentioned Omnibus Motion, the Parent Company filed with the Court of Appeals a Motion for Amendment and/or Clarification of Judgment Based on Supervening Events ("Motion") dated 22 February 2012. This Motion was subsequently denied in a Resolution dated 27 December 2012. Consequently, the Parent Company filed a Motion for Reconsideration (Of the Resolution dated 27 December 2012).

On December 9, 2014, the Decision was executed through public sale wherein ABCI was declared the highest bidder at the bid price of Three Million Nine Hundred Ninety-Four Thousand Eight Hundred Thirty – Five Pesos & 31/100 (₱3,994,835.31). The Certificate of Sale in favor of ABCI has already been registered with the Register of Deeds on January 12, 2015 and is duly annotated on the corresponding Transfer Certificated of Title involved. HIDC has one (1) year from January 12, 2015 within which to redeem the property. However, the redemption period lapsed without HIDC redeeming the properties. In view thereof, the Parent Company is processing the payment of taxes due on the properties and the transfer of the titles in the Parent Company's name.

EXHIBIT 1-A

A BROWN COMPANY, INC. & SUBSIDIARIES
AGING OF INSTALLMENT CONTRACTS AND TRADE RECEIVABLES
As of March 31, 2016

	TOTAL	Long-term	Current	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
ABCI	458,467,312	131,976,897	192,419,422	1,676,683	1,601,836	120,565,627	896,302	9,330,545
ABERDI	25,805,169	596,022	25,190,692	-	-	-	-	18,455
TOTAL	**484,272,481**	**132,572,919**	**217,610,114**	**1,676,683**	**1,601,836**	**120,565,627**	**896,302**	**9,349,000**

N. B. Only the trade/installment contract receivables (current & non-current) were aged, gross of allowance.

EXHIBIT 1-B

A BROWN COMPANY, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION ABOUT BUSINESS AND GEOGRAPHICAL SEGMENTS

	1st Quarter 2016																	
	Real Estate		Service/ Manufacturing/ Trading		Agriculture		Power operations		Holding		Quarry & Mining		Total		Adjustments and eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenues																		
External revenues	**128,565**	106,453	**41,534**	44,038	-	-	-	-	-	-	**2,147**	**1,464**	**172,246**	151,956	-	-	**172,246**	151,956
Inter-segment revenues	-	-	-	-	**781**	**1,786**	-	-	-	-	-	-	**781**	1,786	**(781)**	(1,786)	-	0
Total revenues	**128,565**	106,453	**41,534**	44,038	**781**	1,786	-	-	-	-	**2,147**	1,464	**173,027**	153,741	**(781)**	(1,786)	**172,246**	151,956
Operating expenses	**112,629**	96,693	**36,612**	41,234	**540**	**666**	**593**	694	**121**	**120**	**2,045**	**1,736**	**152,539**	141,144	**(781)**	(1,786)	**151,757**	139,358
	15,936	9,760	**4,922**	2,804	**242**	1,119	**(593)**	(694)	**(121)**	(120)	**102**	(272)	**20,488**	12,597	-	-	**20,488**	12,597
Gain on sale of investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of AFS investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial income	**2,577**	4,694	**1**	-	**0**	-	**0**	57	-	-	-	-	**2,578**	4,751	-	(56)	**2,578**	4,695
Financial expenses	**(23,056)**	(18,904)	-	-	-	-	-	-	-	**(56)**	-	-	**(23,056)**	(18,960)	**90**	56	**(22,967)**	(18,904)
Other income (loss)	**3,300**	3,798	**11**	5,013	-	-	**90**	(705)	-	**705**	-	-	**3,400**	8,811	**642**	-	**4,042**	8,811
Income tax benefit (expense)	**(82)**	(645)	**(137)**	(1,194)	**(84)**	(344)	**176**	206	**9**	36	-	-	**(118)**	(1,942)	-	-	**(118)**	(1,942)
Net income	**(1,326)**	(1,297)	**4,797**	6,623	**158**	775	**(328)**	(1,137)	**(111)**	565	**102**	(272)	**3,291**	5,258	**731**	-	**4,023**	5,258
Net income attributable to:																		
Equity holders of Parent Company																	**3,981**	(9,632)
Noncontrolling interest																	**42**	43
																	4,023	3,243
Other information																		
Segment assets	**5,482,489**	6,108,886	**1,032,570**	925,541	**252,617**	261,500	**28,780**	32,111	**926,036**	926,164	**22,826**	-	**7,745,319**	8,254,202	**(2,199,191)**	(2,209,180)	**5,546,128**	6,045,023
Deferred tax assets	**34,727**	25,451	**14,076**	17,058	**311**	6,370	**176**	1,505	**1,441**	1,212	-	-	**50,731**	51,597	-	-	**50,731**	51,597
Total assets	**5,517,216**	6,134,338	**1,046,646**	942,600	**252,929**	267,870	**28,956**	33,616	**927,478**	927,376	**22,826**	-	**7,796,050**	8,305,800	**(2,199,191)**	(2,209,180)	**5,596,859**	6,096,620
Segment liabilities	**2,338,390**	2,341,403	**664,588**	559,880	**250,073**	257,571	**14,184**	6,668	**825,984**	533,640	**13,375**	-	**4,106,594**	3,699,162	**(1,522,735)**	(1,220,958)	**2,583,860**	2,478,204
Deferred tax liabilities	**91,508**	85,073	-	-	-	-	-	-	-	-	-	-	**91,508**	85,073	-	-	**91,508**	85,073
Total liabilities	**2,429,899**	2,426,476	**664,588**	559,880	**250,073**	257,571	**14,184**	6,668	**825,984**	533,640	**13,375**	-	**4,198,102**	3,784,235	**(1,522,735)**	(1,220,958)	**2,675,368**	2,563,277
Segment additions to property and equipment and investment properties	**826**	2,183	**4,588**	36,535	-	-	**1,164**	1,174	-	-	-	-	**6,579**	39,891	-	-	**6,579**	39,891
Depreciation and amortization	**(2,033)**	2,358	**(1,225)**	2,252	**(363)**	495	**(237)**	148	-	-	-	-	**(3,857)**	5,253	-	-	**(3,857)**	5,253
Impairment loss	-	382	-	-	-	-	-	-	-	-	-	-	-	382	-	-	-	382

A BROWN COMPANY, INC. AND SUBSIDIARIES

GROUP CHART