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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	02-6386832
Contact Person	Company Telephone Number

1 2 / 3 1	17-A	0 6 /
Month Day Fiscal Year	FORM TYPE	Month Day Annual Meeting

Secondary License Type, if applicable

CGFD	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

2,121 (December 31, 2015)	₱2,087,380,390 (Dec. 2015)	- 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-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended : **December 31, 2015**

2. SEC Identification Number : **31168**

3. BIR Tax Identification No. : **002-724-446-000**

4. Exact Name of issuer as specified in its charter : **A Brown Company, Inc.**

5. Country of Incorporation : **Philippines**

6. Industry Classification Code (SEC Use Only):

7. Address of principal office / Postal Code : **Xavier Estates Uptown Airport Road, Balulang Cagayan de Oro City 9000**

8. Issuer's telephone number, including area code **: 088-8588784 or 02-6386832**

9. Former name, former address, and former fiscal year, if changed since last report : **Rm. 3304-C, 33rd Floor West Tower, PSE Centre Ortigas Center, Pasig City 1600 (Liaison Office)**

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Common Shares Outstanding and Amount of Debt Outstanding
Common	**1,732,865,522 Shares and P2,695,862,035**

11. Are any or all of these securities listed on the Stock Exchange✓

Yes [**x**] No [ ] except for the following:

Stock Exchange	Classes of Securities
Philippine Stock Exchange	**Common**

12. Check whether the issuer:

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

Yes [**x**] No [ ]

(b) Has been subject to such filling requirements for the past 90 days.

Yes [**x**] No [ ]

13. State the aggregate market value of the voting stock held by non - affiliates of the registrant.

The aggregate market value of voting stock held by non-affiliates representing 861,234,745 of the outstanding common shares is ₱ 645,926,058.75 computed based on the close price as at Dec. 29, 2015 of P0.75 per common share.

APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENT PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the code subsequent to the distribution of securities under a plan confirmed by a court or the commission.

Yes [ ]   No [ ]   **not applicable**

15. Documents Incorporated by Reference

TABLE OF CONTENTS

PART 1. BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Business Development

On 01 October 1992, the Securities and Exchange Commission (SEC) approved the amended Articles of the Incorporation and By-laws of Bendana, Brown, Pizarro & Associates, Inc. (incorporated on December 21, 1966) which changed the parent Company's name to Epic Holdings Corporation and effected a 5:1 stock split by reducing the par value of shares from ₱5 to ₱1 while increasing the total number of authorized shares from 20,000,000 to 100,000,000.

On 25 June 1993, the SEC approved the plan of merger of Brown Chemical Corporation and Brown Chemical Sales Corporation (absorbed corporations) into Epic Holdings Corporation as the surviving corporation. Subsequently, Epic Holdings Corp. changed its name to A Brown Company, Inc. (its current name) as approved by SEC on 01 July 1993. ABCI was thereafter listed with the Philippine Stock Exchange on February 8, 1994 and became the holding company of the Brown Group of Companies.

On 24 December 1999, the SEC approved the plan of merger of A Brown Company, Inc. ("ABCI") (surviving company) and five of its wholly-owned subsidiaries, namely: A Brown Chemical Corporation, Geoex Farms, Inc., East Pacific Investors Corporation, Terra Asia Pacific Development Manager, Inc and Victorsons Trans Cargo System, Inc. (absorbed corporations).

On 27 June 2002, the Securities and Exchange Commission approved the plan of merger of A Brown Company, Inc. (surviving corporation) and five (5) of its wholly owned subsidiaries (absorbed corporations) namely: Another Brown Co., Inc. (formerly W. Brown Co., Inc.), Geoex Drilling Corp., Northmin Mining and Development Corp., Manresa Golf and Country Club and Norphil Properties, Inc.

<u>Investment in Power Companies</u>

Mid 2006 marked the entry of ABCI in the energy business through its investment in Monte Oro Resources and Energy, Inc. (MORE). ABCI's 11.70% equity interest in MORE was reduced to 7.59% after the non-subscription to the increase in authorized capital stock (ACS).

In October 2014, the Parent Company sold all its 388,694,698 shares in MORE to Apex Mining Company, Inc. (APEX).

In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of Palm Thermal Consolidated Holdings, Corp. (PTCHC) and Panay Consolidated Land Holdings, Corp. (PCLHC), respectively, at par value. The investment represented 95% and 100% shareholdings of PTCHC and PCLHC, respectively. PTCHC and PCLHC were newly organized subsidiaries of the Parent Company. In December 8, 2010, Palm Thermal Consolidated Holdings, Corp. (PTCHC) acquired 100% of the outstanding capital stock of DMCI Concepcion Power Corporation, the former corporate name of Palm Concepcion Power Corporation (PCPC). PCLHC acquired thirty (30) hectares of land from DMCI Power Corporation ("DPC") with the intention of using it as the site for a coal-fired power plant project. PTCHC is the corporate entity that initiated the ABCI's entry in the power generation business. PCPC is the corporate vehicle which will construct and operate a 1x135MW coal-fired power plant project in Concepcion, Iloilo. The Department of Energy (DOE) classified the project from "indicative" to "committed" in February 2012 after the progress report has been evaluated.

In 2012, Palm Thermal entered into various agreements and deeds which decreased its shareholdings in Palm Concepcion Power Corporation (PCPC) from 100% to 30% and acquired 30% equity stake in Panay Consolidated Land Holdings Corporation (PCLHC) from the previous shares of the Parent Company as of December 31, 2012.

With the divestment of AC Energy Holdings, Inc. (ACEHI) in May 2013, PTCHC acquired ACEHI's 40% interest in PCPC and PCLHC, increasing PTCHC interest in the coal-fired project to 70%. With the entry of new investor, Oriental Knight Limited (OKL) in PCPC and new subscription of the PTCHC and Jin Navitas Resources, Inc. (JNRI) in December 2013, the equity interest resulted to the following: PTCHC (39.54%); JNRI (30%) and OKL (30.46%). PTCHC's interest in PCLHC remained at 70% as of December 31, 2013.

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 30% equity interest of the Company in PCPC.

On December 2014, PCPC applied for an increase in its authorized capital stock which was approved by SEC on January 6, 2015. Palm Thermal's shareholdings have been reduced from 30% to 20% due to non-subscription on the increase of PCPC's authorized capital stock.

On January 12, 2011, ABCI and Hydro Link Projects Corp. (HLPC) entered into a deed of subscription with an aggregate share of 37,500 common shares which will be taken from the 150,000 increase of the authorized capital stock which represents 93.75% of the outstanding capital. HLPC amended its articles of incorporation to effect the deed of subscription and subsequently approved by the SEC on July 21, 2011. On December 2011, a deed of assignment was entered into by ABCI and HLPC's stockholder, assigning the remaining 6.25% of HLPC shares to ABCI bringing the total subscription to 40,000 shares. On October 2012, ABCI subscribed to the remaining 120,000 unsubscribed share capital of HLPC.

In February 2013, the company caused the incorporation of Peakpower Energy, Inc. (PEI), the holding company that will venture on projects designed to generate peaking energy in Mindanao using brand new bunker-fired engines. The company is working to develop, construct, and operate diesel power plants in Mindanao through PEI's subsidiaries: Peakpower SOCCSARGEN, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI).

On July 24, 2014, a new subsidiary, Peakpower Bukidnon Inc.(PBI), was incorporated for a 15-year Build-Operate-Maintain and Transfer agreement with the Bukidnon II Electric Cooperative Inc. (Buseco). 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 October 16, 2016, the company sold all its 100% interest in PBI to Peakpower Energy Inc. (PEI) to consolidate its investment in peaking project under one holding company.

Investment in Mining Company

In November 2011, ABCI acquired the 22.87% outstanding equity of PhiGold Limited. It is a holding company incorporated in the Cayman Islands on October 20, 2010 with its principal activity of investing in gold mining assets. It has invested 40% in the total voting rights in PhiGold Metallic Ore Inc. (PMOI), a gold mining company incorporated in the Philippines last January 7, 2008. PMOI is the contractor of its acquired mining property covered by Mineral Production Sharing Agreement 190-2009-XIII (MPSA 190) granted by the Philippine Government. As of December 31, 2014, the company's equity interest was reduced to 18.7% with the entry of new investors.

Last October 2014, the Parent company sold all its 388,694,698 shares in Monte Oro Resources and Energy Inc. (MORE) to Apex Mining Co., Inc. (Apex) and subsequently subscribed the same number of shares of Apex. The Parent Company has 8.89% shareholdings in Apex after the SEC approved the increase in its authorized capital stock on January 12, 2015. After the next round subscription, the company's interest is reduced to 6.24%. Apex Mining Co., Inc. is principally engaged in the business of mining and production of gold, silver, copper,lead and other precious metals. Apex acquisition of MORE gives it access to another mineral processing plant, as well as expansion opportunities in Jose Panganiban in Camarines Norte since Monte Oro fully owns Paracale Gold Ltd. that runs a mineral processing plant in Jose Panganiban, Camarines Norte, and 40 percent of Bunawan Mineral Resources Corporation which has two mining lease contracts covering 652.2891 hectares and pending applications for production sharing agreement and exploration permits. Moreover, Monte Oro has 30 percent participating interest in Service Contract no. 72 for natural gas in the Sampaguita gas field offshore northwest of Palawan in the West Philippine Sea, as well as a 52 percent stake in International Cleanvironment Systems Inc. that has a solid waste management contract with the Philippine government for Metro Manila. Monte Oro's other assets include holdings in foreign firms engaged in mining and exploration work in Mongolia, Uganda and Sierra Leone in Africa and also in Myanmar. Apex Mining also has an expansion program that sought a production hike of 1,500 tons of ore per day in its Maco mine in Campostela Valley from 850 tons per day. The Maco mine produces bullions containing gold and silver which are smelted in a Metalor refinery in Switzerland. Apex also acquired Itogon-Suyoc Resources, Inc. which has mining claims and owns the mill and production facilities in Sangilo, Itogon, Benguet.

Amendment to Articles of Incorporation and By-Laws

The Board of Directors 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, through written assent on December 27, 2011, amended the Articles of Incorporation, changing the principal office to Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City. The amendment was approved by SEC on December 28, 2011.

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.

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 shareholders 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 pre-emptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors".

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

During the annual stockholders' meeting on June 7, 2013, the shareholders approved the amendment of the Corporation's Articles of Incorporation to increase the authorized capital stock from One Billion Six Hundred Twenty Million Pesos (₱ 1,620,000,000.00) and the declaration of 25% stock dividend, equivalent to 346,573,307 common shares which will be issued out of the increase in the Corporation's authorized capital stock. The SEC approved the amendment on August 16, 2013.

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 shareholders representing 2/3 of the outstanding capital stock approved the increase in authorized capital stock to Three Billion (₱ 3,000,000,000). The documents required on the application to the increase in authorized capital stock were not yet submitted to SEC as of March 18, 2016.

The Company is not under bankruptcy, receivership or similar proceedings. There is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business during the past three years.

As a holding company, the following are the other businesses and investments (refer also to Note 2 - *Principles of Consolidation* of the attached Notes to Consolidated Financial Statement):

A BROWN ENERGY AND RESOURCES DEVELOPMENT, INC. is 100% owned

ABERDI (formerly A Brown Energy, Inc. amended on August 27, 2002) was registered with the Securities and Exchange Commission on 21 February 2001 under SEC Registration No. A200102288 and started commercial operations in April 2002. It may engage in the business of manufacturing and trading goods such as crude oil and petroleum products on wholesale/retail basis. Its principal place of business is at Malubog, Impasug-ong, Bukidnon. It has 75 employees as of December 31, 2015.

Likewise, on August 2006, ABERDI entered into a Development Contract (DC) with Kapunungan Sa Mga Mag-Uuma sa Kaanibungan(KASAMAKA) now KAanibungan Farmers Association (KAFA) at the Barangay Kalabugao, Municipality of Impasugong, Bukidnon concerning the development of Oil Palm Commercial Plantation.

The Peoples Organization (PO) has been granted Community Based Forest Management Agreement (CBFMA) No. 55093, by the Department of Environment and Natural Resources (DENR) on December 22, 2000, covering an area of 2,510.80 hectares of forest lands located at Sitio Kaanibungan, Barangay Kalabugao, Impasugong, Bukidnon. Under the said CBFMA No. 55093, the PO is mandated to develop, manage, and protect the allocated Community Forest Project Area. Article II, Sec. 2 (vii) of DENR Administrative Order (DAO) No. 96-29 dated October 10, 1966, otherwise known as the CBFM Implementing Rules and Regulations, the PO is allowed to “enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFM area; provided that the development is consistent with the approved Community Resource Management Framework (CRMF) Plan of the CBFM area. The PO is desirous in engaging the participation of ABERDI Inc. for the development of the said area into an Oil Palm commercial plantation.

The project’s objective is to establish approximately 894 hectares into a commercial palm plantation. ABERDI (the Developer) may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to the Developer. The responsibilities of KASAMAKA now KAFA in regard to the project are: 1) to provide the land area of 894 hectares within the CBFMA area 2) to provide manpower needs of the Developer in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others 3) To secure all the required documents pertinent to this agreement from concerned agencies. On the other hand, ABERDI will provide the technical and financial resources to develop the 894 hectares into Palm Oil Plantation. The rights and responsibilities of the Development Contract were transferred to Nakeen Corporation starting year 2006.

The status of the other development contracts between ABERDI and other Peoples’ Organization are as follows:

- Kalabugao Ulayanon Farmer's Association (KUFA) – DENR survey of plantation perimeter map done. Tribal Resolution for FPIC-CP application on process with NCIP.
- Kapunungan sa mga Mag-uuma sa Barangay Tingalan (KMBT) – The CP-FPIC process has been expanded to cover two big tribal groups – the Dulanga Unified Tribal Council and the Unified Higaonon Tribal Council of Bagocboc. The CP-FPIC process has been done and the issuance of the certificate from NCIP is due within March 2016.
- Kapunungan sa mga Mag-uuma sa Barangay Tignapoloan (KMBT) – CBFM application submitted to DENR. Tribal resolution supporting CBFM application is done. CP-FPIC application on process with NCIP.

The Company has paid advance rental of ₱ 6 million for 20 years up to 2026. On 26 March 2007, the Board of Directors passed and approved the transfer of its oil palm nursery and plantation operations to its subsidiary Nakeen Corporation (NC) effective 1 March 2007 to facilitate efficiency and profitability. Likewise, ABERDI is into palm oil milling operations. Its mini mill constructed in 2006 is located in Impasug-ong, Bukidnon. The refinery with fractionation machine is now operational in full capacity of 50 MT/day.

Fresh Fruit Bunches (FFB) processed for year 2015 was 27,550.54 MT, with 3.91% increase compared to 26,513.48 MT in 2014. A total of 6,061.12 MT of Crude Palm Oil (CPO) was recovered at an oil extraction rate (OER) of 22%. Total kernels produced for the year was 538.71 MT as compared to 590.14 MT in 2014. Sales were as follows: CPO was 3,708.06 MT, 569.06 MT of kernel, 406.23 MT of Palm Acid Oil, 276.83 MT of Palm Fatty Acid Distillate (PFAD), 751.16 MT of Palm Olein, 384.92 of Palm Stearin and 121.43 thousand kilos of Cassava.

On March 6, 2012, the BOD of ABERDI and NC approved and authorized the application of merger of the two subsidiaries. Before the SEC approved the Articles and Plan of Merger, the BOD and the stockholders of both companies approved and ratified the subscription of ABERDI to the 750,000 unsubscribed shares of Nakeen Corp. at P 1.00 per share with 50M as additional paid-in capital. The BOD and shareholders of the company also approved the filing with Securities and Exchange Commission (SEC) the amended Articles and Plan of Merger reflecting the new capital structure of the Nakeen Corp. 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 with the SEC on July 24, 2013 to amend certain provision on the articles and plan of merger as follows:

1. Issuance of the Company’s shares to Nakeen’s 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. The Company and Nakeen’s management filed a request for reconsideration to approve the petition. As of March 18, 2016, the request for reconsideration is still pending before the SEC.

The Company entered into a lease agreement with Nakeen Corporation for the plantation area inclusive of the standing crops, properties and equipment effective January 1, 2013 and will expire on December 31, 2013 with an option to pre-terminate the lease agreement as agreed by both parties. Also provided in the lease agreement, from October 1, 2012 up to December 31, 2012, the Company shall be given access to enter Nakeen’s premises for the set-up, construction and preparation for its intended use of the plantation area. The lease was extended up to April 1, 2020.

The operating performance of the company for year 2015 decreased from previous year’s net income of ₱ 5.9 million to 1.8 million. The sales of crude palm oil decreased by 36.09% from ₱154.29 million in 2014 to ₱ 98.6 million this year. The quantity sold declined by 15.35% or 672.17 MT from a volume 4,380.23 MT in 2014 to 3,708.06 in 2015 and a decrease in the average selling Price per MT of 24.51% from ₱ 35,224.18 per MT last year to ₱26,592 per MT this year. Sales volume variance is P23.7 million or is 15% unfavorable and sales price variance is P79 million or 21% unfavorable. Sales from kernels declined slightly to 1.27% or ₱ 71 thousand and have a lower average price of ₱9,726.89 per MT as compared to the ₱ 9,748 per MT from previous year. The quantity sold fell by 1.05% or 6.06 MT less than that of last year. Sales volume variance for palm kernel is P59 thousand or 1% unfavorable and sales price variance is P130 thousand or 0.22% unfavorable. There’s no sale of fertilizers and feed oil for the year compared to last year’s sales of ₱39 thousand and 4.7 million, respectively. Last year’s sales from fertilizers is 47 bags with an average price of P850 and from feed oil is 254 MT with an average price of P18,567.41. Sales of PFAD rose from 728 thousand last year to ₱ 3.6M this year.

Sales from palm acid oil is 406.23 MT compared from last year of 343.85 MT. Sales Volume variance is 602 thousand or 18% favorable. The price variance of palm acid oil is 996 thousand or 6% unfavorable.Sales of palm olein in 2015 is 751.16 MT amounted ₱ 24 million while palm stearin is 384.92 MT amounted to ₱ 7.6 million. Other services rendered last year amounted to P6,713,558. Other operating income reduced by 63.20%. Cost of sales decreased by 20.87% from last year's ₱ 126.39 million to ₱ 100 million this year. Operating expenses reduced by ₱5.7 million or 12.43%.The net income before income tax amounted to ₱ 8.77 million in 2014 dropped to 6.98 million this year. Total assets increased by 12% or 134.3 million from ₱ 899.4 million in 2014 to ₱ 1 billion in 2015. Receivables (net) were recorded at ₱ 15.8 million in 2015, it dropped by P27 million or 63% as compared to ₱ 43.1 million in 2014 since the sales of CPO are more on cash basis. Prepaid expenses rose to ₱35.7 million as compared to last year's ₱33.5 million. This year, property and equipment increased by 18% or ₱ 58.5 million based on the ₱ 316.6 million last year. Total liabilities grew from ₱ 524.50 million in 2014 to ₱ 632.8 million in 2015.

SIMPLE HOMES DEVELOPMENT INC. (formerly Andesite Corp.) is 100% owned by ABCI

Andesite Corporation was originally registered as Andesite Holdings Corporation, it was incorporated in 1997 under SEC registration no. A199703502. Its registered office address is at Cagayan de Oro City. Its primary purpose prior to the new amendment application is to engage in the business of agriculture.

ABCI bought Andesite Corporation from A Brown Energy Resources and Development Inc. (ABERDI) to undertake its socialized housing projects last December 2014

On March 13, 2015, an application to amend its Articles of incorporation was filed to the Securities and Exchange Commission (SEC) to amend its corporate name to Simple Homes Development, Inc. and its primary purpose to invest in, purchase or otherwise acquire and own, hold sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any other corporation or association, domestic or foreign, for whatever legal purpose or purposes the same may have been organized without being a stock broker or dealer, and to pay therefore in money or by exchanging therefore 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. This was approved by SEC on April 10, 2015.

As of March 18, 2016, the Company has not yet started its commercial operations and has no employee as of December 31, 2015.

The company incurred a net loss of ₱ 562,727 this year and ₱ 31,320 last year. Total Assets remained at 10.30 million while total liability slightly increased from 9.6 million last year to 10.2 million this year.

NAKEEN CORPORATION is 100% owned by ABERDI

The Company was incorporated on February 26, 1997 under SEC registration no. A199703509. The primary purpose of the Company as amended, is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any and all produce and products in both local and foreign markets. At present, the Company is also engaged in selling palm seedlings and bunches. Its registered principal place of business is at Manolo Fortich, Bukidnon. It started its commercial operations on March 1, 2007 in line with the approval of the Board of Directors of ABERDI (parent company) to transfer the oil palm nursery and plantation operations. As of December 31, 2015, it has no employee. Its existing personnel were transferred to ABERDI in anticipation of the merger. The BOD of Nakeen approved the filing of the amended Articles and Plan of Merger on February

19, 2013. 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. On February 11, 2015, SEC denied the petition to amend the plan of merger. The Company filed for a request for reconsideration to approve the petition. As of March 18, 2016, the motion for reconsideration is still pending before the SEC.

ABERDI entered into a lease agreement with the Company for the plantation area inclusive of the standing crops, properties and equipment effective January 1, 2013 with the option to pre-terminate the lease agreement as agreed by both parties. Also, as provided in the lease agreement, that from October 1, 2012 up to December 31, 2012, ABERDI shall be given access to enter the Company's premises for the set-up, construction and preparation for its intended use of the plantation area. The lease was extended up to April 1, 2020.

Currently, the plantation and nursery are in the following areas: Opol *(630.77 has.= 623.27 has. planted & 7.50 has. for planting), plantations in* Kalabugao (*1,087.75 has. = 920.55 has. planted & 167.20 has. for planting),* Impasug-ong *(4.14 has. planted),* and Tignapoloan (*929.96 has. for planting)*. Kalabugao and Impasug-ong plantation and/or nursery are all located in Bukidnon, while Opol and Tignapoloan are located in Misamis Oriental. A total of 193,227 hills (exclusive of mortality and replanting hills) were planted as of December 31, 2015.

As of December 2015, there was no increase of land rights in Kalabugao, Bukidnon.

The following are the status of the four plantation areas:

As of December 31, 2015

Location	Gross Area	Area That Can Be	Area Planted	Number Of Trees	Flowering	Vegetative
Kalabugao	1,276.53	1,087.75	920.55*			
Phase I				29,439	100%;70%	0%;30%
Phase II				28,964	100%;70%	0%;30%
Phase III				15,899	100%;40%;0%	0%;60%;100%
Phase IV				22,318	20%;0%	80%;100%
Phase V				10,652		100%
Impasug-ong	4.14	4.14	4.14	563	100%	-
Opol	1,089.85	630.77**	623.27	85,392		
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 III a					30%	70%
Phase III b					20%	80%
Phase IV a					10%	90%
Phase V a					0%	100%
Tignapoloan	1,328.56	929.96	-			

**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. which was discovered not suitable for planting due to soil texture (rocky with limestone outcropings).*

Total assets decreased by 5.48% from ₱ 264.6 million to ₱ 250.06 million with 0.51% net increase in Biological Assets. In 2014, biological assets were recorded at ₱216.3 million while in 2015 it posted ₱ 217.4 million. This account represents the accumulated costs incurred in preparing, cultivating and planting of the palm trees. Leasehold rights also decreased by 4.06% with ₱ 27.2 million in 2014 to ₱ 26.06 million in 2015. There were no sales of fresh fruit bunches and seedlings for the year 2015 and 2014. However, the company incurred related direct costs amounting to ₱ 40 thousand this year and ₱ 626 thousand last year. Operating Income before tax fell by 98.69% from ₱ 3.4 million last year compared to ₱ 44 thousand this year. Other income this year amounting to ₱ 3.1 million and ₱ 7.2 million last year represents rental income from the lease agreement. Net loss for the year surged to ₱ 6.4 million as compared to P 1.6 million from previous year due to significant tax effect on expired NOLCO amounting to ₱ 6.4 million which remain unutilized this year.

BONSAI AGRI CORPORATION is 100% owned by ABERDI

The Company is wholly owned subsidiary of ABERDI. It was incorporated on February 26, 1997 under SEC registration no. A199703510. The primary purpose of the Company as amended, is to engage in the business of agriculture in all aspect, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any and all produce and products in both local and foreign markets.

The Company has not started its commercial operations as of March 18, 2016. Its principal place of business is in Manolo Fortich, Bukidnon and has no employee as of December 31, 2015. Its operating loss rose to ₱ 376,852 from previous year's operating loss of ₱ 16,213 due to the company's share in the compensation incurred by the parent company for its key management personnel for the administrative functions and supervisions extended to the company.

BROWN RESOURCES CORP. – 100% sold to Angelus Agri Corporation

BRC (formerly Brown Apartelle Corp. as amended on July 11, 2002) was registered with the Securities and Exchange Commission on 27 September 1999 with SEC Registration No. A1999-17099 and started commercial operations in March 2000. It can own or operate or both, hotels, apartelles, apartments and restaurants and all matters incident thereto. It may also engage in trading, purchase, own, lease, sell and convey real properties, real estate development and allied ventures.

On October 1, 2009, operation of the Chalets/Hotel business (buildings, machineries and furniture) has been assumed by BRC. The Company leased the land at which its buildings are erected based on a percentage of the gross income generated from the use of the property for a period of 5 years.

In January 2015, the Parent Company sold its 100% interest in Brown Resources Corporation to Angelus Agri Corporation at Net Book Value per share including several parcels of land where BRC's chalets stand.

MASINLOC CONSOLIDATED POWER, INC. (MCPI) 49% owned

MCPI was registered with the Securities and Exchange Commission on 4 July 2007 with SEC Registration No. CS200710562. Its primary purpose is to engage in, conduct and carry on the business of construction, planning, purchasing, management and operation of power plants and the purchase, generation, production, supply and sale of electricity, to enter into all kinds of contracts for the accomplishment of the aforementioned purpose.. Its principal address was transferred to 3301-A West Tower, PSE Centre, Ortigas Center, Pasig City on January 25, 2013 (as approved by SEC) from its previous registered address at Rm. 2104 Robinson Equitable Tower, ADB, Ortigas Ave., 1605 Pasig City, Metro Manila. The Company has not started its commercial operations as of March 18, 2016 and has no employee as of December 31, 2015.

The company incurred net loss for the year amounting to P 422,681 as compared from last year's net income of P332,156. The loss was significantly attributed to the P 704,869 amortization of discount on loans receivable. Other pre-operating expenses were P 31,619 in 2015 which slightly lower than the P 35,015 in 2014. Total assets as of December 31, 2015 amounted to P 6,604,211.

PALM THERMAL CONSOLIDATED HOLDINGS CORP. (PTCHC) is 100% owned

Palm Thermal Consolidated Holdings, Corp. (PTCHC) was registered with the Securities and Exchange Commission on 22 November 2010 with SEC Registration No. CS201018744. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including lands, buildings, factories and warehouses and machinery, equipment , the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock , debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

The Company amended its articles of incorporation on January 19, 2011, changing its registered principal address from 3301-A West Tower, PSE Tektite Towers, Exchange Road, Ortigas Center, Pasig City, Philippines to 2903-B West Tower, PSE Tektite Tower, Exchange Road, Ortigas Center, Pasig City, Philippines. On December 22, 2014, the company changed its principal address to 3301-A West Tower, PSE Tektite Towers, Exchange Road, Ortigas Center, Pasig City through its submission of General Information Sheet (GIS) in compliance with SEC Memorandum Circular 16 series of 2014. As of December 31, 2015, the company has no employees since the manpower it merely serves as the corporate holding vehicle for investments in Palm Concepcion Power Corp. (PCPC).

The Company acquired 100% of the outstanding capital stock of Palm Concepcion Power Corporation (formerly DMCI Concepcion Power Corporation) in line with the Parent Company's move to pursue its plan in expanding into the power industry. PTCHC is the corporate entity for ABCI's entry in the power generation business.

In 2012, the company entered into various agreements and agreements which decreased its shareholdings in Palm Concepcion Power Corporation (PCPC) from 100% to 30% and also allowed PTCHC to acquire a 30% shareholding in Panay Consolidated Land Holdings Corporation (PCLHC) as of December 31, 2012.

As a result of AC Energy Holdings, Inc. (ACEHI)'s decision to focus on its other existing power imminent in its development pipeline, PTCHC and ACEHI agreed in May 2013 to the acquisition of ACEHI's 40% equity interest in PCPC and PCLHC. The said acquisition increased PTCHC interest to 70%. In December 2013, new subscription agreement was executed between PTCHC, Jin Navitas Resources, Inc. (JNRI) and the new investor, Oriental Knight Limited (OKL) for the joint venture project in PCPC which resulted to the following equity interest: PTCHC (39.54%); JNRI (30%) and OKL (30.46%). While PTCHC's interest in PCPC was reduced to 39.54%, its equity interest in PCLHC remained at 70% as of December 31, 2013.

In 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%.

PTCHC incurred a net loss amounting to P 0.6 million and P 0.8 million for the year 2015 and 2014, respectively. Decrease in net loss was due to the tax effect of deferred income tax benefit and the booking of financial income from non-interest bearing loan. The operating expenses increased by 47.84% or P 0.5 million comparing from last year's P 1 million versus this year's P 1.5 million. Its total asset decreased to P 927 million as of the end of 2015 inclusive of a P 920.7 million investment in associates. As of the end of 2014, the assets of PTCHC reached P 1.35 billion inclusive of the P 1.17 billion investment in associates and P 165 million investments and deposits. Deposits for future subscription as of 2015 were classified as non-current liability amounting to P 818.3 million.

PALM CONCEPCION POWER CORPORATION (PCPC) is 20% owned by PTCHC

Palm Concepcion Power Corporation (formerly DMCI Concepcion Power Corporation) (PCPC) was registered with the Securities and Exchange Commission on 08 November 2007 with SEC Registration No. CS200718932. Its primary purpose is to acquire, design, construct, invest in, and operate power generating plants in the Municipality of Concepcion, Province of Iloilo and engage 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”); and its implementing rules and regulations; and to design, develop assemble and operate other power related facilities, appliances and devices. Its principal place of business is at Sitio Puntales, Brgy. Nipa, Concepcion, Iloilo, Philippines (as amended on 07 January 2011 by the Board of Directors and approved by the SEC on 09 March 2011).

In 2010, PTCHC acquired 100% of the outstanding capital stock of PCPC as PCPC would be the corporate vehicle used to construct and operate a 1x135MW coal-fired power plant project 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 megawatts is on a firm basis, the plant site and support units are programmed for 2 units. It was projected the preparations for the 2 unit to begin 2 to 3 years after commissioning of the first unit if the power market in the region continues to expand as projected. The target date for commissioning the first unit is June 2016.

In September 2012 , ABCI together with its subsidiaries: PTCHC, PCPC and PCLHC signed a Memorandum of Agreement with AC Energy Holdings, Inc. (ACEHI) and a separate Memorandum of Agreement with Jin Navitas Resource, Inc. (JNRI). Towards the end of October 2012, PTCHC together with other principal stockholders of PCPC namely ACEHI and JNRI finalized and executed their Shareholders’ Agreement to document and implement their agreement on their joint investment in PCPC, including the constitution of PCPC as the Project Company for the 135MW coal-fired power plant 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.

The divestment of AC Energy Holdings, Inc. (ACEHI) of its PCPC shares and the acquisition by PTCHC of the said shares in May 2013 increased PTCHC’s equity interest to 70%. In December 2013, a new investor entered into the joint venture in PCPC reducing PTCHC’s interest to 39.54%.

PTCHC’s investment in PCPC was reduced from 30% to 20% due to non-subscription on the increase in authorized capital stock which was approved by SEC on January 6, 2015.

HYDRO LINK PROJECTS CORP. (HLPC) is 100% owned

Hydro Link Projects Corp. (HLPC) was registered with the Securities and Exchange Commission on 6 May 2010 with SEC Registration No. CS201006733. Its primary purpose is to engage in, conduct, and carry on the business of developing, constructing, operating, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation, and repair of related mechanical and electric equipment. Its principal address is at 3301-A West Tower, PSE Centre, Ortigas Center, Pasig City
HLPC is currently pursuing the 26MW Carac-an Hydroelectric Project.

It has secured the Hydropower Service Contract from the Department of Energy (DOE) for the development of the Carac-an river in Cantilan, Surigao del Sur. The contract gives Hydro Link exclusive rights to explore, develop and utilize the hydropower potential of the Carac-an River. This project is ABCI’s first foray in the renewable energy market. It’s part of ABCI’s plans to provide much-needed additional power capacities for the electric cooperatives and the Mindanao Grid and to continue to look for other projects similar to it.

The Hydropower Service Contract was signed last June 2013, after the Department of Energy (DOE) completed its financial, technical and legal evaluation of the service contract application. The results of the feasibility study conducted in compliance with the Service Contract shows that the project can derive an optimum capacity of 16.3MW and expected to generate an average of 78.9 GWh annual energy. The output of the power station will be connected to the nearest substation of the Surigao del Sur Electric Cooperative II. Being a registered DOE project, it will enjoy all the incentives accorded to this type of project which include a seven-year income tax holiday as provided by RA 9513 (Renewable Energy Act) and issued by Board of Investments (BOI).

The company has three (3) employees as of December 31, 2015 and has not started its commercial operations as of March 18, 2016.

No income is reported for the year other than the unrealized foreign exchange gain of ₱3,772 and bank interest of ₱1,005 totaling ₱4,777 as compared to last year's ₱ 17,707 bank interest income since the company has not yet started its commercial operations. Deferred income tax expense amounted to ₱1,286,681 in 2015 increasing the net loss to ₱ 4,468,884. The deferred income tax benefit of ₱ 858,783 reduced the net loss to ₱ 1,992,508 in 2014. Pre-operating expenses incurred in 2015 reached to P 3,186,980 compared to last year's ₱ 2,868,998. Total assets as of December 31, 2015 increased to ₱ 19,996,670 from ₱ 19,859,772 in 2014.

PEAKPOWER BUKIDNON, INC. (PBI) - 100% sold to Peakpower Energy, Inc. (PEI)

Peakpower Bukidnon Inc. (PBI) was registered with the Securities and Exchange Commission (SEC) on July 24, 2014 with SEC Registration No. CS201414293 primarily to acquire, develop, construct, invest in and operate power generating plants in Bukidnon and engage in the business of a generation company in accordance with Republic Act No. (RA) 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA") and its implementing rules and regulations , and to develop, assemble and operate other power related facilities, appliances, and devices, and develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator, operate and maintain power plants, 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 energy development, paying for the same in cash, shares of stocks, or bonds of this corporation. Its registered office address is located at Unit 3304-C West Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

Peakpower Bukidnon Inc. (PBI) was incorporated for a 15-year Build-Operate-Maintain and Transfer agreement with the Bukidnon II Electric Cooperative Inc. (Buseco). Last August 22, 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.

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.

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.

PEAKPOWER ENERGY, INC. (PEI) is 20% owned

Peakpower Energy, Inc. (PEI) was registered with the Securities and Exchange Commission on 19 February 2013 with SEC Registration No. CS201303004. Its primary purpose is to purchase, acquire, own and hold, shares of stock, equity, rights and property of energy companies and to others and to provide management services and/or shared services to its subsidiaries and affiliates or to third parties engaged in the energy business. Its principal place of business is at 3/F Joy-Nostalg Center, # 17 ADB Ave., Ortigas Center, Pasig City, Philippines.

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

The salient points of the projects are: short gestation, ownership transfer to the electric cooperative after 15 years and a significant contribution to address the lack of base load power in the Mindanao grid for the next 2 to 3 years and in the future to allow cooperatives to meet the needs for peaking power.

Peakpower Energy, Inc. (PEI) is currently working to develop, construct and operate diesel power plants in Mindanao through its subsidiaries as operating units: Peakpower SOCCSARGEN, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI).

Last October 2013, ABCI along with Enterprise Holdings Corporation, World Power Alliance Limited and Power Mavens Holdings Limited finalized and executed a Shareholders' Agreement for their joint investment in PEI. The Shareholders' Agreement confirmed the terms and conditions, by which PEI will be owned, managed and controlled, and by which PEI shall implement the development and operation of its power generation project.

To consolidate all peaking projects under one holding company, ABCI sold its 100% equity interest in PBI to PEI on October 16, 2015.

PEAKPOWER SOCCSARGEN, INC. (PSI) is 100% owned by PEI

Peakpower SOCCSARGEN Inc. (PSI) was registered with the Securities and Exchange Commission on 18 February 2013 with SEC Registration No. CS201302468. Its primary purpose is to acquire, design, develop, invest in, and operate power generating plants in the General Santos City and engage 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 (EPIRA) and its implementing rules and regulations, develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator and maintain power plants, among others. Its principal place of business is at SOCOTECO II Sub-Station Compound, Brgy. Apopong, General Santos City, Philippines.

The Peakpower Soccsargen Inc. (PSI) is a 20.9MW Power Plant located in General Santos City. PSI 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. Its commercial operation started on January 27, 2015 while the preparations for the second unit are in progress. Contracting and equipment procurement are scheduled on the first quarter of 2016.

PEAKPOWER SAN FRANCISCO, INC. (PSFI) is 100% owned by PEI

Peakpower San Francisco, Inc. (PSFI) was registered with the Securities and Exchange Commission on 22 May 2013 with SEC Registration No. CS201309160. Its primary purpose is to acquire, design, develop, invest in, and operate power generating plants in the Agusan del Sur and engage 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 (EPIRA) and its implementing rules and regulations, develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator and maintain power plants, among others. Its principal place of business is at ASELCO Compound, Barangay San Isidro, San Francisco Municipality, Agusan del Sur, Philippines.

The Peakpower San Francisco Inc. (PSFI) is a 5.2MW Power Plant located in San Francisco, Agusan del Sur. PSFI 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 power plant is now commercially operational. Preparations are underway for expansion with contracting and procurement slated first quarter of 2016.

AB BULK WATER COMPANY, INC. (ABWCI) is 100% owned by ABCI

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. Currently, the detailed engineering design is on process. ABWCI presented the project to the LGU and it was endorsed by them for immediate implementation.

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.

APEX MINING COMPANY, INC.(APEX) – 6.24% owned by ABCI

Apex Mining Company, Inc. was incorporated on February 26, 1970 listed in the Philippine Stock Exchange. It is principally engaged in the business of mining and production of gold, silver, copper, lead and other precious metals.

In October 2014, the Parent company sold all its 388,694,698 shares in Monte Oro Resources and Energy Inc. (MORE) to Apex Mining Co., Inc. (Apex) and subsequently subscribed the same number of shares of Apex. The Parent Company has 8.89% shareholdings in Apex after the SEC approved the increase in its authorized capital stock on January 12, 2015. After the next round subscription, the company's interest was reduced to 6.24%.

Apex acquisition of MORE will expand the mining business of the corporation. It will be taking over the mining business under MORE which include the mineral processing plant and tenements in Jose Panganiban, in Camarines Norte and tenements in other provinces. It also include a 30 percent interest in Service Contract no. 72 that covers an offshore gas project in Palawan, as well as BOT Contract for solid waste management with the Philippine government for Metro Manila and mining interest in Myanmar, Mongolia, Uganda and Sierra Leone in Africa.

Apex Mining has an expansion program that sought a production hike of 1,500 tons of ore per day in its Maco mine in Campostela Valley from 850 tons per day. The Maco mine produces bullions containing gold and silver which are smelted in Switzerland. Apex also acquired Itogon-Suyoc Resources, Inc. which has mining claims and owns the mill and production facilities in Sangilo, Itogon, Benguet.

PHIGOLD LTD. (PhiGold) - 18.70%

PhiGold Limited, a company incorporated in the Cayman Islands on October 20, 2010, is the holding company of the Group comprising PhiGold Plc (100%) and its wholly owned subsidiary PhiGold Mining Limited, both incorporated in England and Wales. The two subsidiaries, however, are currently inactive. PhiGold with its principal activity of investing in gold mining assets has invested 40% in the total voting rights in PhiGold Metallic Ore Inc. (PMOI), a gold mining company incorporated in the Philippines last January 7, 2008. Upon the sale of PMOI shares from PhiGold Mining Limited to PhiGold Limited in March 2011, PMOI is already a direct subsidiary of PhiGold Limited.

PMOI is the contractor of its acquired mining property covered by Mineral Production Sharing Agreement 190-2009-XIII (MPSA 190) granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) under the Department of Environment and Natural Resources (DENR). It has a term of 25 years and is renewable for another term of 25 years. MPSA 190, which has gold and other mineral deposits, is situated in Barobo, Surigao del Sur and has an area of 449.49 hectares. Its exploration period is two (2) years initially and renewable every two years but not to exceed eight (8) years in total. On August 24, 2011, all documentary requirements submitted to MGB Regional Office in Surigao have been forwarded to MGB Central Office in Manila. These documents are required in the conversion of MPSA from Exploration status into Development and Production. On October 11, 2011, the provincial board of Surigao del Sur has resolved to approved and endorsed the mining operations of PMOI. The provincial board resolution has also been submitted to MGB.

With the promising prospect in mining industry due to the increasing gold prices in the world market, A Brown Company's Board of Directors approved on November 29, 2011 the acquisition of 29,376,039 of PhiGold Limited shares representing 22.87% of its outstanding equity. With the entry of the new investor in Phigold, ABCI's equity interest reduced to 18.7%

(2) Business of Issuer

Principal Products and Services

A Brown Company, Inc. ("ABCI") is a publicly listed corporation which has major interest in the property development and investment in listed and non-listed companies. It is engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Cainta, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte. ABCI, through its subsidiaries, also ventured into oil palm nursery and seedlings distribution, palm oil milling, operation of hotels and real estate brokerage. It has recently ventured into power generation and investment in gold mining assets.

Xavier Estates ("XE") - located in Fr. Masterson Avenue, Upper Balulang, is the pioneer in premier mixed use development in Northern Mindanao. This 220-hectare development sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master planned community which guarantees luxury, elegance, prestige, convenience and security. It has 24-hour security, tree-lined streets and landscaped roadways, high pressure sodium streetlamps, telecommunications, own rotary garbage truck and maintenance crew, own fire truck, two of which are capable of storing up to 14,000 liters of water, centralized water supply system and water treatment facility, parks and playground, jogging and bicycle paths, forest park and bird sanctuary. Within the Estates, is a fully air-conditioned chapel, a school offering preparatory and elementary education, convenience stores, gasoline station and the Xavier Sports and Country Club – *the first and only country club with proprietary membership.* Other modern conveniences are also within reach such as SM mall and a par 72-hole golf course. Just across it, is Xavier University – a grade school and high school university run by the Jesuits. For year 2015, there were 7 lots sold.

Ventura Residences (Phase V-A) is the first venture of A Brown Company, Inc. into the middle market house-and-lot package. Ventura Residences is nestled inside the Xavier Estates, a secluded place in a guarded gated community. Alicia-modified model house has three rooms and a master's bedroom; three toilet and bath (T & B); a maid's quarter with separate T & B; a carport and terrace. Ventura Residences has parks and playground and 6-meter wide service roads.. There were 32 house & lot sold in 2015.

Ventura Lanes is located beside Phase V-A Ventura Residences which also situated inside the Xavier Estate. It offers lots only with cuts starting at 110sq.m.for its 30 saleable lots. A total of 5 lots were sold in 2015.

Xavierville Homes Subdivision is adjacent to the Xavier Estates project. It is an economic housing development under BP 220. Phase 1 has an area of 1.8 hectares while Phase 2 has an area of 0.60 hectares for a total of 131 saleable lots. There were 8 house and lot sold for the year.

Teakwood Hills Subdivision located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This new and idyllic enclave has a breathtaking endless view of the mountains and the sea. It was inaugurated on September 22, 2007. Part of its master plan development is a perimeter fence with ingress and egress controlled by two gates, 24 hour security, private cul-de-sac with esplanades and parks designed to create a pastoral ambience. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as swimming pool, billiards, darts and table tennis. A restaurant and village post will also serve the needs of the community. Lot sizes starts from a minimum cut of 250 sq.m., all with a 180-degree scenic view of the famous Macajalar bay and an elevation of 220 meters above sea level. A total of 28 lots were sold in 2015.

Valencia Estates is located in Barangay Lumbo, Valencia City, Bukidnon officially launched on October 2008. It is a 11.7244 hectares project with an estimated 341 saleable lots ranging from 150 to 293 sq.m. each. Valencia Estates' amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service. There were 12 lots sold in 2015.

East Cove Village is located in Barangay Sto. Domingo, Cainta, Rizal which is conveniently situated at the back of Robinsons shopping center and very accessible by public transportation along Ortigas Extension. This master planned mini subdivision will have the atmosphere of resolute safety and conspicuous ambiance of a first rate community and neighborhood, truly an affordable world of enclave living. It is a 2.6 hectares project with 140 lots. It was opened to the market in 2005 and was sold out in less than 2 years. It has a perimeter fence for security and privacy, landscaped entrance gate, wide cemented roads – 10 meters wide main road and 8 meters wide auxiliary roads, concrete curbs and gutters, paved sidewalks lined with trees, storm drainage system, mercury lamps along the road, park and playground, street lamps and centralized water system. The HLURB had issued the Certificate of Completion of the project in February 2009 and the Local Government Unit has already accepted the donation of its open spaces and road lots. On January 21, 2012, the village administration was turned over by ABCI to the new set of officers of the Homeowner's Association.

St. Therese Subdivision is a socialized housing project located in mid-Balulang, Cagayan de Oro City. It is about 1.672-hectare project with 155 saleable lots ranging from 50 to 75 sq. m. with floor area of 25 to 28 square meters. There are 91 units of row houses; 38 units of duplexes and 17 units of single-attached that have been for the project. Nine (9) units are up for new design. Sales booked in 2015 totaled to 16 lots.

Coral Resort Estates is a mixed-use development located at Brgy. Pagahan, Initao, Misamis Oriental, between the cities of Cagayan de Oro and Iligan. The project is 60 kilometers from Cagayan de Oro and is 27 kilometers away from the Laguindingan International Airport. The development includes a ₱ 30 million clubhouse. The total land area is 10 hectares with a total development area of 5.397 hectares with an average lot cut of 250 sqm. Phase 1 of the project will comprise 82 lots. ECC No. R-10-1001-0013 and Developmental Permit No. 2011-04-01 have been issued for the project. Cluster A has 42 saleable lots with an area of 2.5 hectares. There were 29 lots sold for the year.

West Highlands is a residential estate located in Brgy. Bonbon, Butuan City. The project is just 3 kilometers from the JC Aquino Avenue junction and approximately a 5- kilometer drive to all major establishments and service facilities in the city. The total area of development of Phase 1 is 25.9 hectares and 289 feet above sea level which gives you an opportunity to have an exclusive view of the historic Mt. Mayapay or the cityscape. Situated at the delta of the mighty Agusan River, Butuan was a trading entrepot that flourished about 900-1000AD within the Southeast Asian maritime trading empire. It is also in Butuan that actual specimens of the ancient boats know as balanghai-today aptly renamed the Butuan Boats- were found. A total of 50 lots were booked as sales this year.

Mountain View Homes is the latest project offering of ABCI. This project has a development area of 2.3179 hectares with 216 saleable house and lots. Project development is 85% accomplished including the amenities. The guard house and basketball court is 100% completed. There were 162 lots sold in 2015.

Foreign Sales not applicable

Product Lines:

Net Sales	86.19%
Financial Income	4.41%
Gain on Sale of Investment Property	2.20%
Rental Income	1.97%
Equity in Net Gain of an Associate	1.06%
Sales of Aggregates	0.99%
Others	3.18%

The Company has seven categories for products and services. The ***first*** category covers real estate activities, sale of crude palm oil processed from the mill plant of ABERDI, hotel operations, water services, palm seedling, crop, fertilizers and kernels. The revenue from this category is known as net sales and accounts for about 86.19% of revenues. The ***second*** category covers interest income for in-house financed lot sales and discount on loans payable. The ***third*** covers the gain on sale of investment property. The ***fourth*** category is leasing activities of real properties. The ***fifth*** category is equity in net gain of an associate. The ***sixth*** category is revenue derived from the sale of aggregates. The ***seventh*** category derived from service fees, penalties on late payments, income from forfeited lots, retitling fees, collection of long outstanding accounts (reversal of allowance), gain on disposal of net assets of deconsolidated subsidiaries and increase in sale of sludge oil and wet sludge. This also includes earnings being the marketing arm of Mountain Pines Farm[1] located along the slope of Mt. Kitanglad in Dahilayan, Bukidnon.

[1]This property has a temperature of a gentle 20 to 27^{0}C in summer, similar to spring in some places of Europe and the US. January is 12^{0}C. The climate is ideal for raising strawberries and apples right in your backyard. It is a healthy and comfortable destination for camping, horseback riding and bird watching.

Distribution Methods of Products and Services

The Company's products are distributed to a wide range of clients through various sales groups. For its Cagayan de Oro projects, it has existing contracts with the following realty companies: Chee Realty and Development Corporation, , CDO Brokers and Associates, JCA's Westbridge and Eagleridge groups. In Butuan, these aforementioned realties are joined by BCP Realty and JCA Westlands. The six (6) major realty brokerage firms also handle and take charge other affiliate realties focused in selling ABCI projects. For its Manila project, it has accredited nine (9) brokers: namely Oscar dela Cruz group and several individuals. They do the promotion and leg work to sell the projects of ABCI. The Company on the other hand gives them support through timely completion of the projects and easy access to different support groups such as – credit and collection, engineering, maintenance and homeowners' association. Incentives in the form of commission and other perks are also well-thought of to properly commensurate the enthusiasm and dedication of its partners – the Brokers. The company is also broadening its market reach from traditional local marketing to the online marketplace where most real estate transactions begin with an internet search. By maximizing the use of ABCI's website and direct link to clients through the use of technology (i.e. E-mail, cellphone texting, Search Engine Optimization (SEO), Facebook, etc.), it is able to provide its clientele the best available information. Moreover, marketing activities include roadshow and exhibits in other areas in Mindanao as well as publication in airline magazines. Annually, sales performance of accredited realties and brokers are recognized in a Sales Conference. Regular weekend activities are now conducted in partnership with accredited banks. Awards are given to each realty brokers to recognize their invaluable contribution to the success of ABCI's real estate venture. Special citations are also given to top individual performers. Maintaining a strong and harmonious relationship with its business partners is of utmost importance to the company.

For Palm Oil Operations, fresh fruit bunch suppliers are from nearby towns of Bukidnon, Misamis Oriental, Cagayan de Oro City, Sultan Kudarat, and North Cotabato while the buyers for the crude palm oil (CPO) are from Manila, Malaybalay and Valencia Bukidnon, Surigao de Norte, Iligan City and , Butuan City. The buyers for palm oil kernel/nuts are from Davao City and Manila while for the Palm Acid Oil, the buyers are from Batangas and General Santos. The buyers for Olein are from Bukidnon, Misamis Oriental, Butuan City, Cagayan de Oro City and Iloilo City.

New Products or Services

Xavier Estates is developing an additional 9.9 hectares which is called Ventura Residences (XE -Phase 5A). It is a combination of a relatively flat and gentle rolling terrain overlooking the Cagayan de Oro River. It will consist of house and lot packages with an average cut of 110 sq.m. Phase 5 is composed of three (3) clusters. Ventura Lane, Cluster B & C offer lots only with cuts starting 110 sq.m.

Another residential development is located in Initao, Misamis Oriental with a total land area of 10 hectares. This development, **Coral Resort Estates** has 42 saleable lots for Phase 1 - Cluster A.

West Highlands Phase 1 is a residential estate located in Brgy. Bonbon, Butuan City. The project is just 3 kilometers from the JC Aquino Avenue junction and approximately a 5-kilometer drive to all major establishments and service facilities in the city. The project is 289 feet above sea level which gives an opportunity to have an exclusive view of the historic Mt. Mayapay or the cityscape. The whole project has a developmental area of 25.9 hectares which will produce 293 saleable lots.

Mountain View Homes is a new venture into the socialized and economic housing. Located in Mid-Balulang, Cagayan de Oro City, Mountain View Homes is accessible to churches, schools, malls and commercial establishment. The socialized housing project has row houses with lot area of 50 sq.m. and floor area of 26sq.m.. Single detached units for economic housing have a lot area of 75-80 sq.m. and floor area of 36-38 sq.m.

Competition

Among several real estate business developments in Cagayan de Oro City, the following are its competitors: *Pueblo de Oro Development* (mixed use development) is the dominant competitor since it is just across the project site and their product classification is at par with Xavier Estates specifically their golf estates and Philam Village*, Robinsons Land Corporation* - developer of Richmond Hills (middle-income residential community) launched in 2008 and *Ayala Land Inc*. launched in 2007 has a high-end residential subdivision called Alegria Hills. View-wise, Ayala Land's Alegria Hills claim to be a competitor of Teakwood Hills' magnificent and endless view. For the project in Valencia City, the other players are the developers of the following subdivisions: Sunkiss Subdivision, Edlimar Subdivision, Grandville Subdivision, Sugarland Subdivision and Grandmeadow Subdivision.For Butuan City, other players are the developers of Camella and Filinvest, both offering lots and house & lot packages with price range comparable with our project in West Highlands. Camella Homes and

Johndorf Ventures Corporation are competitors in the socialized and economic housing category.

Most buyers of ABCI real estate projects regard its value appreciation potentials as highly attractive. Another plus factor is the dynamism of its marketing group which is ably handled by its very able marketing personnel in tandem with its well-trained sales agents/brokers. This is the Company's commitment to offer affordable lot packages for a well-planned project focused on family oriented and nature-themes environment. The key is good location and accessibility to basic locations (supermarkets, churches, public utilities, etc.). It is able to compete for its ability to attract customers which greatly depend on the quality and location of the projects, reputation as a developer and reasonable prices and the concept of a well-planned integrated community.

For the Oil Palm Mill and Nursery operations, the competitors are Filipinas Palm Oil Plantation, Inc. (Rosario, Agusan del Sur), Kenram Industrial & Development, Inc. (Kenram, Isulan Kultan Kudarat), Agumil Philippines, Inc. (Trento, Agusan del Sur) and Univanich Palm Oil Inc.(Carmen, North Cotabato).

Sources and Availability of Raw Materials

Construction materials for the Cagayan de Oro project were mostly sourced within the city while those used for Manila Operations were also sourced in Manila. The company is not dependent upon any single supplier. Projects are awarded to qualified bidders. Thus, the Company's suppliers are just related to supplies needed for maintenance and/or office needs. List of its principal suppliers are provided on Exhibit I, page 71-72.

For its palm oil milling operation, fresh fruit bunches are supplied from Bukidnon, Misamis Oriental, Cagayan de Oro City, Sultan Kudarat, Agusan del Sur, North and South Cotabato, and Maguindanao. The oil palm seedlings are imported from Papua New Guinea.

Customer Profile

ABCI's clients are both from the local residents and OFWs, with dominant buyers from the U.S., London and Japan. 75% of the lot buyers in Mindanao projects come from Northern Mindanao, 15% are Filipinos married to a foreigner and 10% are classified as the "$-earner" group. This group is composed of Filipinos working abroad, majority are nurses, seamen, caregivers, IT and fiancées or married to a foreigner. Payment habits are good and very keen on the project's completion. For East Cove Village, the lot buyers are 72 local and 68 from OFWs. On the other hand, the buyers for Teakwood Hills Subdivision, Valencia Estates and West Highlands are local businessmen and professionals who want to upgrade their location. Buyers for Mountain View Homes are teachers, government employees and professionals.

Buyers for the crude palm oil (CPO) are from Manila, Malaybalay and Valencia Bukidnon, Cagayan de Oro City and Butuan City, Cebu City and Davao City. The buyers for palm oil kernel/nuts are from Agusan del Sur, Davao City and Manila while for the sludge or Palm Acid Oil, the buyers/exporter are from Bukidnon, General Santos, Manila and Quezon City.

Related Parties

The Company and its subsidiaries and certain affiliates, in the ordinary course of business have entered into transactions with each other principally consisting of reimbursement of expenses, and management agreements. All transactions were done on commercial terms and arms-length basis. See Note 20 of the attached Notes to the Consolidated Financial Statements.

Patents, Trademarks, etc. Not applicable

Government Regulations

There are no existing governmental regulations which may have adverse effects on the business. Licenses to sell for all on-going projects have been secured.

Phases 1 to 4 of Xavier Estates have accordingly been secured and compliance with all the requirements of HLURB have been undertaken. The existing real estate project called Xavier Estates has been granted an Environmental Clearance Certificate under the no. 10(43)00-01-31-1502-50110 released on January 31, 2000 consolidating the four phases (I, II, III, IV) of the project. Said certificate supersedes the ECCs previously issued to Phases I, II and III. Xavier Estates Block 62 and 63 belongs to Phase 1 of XE project, alteration permit is 026-2008 while its ECC is 10(43)00 01-31-1502-50110. Phase V of Xavier Estates has been issued an ECC No. R10-0912-0091. The project is being visited twice a year by the Multi-partite Monitoring Team to check the Company's compliance to the ECC issued. ABCI pays an annual fee for its Mindanao projects and its being handled by the Guardians of the Earth Association, Inc.

Teakwood Hills Subdivision's ECC are (43)06 09-11 4294-50200 and R10-0912-0090, Development Permit No. is 014-2007, and License to Sell are 25268 and 030226 which amends LTS Nos. 18507/24800/28390. For Xavierville Homes Subdivision its ECC is 10(43)05 05-16 4004-50200, Development permit no. is 010-2007 and License to Sell are 18500/22399. Valencia Estates ECC license is R10-1001-0009/10(13)07 07-30 4456-50200 while its Development Permit is 07/01 and its License to Sell are 19846 and 24770. For the Cainta project, an ECC has been issued last November 6, 2003 under no. 4A-2003-1100-8410 and a development permit issued by the Sangguniang Bayan of Cainta, Rizal under Resolution No. 2003-084. The HLURB License to Sell No. 11990 was released in February 2005. Saint Therese Socialized Housing has been issued with ECC No. R10-0912-0089, Development Permit No. 002-2011 and License to Sell No. 24799 while Initao Coral Resort Estates has an ECC No. R10-1001-0013 with Development Permit No. 2011-04-01 and License to Sell Nos. 28380/28404/029461. Ventura Residences ECC License is R10-0912-0091, Development Permit No. 007-2011 and License to Sell are 25834/25265/029473/030205 while for Ventura Lane's ECC No. is R10-0912-0091, Development Permit is 007-2011 and License to Sell No. is 02469. In Butuan City's West Highlands, the only golf and residential estates in Caraga region has an ECC No. R13-1204-037, Certificate of Registration No. 23586 and License to Sell Nos. 25889 which was amended to 28412, 28413 & 029465. Mt. View Homes has an ECC No. R10-1408-0217 with Development Permit No. 005-2014 and License to Sell No. 029442 for its Socialized Housing and License to Sell No. 029443 for its Economic Housing.

The Palm Oil Mill's ECC 10(13)06 04-19 4210-31171 was issued on April 19, 2006. It was amended to include Palm Oil Refinery with Fractionation Plant which was approved on February 6, 2013. For the oil palm plantation project, its ECC no. 10(13)07 03-20 4384-31171 was issued on March 20, 2007. For Kalabugao nursery, the Philippine Coconut Authority registration was approved and released last December 24, 2008. While the permit to import oil palm seeds were released on January 12, 2009. The Talakag Crushing Plant with ECC No. 10(43)99 05-21 1462-22330 in Talakag, Bukidnon has secured its business permit and quarrying permit that allows extraction and removal of allowable volume of basalt rock and other incidental activities thereto.

Palm Concepcion Power Corp. (formerly DMCI Concepcion Power Corp.) was granted ECC No. 0606-006-4021 dated May 27, 2007 as amended in November 4, 2010 for the proposed construction of the power plant. Endorsements from different levels of the local government units were also issued for the project, namely: Sangguniang Barangay Resolution No. 2004-17 dated December 22, 2004; SB Resolution No. 2005-06 dated January 24, 2005 and SB Resolution No. 2011-068 dated June 13, 2011 (which affirms earlier Resolution and recognizing new corporate name), Provincial Development Council through Resolution No.2005-031 dated July 5, 2005 which favorably endorsing the project to the Regional Development Council; from the Office of the Provincial Governor of Iloilo dated November 10, 2011 and from the Office of the Municipal Mayor of Concepcion, Iloilo dated November 10, 2011.

The Department of Energy (DOE) endorsed the project to the National Grid Corporation of the Philippines (NGCP) to conduct Grid Impact Study (GIS) on February 16, 2011 and classified the project from "Indicative" to "Committed" on February 10, 2012.

The Department of Natural Resources (DENR) granted PCPC's request for ECC extension on May 9, 2012 and likewise approved the request for ECC amendment for the increase in capacity from 100 MW to 135 MW and relocation of certain project components on October 12, 2012.

With the ECC amendment, the company once again consulted the local government units and appropriate Resolutions interposing no objections were passed and issued as follows: "Sangguniang Barangay Resolution No. 2012-19 dated October 17, 2012 affirming Resolution No. 2012-04; Sangguniang Bayan Resolution No. 2012-99 dated November 5, 2012 affirming SB Resolution No, 2011-69 and Provincial Development Council Executive Committee Resolution No. 2013-034 dated March 13, 2013 affirming the Provincial Development Council's Resolution No. 2005-031.

The Board of Investments (BOI) issued the Certificate of Registration (2012-114) to PCPC on June 27, 2012 and approved PCPC's request for amendment for the change in ownership and increase in capacity from 100 MW to 135 MW on October 2, 2012.

The Environmental Management Bureau (EMB)- Region 6, granted PCPC the Authority to Construct (14-AC-F-0630-1258) and Permit to Operate (14-POA-F-0630-1258) Air Pollution Source and Control Installations on November 3, 2014. A Discharge Permit (15-DPW-F-0630-1258) was also issued by EMB on January 5, 2015, allowing PCPC to discharge treated wastewater to Concepcion Bay.

With the request of PCPC to DENR to amend its ECC for the extension of the 350 meter pier conveyor facility, DENR issued a new ECC (ECC-CO-1409-0022) to PCPC on June 19, 2015.

The National Water Resources Board (NWRB) issued a Conditional Water Permit (CWP No. 11-26-14-036) to PCPC on November 26, 2014 granting PCPC to use Concepcion Bay as water source for its desalination plant. Thereafter, the CWP issued was superseded by NWRB as they issued a Water Permit to PCPC with No. 023707 on January 22, 2016.

The Philippine Ports Authority (PPA) granted a Permit to Construct with No. 2015-001 to PCPC on April 24, 2015 granting PCPC to construct a Private Non-commercial port in Barangay Nipa, Concepcion, Iloilo. PPA, then, issued a Certificate of Registration/Permit to Operate (No.491) to PCPC effective February 29, 2016.

Personnel complement of the Brown Group of Companies as of December 2015 is presented below.

As to position:

Positions	No. of Personnel
Senior Officers	5
Managers	23
Supervisors	39
Rank and File	132
Total	**199**

As to function:

Functions	No. of Personnel
Operations	87
Sales and Marketing	16
Accounting/Credit and Collection/fFinance	30
Administration	65
Other	1
Total	**199**

The Company expects to increase its number of employees in the next 12 months.

Risks

A Brown Co., Inc. and its subsidiaries are exposed to financial, operational and administrative risks which are normal in the course of the business, depending on the business industry sector where each of the subsidiaries operate. It is subject to significant competition in each of its principal businesses. ABCI competes with other developers and developments to attract lot buyers and customers for its hotel and palm oil operation. Other risks that the company may be exposed to are the following: changes in Philippine interest rates, changes in the value of the Peso, changes in construction material and labor costs, power rates and other costs, changes in laws and regulations that apply to the Philippine real estate industry and changes in the country's political and economic conditions. Please refer to Note 32 of the Notes to the Audited Consolidated Financial Statements for the discussion on Financial Risk Management and Policies.

The Company and its subsidiaries have formed board committees composed by their respective directors to mitigate if not to avoid these risks. The Audit Committee and Risk Committee in cooperation with the Company's external and internal auditors exercise the oversight role in managing these risks. It also manages the financial and business risks in accordance with the company's risk profile and risk culture to strengthen the company's position when faced with these risks.

Even larger economies are confronted with downside risk on its credit ratings. The US government has lost its sterling credit rating from Standard & Poor's AAA rating to AA+ in August 2011 for the first time since granting it in 1917. The move came less than a week after a gridlocked Congress finally agreed to spending cuts that would reduce the debt by more than $2 trillion – a tumultuous process that contributed to convulsions in financial markets. Other sovereignties have also been feared to default on its obligations. Global financial crisis if not contained will have a ripple effect to other volatile economies as investors lost confidence and hold back investment.

In recent years, the country enjoys an unprecedented level of confidence among international business community and has improved its global competitiveness rankings. It has received an investment grade and stable outlook on its long-term sovereign credit ratings among the three major credit ratings agencies. The improvement of credit ratings will provide a lower cost of capital on its borrowings.

In spite of opportunities, downside risks to growth exist with the presence of external and domestic shocks. The slowdown in large emerging economies, weakness in the Euro area, recession in Japan and conflicts in Middle East are some of the external forces that would pull growth opportunities down. Disasters arising from natural hazards, delays in infrastructure and reconstruction projects, logistics bottlenecks and thin power reserves are perceived to be internal forces that will hamper growth.

Philippine housing market did face a slight slowdown as consumers are force to hold off property purchases. The Asian property market felt the heat of the global recession, too. It is expected though that the country will be able to weather a global economic slowdown for as long as the fiscal reforms are sustained. Regulatory agencies are also key partners in combating financial crisis through continued vigilance in their examination of compliance to rules and regulations, pro-active in implementing economic programs to sustain pump-priming activities and responsive to the needs of time like the implementation of economic bail-out plan in order to curtail the systemic effect of sectoral crisis trickling down to the whole economy that will affect all local business sectors. Bangko Sentral ng Pilipinas in particular should remain steadfast in its mandate to maintain effective financial system and institute preventive and corrective measures to alleviate the ill-effects of the startling financial difficulty i.e. credit crunch resulting to home foreclosures that became the housing crisis which will ultimately affect the whole economy if not resolved in immediacy. The government should also have the capacity to fix and clean-up the mess that scandals and accusations of graft and corruption within the bureaucracy to encourage and boast foreign and domestic investors' confidence. Although this may have an indirect impact on the company's growth but if the economic slowdown will set in, inevitably this will weaken the business volume, revenue and profits. It may affect the Company's business activity – low demand, higher interest rates and stiff competition.

The company is also subject to risks inherent in real estate development. There is a risk that financing for development may not be available on favourable terms; that construction may not be completed on schedule or within budget due to shortages of materials, work stoppages due to unfavourable weather conditions, unforeseen engineering, environmental and geological problems and unanticipated cost increases; that new governmental regulations including changes in building and planning regulations and delays to obtain requisite construction and occupancy permits; and developed properties may not be leased or sold in profitable terms and the risk of purchaser and/or tenant defaults.

On the other hand, there are also factors that expose the Plantation and Nursery to risks. These are the peace and order condition of the plantation sites, infestation of pests and diseases and farm to market road (provincial and barangay roads). Generally, the peace and order situation in the plantation area is stable. Coordination for security is made with the cooperation from the local government. Weather disturbance which causes landslides making the roads impassable also delay transporting the seedlings and fertilizers. The company implements measures to assuage these risks such as i) strict adherence to sound nursery management practices such as source the seedlings only from reputable suppliers, hire a pathologist who is an expert on quarantine diseases, proper planning and land preparation for the nursery and plantation prior to ordering the germinated seeds; ii) conduct daily routine inspection following the steps of the Bureau of Plant and Industry.

Risk factors for the mill business are as follows: i) breakdown of one major equipment such as steam boiler, turbo-alternator and/or fruit digester will paralyze the operation for days, weeks or months; ii) non-adherence to environmental restrictions may cause plant closure or work stoppage; iii) unplanned breakdown of High Power Boiler equipment for Refinery and Chiller for Fractionation can cause to cease operation.

Research and Development

The company is currently doing market studies for a possible expansion of its palm oil plantation and possible projects related to energy and power. The company does not expect to conduct any significant product research and development in the foreseeable future other than related to its existing operations.

Item 2. PROPERTIES

Real properties owned by A Brown Company, Inc. and its subsidiaries are shown on Exhibit IIa, IIb and IIc, page 72-75. Most of the properties were already transferred under ABCI's name. The merger of ABCI and several of its subsidiaries in December 1999 and June 2002 as mentioned in Item 1 of Part 1, has caused the inclusion of properties under East Pacific Investors Corp. (EPIC), but legally, the owner is already ABCI. For properties with individual names indicated, the documentation on the transfer of ownership is still on process. Some real properties were on lease with contracts providing for renewal options subject to mutual agreement of the parties. Rental rates are based on prevailing market rates for the said properties. Other real properties that the Company intends to acquire are still under review depending on the factor/s such as demographics and accessibility to public transport. ABCI's preferred mode of acquisition would be thru purchase or joint ventures with landowners. It continues to assess its landholdings to identify properties which no longer fit its overall business strategy and hence, can be disposed of.

Item 3. LEGAL PROCEEDINGS

The Company has contingent liabilities for lawsuits and various other matters occurring in the ordinary course of business. On the basis of information furnished by the legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and results of operation. Please refer to Note 38 of the accompanying notes to the Consolidated Financial Statement for a discussion on legal proceedings to which the Company is a party.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for the matters taken up during the Annual Stockholders' Meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II SECURITIES OF THE REGISTRANT

Item 5. MARKET FOR REGISTRANT'S COMMON SHARES AND RELATED STOCKHOLDER MATTERS

Market Information

The common shares of ABCI have been listed at the Philippine Stock Exchange (PSE) since February 1994. The table below shows the high and low sales prices of the Company's shares on the PSE for each quarter within the last two (2) fiscal years, to wit:

	Year 2015		Year 2014	
Quarter	High	Low	High	Low
Jan-Mar	1.21	0.91	1.39	1.00
Apr-Jun	1.03	0.65	1.70	1.24
Jul-Sept	0.80	0.55	1.99	1.25
Oct-Dec	1.21	0.57	1.29	1.01

The company's stock price was trading as high as ₱1.21 and as low as ₱ 0.55 for the four quarters of the year. It also closed at P0.75 on December 29, 2015.

	Year 2016	
Month	High	Low
January	0.78	0.59
February	0.89	0.71
March	1.08	0.83

On March 31, 2016, ABCI's shares of common stock were traded at a high of P1.05 and a low of P1.01 at the Philippine Stock Exchange with closing price of P1.05. The stocks are not traded in any foreign market.

Holders of Common Equity

The number of holders of common stock as of December 31, 2015 is 2,121. Please refer to Exhibit III, page 76 on the top twenty shareholders, the number of common shares and the percentage of the total common shares outstanding held by each as of December 31, 2015. As of March 31, 2016 the number of holders of common stock is 2,119.

As of December 31, 2015 and 2014, the company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE) at 42.56%. The company's public float of 42.56% is equivalent to 737,519,795 shares out of the 1,732,865,522 outstanding shares.

Dividend

A Php .05 cash dividend was declared by the Company for the year 2006 and was given to stockholders of record as at the close of business on January 15, 2007 and paid on February 8, 2007. The previous declaration was on June 1998 where a 10% stock dividend was given to stockholders of record as at the close of business on July 17, 1998.

On July 9, 2010, the BOD of the Parent Company resolved to declare a cash dividend equal to Php .20/share to shareholders of record as of August 6, 2010 payable on August 30, 2010.

On August 18, 2010, the Parent Company's Board of Directors approved the declaration of a total 63,120,433 of the Parent's treasury shares as property dividends. After the regulatory examination of the Securities and Exchange Commission (SEC), the Parent Company was directed on October 4, 2010 to set the record date. The Parent Company's Board of Directors set November 3, 2010 as the record date for the determination of Company's shareholders entitled to receive the property dividend. Shareholders as of the record date owning sixteen (16) shares shall be entitled to one (1) BRN treasury share. No fractional shares shall be issued. The Company was expected to complete the distribution of the property dividends by November 29, 2010.

The Board of Directors approved the 25% stock dividend equivalent to 346,573,307 shares on June 7, 2013. The record date was set on September 12, 2013 after the approval by the Securities and Exchange Commission of the Corporation's increase of its authorized capital stock from which the stock dividends were to be issued. The Corporation was to issue the said stock dividend shares on or before October 8, 2013.

On November 27, 2013, the company notified the investing public of the publication in a newspaper of general circulation of the Notice that the cash dividends which remain unpaid will be reverted to the corporation after thirty (30) days from publication. The said Notice was published in Manila Bulletin on November 28, 2013.

Dividend policy:

Dividends are declared by the Company on its shares of stocks and are payable in cash or in additional shares of stock. The declaration and payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors affecting the availability of unrestricted retained earnings, as prescribed under the Corporation Code. Dividend declaration must also take into account the Company's capital expenditure and project requirements and settlement of its credit. Cash and property dividends are subject to approval by the Company's Board of Directors while stock dividends require the approval of both the Company's Board of Directors and Stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE, if shares are to be listed with the Exchange. Other than the restrictions imposed by the Corporation Code of the Philippines, there is no other restriction that limits the Company's ability to pay dividends on common equity.

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

The Board of Directors approved on October 5, 2012 the private placement of Two Hundred Fifty Million shares (250,000,000) of its listed common shares ("the Placement Tranche") consisting of:

Treasury Shares	----------	173,633,704 common shares
Walter W. Brown Shares	----------	76,366,296 common shares

Each of the Placement Tranche shares has a par value of One Peso (₱ 1.00) per share and was sold at a price of Two Pesos and 89/100 (₱ 2.89) per share and was crossed in the Exchange on October 8, 2012.

The Board likewise approved the issuance of an equal number of new shares of the Corporation ("the Subscription Tranche"), at an issue price equal to the net proceeds per share in favor of Dr. Walter W. Brown, the seller of the Placement Tranche and subscriber of the Subscription Tranche (the "Top-up Placement"). The

Subscription Tranche was issued out of an increase in the Corporation's authorized capital stock from the present One Billion Three Hundred Twenty Million Pesos (P1,320,000,000.00) to One Billion Six Hundred Twenty Million Pesos (P1,620,000,000.00) which increase was approved by the Corporation's Board of Directors on 02 May 2012 and by the Shareholders on 01 June 2012. The Subscription Tranche constituted Five and 51/100 Percent (5.5087%) of the Corporation's issued and outstanding capital stock after the completion of the Top-Up Placement. On February 1, 2013, the Company filed to the Philippine Stock Exchange the listing application of the said shares.

The Corporation did not directly receive the proceeds from the sale of the Top-Up Shares, but the Facilitating Stockholder has agreed to subscribe for, and the Corporation agreed to issue, new shares in an amount equal to the aggregate number of shares sold by the Facilitating Stockholder, at a subscription price equal to the net proceeds per share.

The proceeds received by the Corporation from the sale of the treasury shares held by it, as well as from the subscription of the Facilitating Stockholder will be used by the Corporation to form part of its working capital as well as for investment in its present and future projects.

The Private Clients Group of COL Financial Group, Inc. was engaged to act as Sole Coordinator and Private Arranger for the offering. The Top Up Shares (Placement Tranche) were offered and sold in the Philippines pursuant to the exemption under Section 10.1(k) & (l) of the Securities Regulation Code. The Top-up shares (Subscription Tranche) were subscribed by the Facilitating Stockholder and issued pursuant to the exemption under Section 10.1 (k) of the Securities Regulation Code.

The SEC approved the Amended Articles of Incorporation on December 28, 2012. Subsequently, the Company has issued the 76,366,296 shares (Subscription Tranche) to Walter W. Brown.

There was no sale of unregistered securities by the registrant during the past three years except as discussed above.

PART III FINANCIAL INFORMATION

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Current Period (2015 & 2014) Operational and Financial Information

Financial Condition

In Thousand Pesos	Audited 2015	Audited 2014	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Unaudited September 2015	Audited 2014
			Amount	%		
Current Assets	**1,519,821**	1,368,521	151,299	11%	28%	23%
Noncurrent Assets	**3,987,969**	4,500,801	(512,832)	-11%	72%	77%
Total Assets	**5,507,789**	5,869,322	(361,532)	-6%	100%	100%
Current Liabilities	**1,467,895**	1,316,243	151,652	12%	27%	22%
Noncurrent Liabilities	**1,227,967**	1,729,195	(501,228)	-29%	22%	29%
Capital	**2,811,927**	2,823,884	(11,957)	0%	51%	48%
Total Liab. & Capital	**5,507,789**	5,869,322	(361,532)	-6%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – December 2015 vs. December 2014

The Group's total assets decreased by **6% or ₱362 million,** from a balance of ₱5.9 billion as of end of the year 2014 to **₱5.5 billion** as of end of the year 2015.

Current assets increased by 11% or ₱152 million as a result of the net effect of the following:

53% or ₱49M decrease in Cash and cash equivalents – due to the net effect of the cash provided by operating activities and cash used in investing and other financing activities such as payments of long term and short term debt, additions of property and equipment and advances to related parties.

16% or ₱61.5 M increase in Current Receivable due to the net effect of:

- **a) 57% or ₱119M increase in contract receivables on sale of real estate** – due to the net effect of the increase in booked sales and total collections during the year as a result of bank take out of end-buyer's financing.
- **b) 69% or ₱29.83M decrease in Trade Receivable** – due to the increase in cash sales and collection of sales of crude palm oil products and its by-products
- **c) 85% or ₱8M decrease in advances to officers and employees** – due to the net effect of liquidation of advances used in operating activities and additional advances made during the year.
- **d) 100% or ₱66.11K decrease in accrued interest receivable** – due to the collection of interest income
- ~~e)~~ **18% or ₱20.58M decrease in accounts receivable others** – due to the decrease in receivables from third parties

100% or ₱347.3K decrease in Notes Receivable – due to the collection of loans granted to a third party

11% or ₱67.3M increase in Real estate held for sale – due to the net effect of the increase in development costs for horizontal and vertical development of the new projects.

18% or **₱6.9M** ***increase in Inventories*** – due to the group's additional inventories on palm olein and its by-products such as refined bleach deodorized oil, palm olein, palm stearin, and increase in inventory of palm acid oil, fatty acid distillate, and aggregates.

16% or ₱40.3M increase in Prepayments and other current assets – due to the net effect of:

a) 9% or ₱6.12M increase in creditable withholding taxes – as a result of increase in real estate sales made during the year.
b) 2% or ₱1.92M increase for deposit on land acquisition;
c) 23% or ₱10.68M decrease in prepaid expenses - due to the utilization of the prepayments
d) 307% or ₱30.36M increase in input VAT – due to increase in recognized input VAT from various purchases made during the year.
e) 42% or ₱12.9M decrease in other deposits

Non-Current assets decreased by 11% or ₱512.8 million as a result of the net effect of the following:

33% or **₱53.6M decrease in noncurrent contract receivables** – due to the net effect of the total collections during the year as a result of bank take out of end-buyer's financing; increase in booked sales and changes in payment schemes of real estate buyers

100% or **₱554.2*****M decrease in Investments and deposits*** – due to the application of deposits to subscription and reclassification to available for sale investment.

58% or ₱362.4M increase in Available-for-sale investments – due to the net effect of the reclassification from investments and deposits (₱389M), decrease due to deconsolidation of subsidiary (₱480k) and the decline in the market value of investments (₱26M)

20% or ₱245.3M decrease in Investment in Associates – mainly due to the reduction of subscription (₱252.8M)

11% or **₱26.1*****M decrease in Investment Properties*** – due to the net effect of disposals made during the year (₱19.5M), impairment loss on properties held for capital appreciation (₱4.1M) and depreciation on the properties held under lease during the year (₱2.6M)

7% or ₱30.5M increase in Property and Equipment - net due to the net effect in:

a) 34% or ₱1.24M decrease in land improvements – due to the net effect of the additions and deconsolidation during the year.
b) 40% or ₱36.45M decrease in Building and improvements – due to the deconsolidation during the year
c) 85% or ₱255.62M increase in Machinery and equipment – due to the completion of construction of RBD and fractionation machines thereby having commercial operations which generated revenues producing Palm Olein and Stearin.
d) 26% or ₱ 7.6M decrease in furniture, fixtures and equipment – due to the net effect of the disposals and deconsolidation during the year.
e) 1% or ₱555.9K increase in transportation equipment – due to the net effect of the disposal and purchases of various transportation equipment made during the year

f) 60% or ₱2.15M decrease in tools and other equipment – due to the disposal during the year
g) 10% or ₱2.69M increase in other fixed assets – due to the net effect of additional purchases made during the year as against deconsolidation.
h) 84% or ₱180.92M decrease in CIP – as a result of the additional capital expenditures related to Refined, Bleached, and Deodorized (RBD) for the agri-business.
i) 6% or ₱158K increase in leasehold improvements – due to the additions during the year.
j) And 0.05% or ₱146K Increase in Accumulated depreciation

11% or ₱85.8M decrease in Land and improvements – due to the conversion of landbanking to real estate projects.

21% or ₱69.1M increase in Biological Assets – due to additional capitalized costs for Kalabugao, and Tignapoloan plantation made during the year.

4% or ₱1.3M decrease in Leasehold rights – due to the additional amortization of P1.3M during the year

21% or ₱10.7M decrease in Deferred tax assets – due to the net effect of the decrease in the tax effect on available net operating loss carry-over (₱12.2M), allowance for impairment losses on investment properties (₱6.3M), and decrease in others tax assets (₱8.2M)

23% or ₱2M increase in Refundable deposits – due to the increase in refundable deposits made during the year

Current liabilities increased by 12% of ₱152 million as a result of the net effect of the following:

17% or* ₱54.3M *increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 26% or ₱62.5M increase in accounts payable – due to the increase on development cost of new projects incurred and unpaid near the end of the year
b) 17% or ₱4.17M increase in accrued expenses
c) 195% or ₱6.29M increase in accrued interest payable
d) 10% or ₱600K decrease in contracts payable
e) 34% or ₱18M decrease in other payables

13% or* ₱6.5*M decrease in Deposit from Customers – due to the net effect of the decrease in real estate booked sales and increase in sales reservations during the year

9% or ₱24M increase in Short term Debt – due to the net effect of the additional clean term loan availed by the group amounting to ₱45.2M and payments made during the year of ₱21.2M.

86% or* ₱424.5M *decrease in Subscription payable – the decrease is mainly due to the application to subscription and reduction of subscription in shares of stocks in an associate.

278% or ₱504.3 M increase in current maturities portion of long-term debt

Non-Current liabilities decreased by 29% or ₱501.2million as a result of the net effect of the following:

31% or ₱505.2M decrease in Long-term Debt – due to increase on current maturity portion of the long-term debt.

22% or ₱5.97M increase in Retirement liability – due to the net effect of the expense recognized during the year and defined benefit cost recognized in statements of comprehensive income

2% or ₱1.96M decrease in Deferred tax liabilities – due to the decrease of the tax-effects from the deferred income on sale of real estate, decrease in of the tax effect from the rental income, and the decrease in unrealized foreign exchange gain

Equity decreased by 0.4% or ₱11.96 million as a result of the net effect of the following:

14% or ₱25.6M decrease in Net unrealized gain on available for sale – due to the decrease in market value of investments

3% or ₱674K increase in cumulative remeasurement loss on retirement benefits – due to the defined benefit cost recognized in other comprehensive income

4% or ₱14.8M increase in the Retained Earnings – due to the effect of net income earned for the year

Results of Operation

In Thousand Pesos	December 31, 2015	December 31, 2014	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2015	2014
Net Sales	614,312	624,654	(10,342)	-2%	86%	85%
Financial Income	14,747	18,599	(3,852)	-21%	2%	3%
Rental Income	14,049	8,182	5,867	72%	2%	1%
Discount on Loans Payable	16,718	24,874	(8,156)	0%	2%	3%
Sale of aggregates	7,040	9,652	(2,612)	-27%	1%	1%
Gain on Sale of investment properties	15,672	-	15,672	0%	2%	0%
Gain on Sale on Disposal of Net assets of deconsolidated subsidiaries	105	-	105	0%	0%	0%
Gain on Sale of property and equipment		993	(993)	0%	0%	0%
Gain on sale of shares		25,521	(25,521)	0%	0%	3%
Equity in net income of an associate	7,540	-	7,540	0%	1%	0%
Dividend income	13	8	5	0%	0%	0%
Other Income	22,565	25,791	(3,226)	-13%	3%	3%
Total Revenues	**712,759**	**738,274**	(25,515)	-3%	**100%**	**100%**
Cost of sales and services	365,819	365,063	755	0%	51%	49%
General and Admin Expenses	179,439	173,681	5,757	3%	25%	24%
Finance Cost	109,409	90,738	18,671	21%	15%	12%
Marketing	21,481	40,864	(19,383)	-47%	3%	6%
Equity in net loss of an associate	-	29,943	(29,943)	-100%	0%	4%
Provision for Impairment Loss	4,055	1,529	2,526	165%	1%	0%
Loss on sale of investment property		8,357	(8,357)	-100%	0%	1%
Loss on sale of asset (PPE)	263	-	263	#DIV/0!	0%	0%
Discount on Loans Receivable	-	-	-	0%	0%	0%
Total Cost and Expenses	**680,466**	**710,175**	(29,710)	-4%		
Income before Tax	**32,293**	**28,099**	4,194	15%		
Tax expense	22,730	25,373	(2,643)	-10%	3%	3%
Income after Tax	**9,563**	**2,725**	6,838	251%	**1%**	**0%**

A Brown Company - CONSOLIDATED
Results of Operations
For the year ending December 31, 2015

The consolidated financial statements for the year ending December 31, 2015 resulted to a net income of **₱9.56 million** compared to a ₱2.7 million income against last year due to the following net effect:

2% or ₱10.34 M decrease in Sales due to:

a) ***Increase in Real estate Sales by 6% or ₱23.95M*** – in 2015, 218 accounts were booked. The net increase is due to the net effect of the increase in sales of Ventura Residences (₱ 105M), XavierVille (₱6M), Coral Resort Estates (₱59M), Mountain View Homes (₱74M) and net decrease in sales of Xavier Estates (₱32M), West Highlands (₱110M), St. Therese (₱6M), Valencia Estates (₱9.7M), and Teakwood Hills (₱51M).
b) ***Decrease in Sales of Crude palm oil by 36% or ₱55.69M*** – due to increase in quantity sold this year by 672MT from a volume of 4,380 MT in 2014 to 3,708 MT in 2015 and

with a decrease in the average selling Price per MT of 25%, from ₱35,224 per MT last year to ₱26,592 per MT in this year of 2015

c) ***Increase in sales from Water services by 19 % or ₱2.6M*** – as a result of the increase in billed water consumption this year from 474,737 cubic meter (cu.m). in 2014 to 508,768 cu.m in 2015 with a corresponding average selling price of ₱37 per cu.m; the increase in consumption is attributable to the new water connections in 2015.
d) ***Decrease in sales from Hotel operations by 100% or ₱8.1M*** – due to the deconsolidation of a subsidiary holding the hotel operations
e) ***Decrease in sales of Crop and Palm Seedlings by 85% or ₱3.4M*** – due to the decrease in sale of palm seedlings from 10,495 pcs in 2014 to 988 pcs in 2015 @ selling price of ₱ 220/pc in 2014 and 2015
f) ***Decrease in sales of Kernel nuts and fertilizers by 2% or ₱111.29K*** – due to the net effect of the decrease in quantity sold of ***kernel nuts*** this year by 6 MT from 575MT in 2014 to 569 MT in 2015; average selling price in 2015 decreased by 0.2% from ₱9,748 in 2014 to ₱9,727 in 2015; and decrease in ***fertilizers*** as there are no sales recognized during the year.
g) ***17% or ₱1.5M decrease in sales of Other By-products of CPO –*** due to the decrease in sale of recovered oil
h) ***100% or ₱24.4M increase in sales of Palm Olein*** – sales and production of Palm Olein started only in 2015
i) ***100% or ₱7.56M increase in sales of Palm Stearin***– sales and production of Palm Stearin started only in 2015

100% or ₱7.5M increase in equity in net income of an associate – this pertains to the group's 20% share in the net income of PEI and PCPC

21% or ₱3.85M decrease in Financial income – due to the decrease in interest income of from in-house financing of real estate sale (₱3.2M), decrease in interest from notes receivable (₱487K), and decrease in interest from cash in bank and cash equivalents (181K)

Decrease in Sales of aggregates by 27% or ₱2.6 M – due to disruption of operations in the first quarter of 2015 due to environmental concerns but was later resolved by the imposition of higher extraction tax by Bukidnon Environment and Natural Resources Office; with this, there is a decrease in sales volume from 12,880 cubic meter in 2014 with an average price of ₱749 per cu.m to 12,502 cubic meter in 2015 with an average price of ₱563 per cubic meter

72% or ₱5.9M increase in Rental income – due to the additional space occupied by third parties and increase in rental of equipment

100% or ₱993.13K increase in Gain on sale of property and equipment – this refers to the gain on disposal of transportation equipment

100% or ₱25.5M decrease in Gain on sale of shares – due to the sale of various available-for-sale investments in 2014

33% of ₱8.16 M decrease the Discount of Loans payable – discounted non-interest bearing loans availed from various stockholders is higher in 2014.

13% or ₱3.2M decrease in other income – due to the following:

a) ***55% or ₱3.8 M decrease in income from forfeited deposits*** – due to the decrease in number of forfeited accounts this year as compared to last year
b) ***31% or ₱951.6K decrease in income from penalties and surcharges*** – payments received from customers with past due accounts
c) ***9% or ₱1.5 increase in other income*** – due to the additional earnings from lot staking and driving range fees

₱755.5K increase in Cost of Sales due to the net effect of the following:

a) 14% or ₱30.2M increase in cost of real estate sales – directly related to the increase in real estate sales
b) 41% or ₱46.93M decrease in cost of production of crude palm oil – directly related to the decrease in sale of crude palm oil
c) 58% or ₱2.3M increase in cost of aggregates – relative to the increase in the cost of major repairs of the crushing plant.
d) 15% or ₱754K increase in the production of water services – due to the repairs and maintenance of the water pump house
e) 8% or ₱452K decrease in cost of crop and palm seedlings – directly related to the decrease in sales of crop and palm seedlings
f) 22% or ₱799K increase in the cost of kernel nuts and fertilizers – due to the decrease in costs directly related to the sale of kernel nuts and fertilizers.
j) 100% or ₱14.3M decrease in the hotel operation - due to the deconsolidation of a subsidiary holding the hotel operations
k) 100% or ₱4.9M increase in production of Palm Stearin – commercial operation started in 2015
l) 100% or ₱16.9M increase in production of Palm Olein – commercial operation started in 2015
g) 99%or ₱5.9M decrease in other direct cost – due to the decrease in other cost directly related to the group's operating activities.

3% or ₱5.8M increase in general and administrative expenses due to the following net effect of:

a) ***20% or ₱11.3M increase in Personnel Expenses*** – the increase is due to net effect of the adjustment on the retirement liability, capitalized salaries and employee benefits of some personnel directly involved in the testing of RBD Oil production, and increase in salaries expense of the group
b) ***19% or ₱3.8M increase in Taxes and Licenses*** – due to the various taxes and licenses including SEC fees paid in 2015
c) ***37% or ₱9.9M decrease in Depreciation and Amortization*** – due to the net effect of the disposal of depreciable assets, full depreciation of a number of assets and additional depreciation of various new acquisitions of equipments and other depreciable assets during the year
d) 12% or ₱883K decrease in Repairs and Maintenance – due to the decrease in various repairs of various equipments in 2015
e) 17% or ₱1.4M decrease in Utilities and Supplies – due to the acquisition of Safety gear for mill and plantation and other consumable supplies for mill and plantation in 2014
f) 100% or ₱0.8M decrease in provision for doubtful accounts – due to the increase in the provision for the various receivable accounts with high possibility of non-collection in 2014
g) 212% or **₱4.6*****M increase in Rental expense*** – due to the additional office space occupied

h) ***24% or ₱856K increase in Retirement Benefits***
i) ***70% or ₱1.1M decrease in Representation and Entertainment*** – the frequency and cost of providing comfort/convenience (i.e.meals) to the prospective clients and other stakeholders of the company's future projects as well as various representations made to government in relation to the Group's projects is lesser in 2015 as compared in 2014
j) ***5% or ₱430K increase in Professional fees/retainers fee*** – due to the additional required services related to the real estate operations
k) ***28% or ₱2.1M decrease in Travel and transportation*** – due to the decrease in various travels made related to the development of real estate projects in various locations during the year
l) ***2% or ₱300K decrease in Security services***
m) ***0.2% or ₱1.7K increase in Board meeting expenses***
n) ***15% or ₱87K increase in Training and seminars*** – due to various training and seminars conducted and attended this year compared to last year.
o) ***6% or ₱38k increase in Subscription and dues*** – due to the increase in subscription of business magazines
p) ***29% or ₱331K decrease in Insurance expense*** – due to the decrease in properties insured
q) ***56% or ₱435K decrease in Litigation expenses*** – due to the incurrence of litigation expenses related to Bernardino and Yulo case in the prior year
r) ***16% or ₱197K increase in Directors' fees***
s) ***90% or ₱501K decrease in Bank charges*** –due to the charges related to bank loans
t) ***20% or ₱2.2M decrease in Miscellaneous expenses***

100% or ₱29.9M decrease in Equity in net losses of associate – pertains to the Group's 20% share of the net income of PCPC and PEI in 2014.

21% or ₱18.7 M increase in Finance costs – due to the additional availment of interest bearing loans

Key Performance Indicator

Financial Ratios Consolidated Figures	**Audited 12/31/2015**	**Audited 12/31/2014**
Current ratio[1]	1.04:1	1.04:1
Current Debt to Equity ratio[2]	0.52:1	0.47:1
Total Debt to Equity ratio[3]	0.96:1	1.08:1
Return on Assets[4]	0.17%	0.05%
Return on Equity[5]	0.34%	0.10%

[1]*Current assets/Current liabilities*
[2]*Current liabilities/Stockholders' equity*
[3]*Total liabilities/Stockholders' equity*
[4]*Net income/Average Total assets*
[5]*Net income/ Average Stockholders' equity*

Prior Period (2014 & 2013) Operational and Financial Information

Financial Condition

In Thousand Pesos	Audited 2014	Audited 2013	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Audited	Audited
			Amount	%	2014	2013
Current Assets	**1,368,521**	1,472,983	(104,462)	-7%	23%	28%
Noncurrent Assets	**4,500,801**	3,717,671	783,129	21%	77%	72%
Total Assets	**5,869,322**	5,190,654	678,668	13%	100%	100%
Current Liabilities	**1,316,243**	771,637	544,606	71%	22%	15%
Noncurrent Liabilities	**1,729,195**	1,634,696	94,499	6%	29%	31%
Capital	**2,823,884**	2,784,321	39,563	1%	48%	54%
Total Liab. & Capital	**5,869,322**	5,190,654	678,668	13%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – December 2014 vs. December 2013

The Group's total assets increased by **13% or ₱679 million,** from a balance of ₱5.2 billion as of end of the year 2013 to **₱5.9 billion** as of end of the year 2014.

Current assets decreased by 7% or ₱104 million as a result of the net effect of the following:

29% or ₱38.1M decrease in Cash and cash equivalents – due to the net effect of the cash provided by operating activities, availment of loans and other financing activities and cash used in investments and deposits and other investing activities

20% or ₱62.5 M increase in Current Receivable due to the net effect of:

- **f) 3% or ₱12.31M decrease in contract receivables on sale of real estate** – due to the net effect of the total collections during the year as a result of bank take out of end-buyer's financing and increase in booked sales
- **g) 84% or ₱19.67M increase in Trade Receivable** – due to the net effect of the increase in sales of crude palm oil (CPO) and the collections of receivables
- **h) 752% or ₱8.28M increase in advances to officers and employees** – due to the advances made for marketing expenses subject for liquidation
- **i) 35% or ₱0.04M decrease in accrued interest receivable** – due to the collection of interest income
- **j) 6% or ₱6.21M increase in accounts receivable others** – due to the increase in receivables from third parties

95% or ₱6.3M decrease in Notes Receivable – due to the collection of loans granted to a third party

22% or ₱172.8M decrease in Real estate held for sale – due to the net effect of the increase in development costs for horizontal and vertical development of Xavier Estates Phase 5 (₱19M); Teakwood Hills (₱3M); Coral Resort Estates (₱38.2M) and Butuan West Highlands (₱76.6M); reclassification of accounts, less cost of booked sales
159% or ₱23.1M increase in Inventories – due to increase in inventories of supplies and materials, fertilizers, aggregates and crude palm oil

12% or ₱27M increase in Prepayments and other current assets – due to the net effect of:

f) 17% or ₱9.49M increase in creditable withholding taxes – as a result of increase in real estate sales made during the year which are subject to withholding taxes
g) 4% or ₱3.81M increase for deposit on land acquisition;
h) 3% or ₱1.3M decrease in prepaid expenses - due to the utilization of the prepayments
i) 4% or ₱0.36M increase in input VAT
j) 66% or ₱12.34M increase in other deposits
k) 8% or ₱0.03M decrease in other current assets

Non-Current assets increased by 21% or ₱783 million as a result of the net effect of the following:

***20% or* ₱41.5M decrease in noncurrent contract receivables** – due to the net effect of the total collections during the year as a result of bank take out of end-buyer's financing; increase in booked sales and changes in payment schemes of real estate buyers

20% or* ₱141.7*M decrease in Investments and deposits – due to the net effect of the application of deposits to subscription (₱696M), cancellation of deposits (₱40M), and additional deposits made during the year (₱ 594M)

31% or ₱287.6M decrease in Available for sale investments – due to the net effect of the disposal of shares, net of changes in value (₱400M), additions made during the year (₱4M), application of deposits (₱94M) and the decline in the market value of investments (₱14M)

456% or ₱1,014.5M increase in Investment in Associates – due to the net effect of the additional investments made, application of deposits to available for sale investments, increase due to merger and decrease due to Group's share in equity in net loss on the investment in shares of stocks of Peakpower Energy, Inc. (PEI) and Palm Concepcion Power Corporation (PCPC)

17% or ₱48.9M decrease in Investment Properties – due to the net effect of impairment loss in the properties held for capital appreciation and depreciation on the properties held under lease during the year, reclassification from Property and Equipment, and additions made during the year

***11% or ₱45.2M increase in Property and Equipment* -** net due to the net effect in:
k) 21% or ₱3.43M decrease in land – due to the reclassification of a parcel of land to investment property which was also sold during the year
l) 8% or ₱6.47M increase in Building and improvements – due to the net effect of the reclassification of Mill warehouse and staff house from construction in progress (CIP)
m) 8% or ₱21.4M increase in Machinery and equipment – due to the net effect of the reclassification from CIP, purchase of additional and disposal of various construction equipment
n) 3% or ₱0.90 M increase in furniture, fixtures and equipment – due to purchase of various office equipment and furniture and various computers and office equipment used by the Group
o) 4% or ₱2.32M decrease in transportation equipment – due to the net effect of the disposal and purchases of various transportation equipment made during the year

p) 20% or ₱0.59M increase in tools and other equipment – due to the various purchases made during the year
q) 23% or ₱8.92M decrease in other fixed assets – due to the net effect of the reclassifications to building and improvements and machinery and equipment and the additional purchases of various depreciable assets made during the year
r) 52% or ₱73.97M increase in CIP – as a result of the additional capital expenditures related to Refined, Bleached, Deodorized (RBD) for the agri-business.
s) And 17% or ₱43.54M Increase in Accumulated depreciation

37% or ₱215.8M increase in Land and improvements – due to the net effect in:
a) ₱17.7 M additions to development costs

b) ₱173.3 M reclassification of accounts from real estate held for sale to land and improvements
c) ₱10.5 M reclassification of accounts from land and improvements to real estate held for sale

11% or ₱32.9M increase in Biological Assets – due to additional capitalized costs for Kalabugao, and Tignapoloan plantation

4% or ₱1.3M decrease in Leasehold rights – due to the additional amortization of P1.3M during the year

8% or ₱4.5M decrease in Deferred tax assets – due to the net effect of the decrease in the tax effect on available net operating loss carry-over (₱13.1M), allowance for impairment losses on investment properties (₱ 4.6M), allowance for impairment losses on investment in real estate (₱5M), unrealized foreign exchange loss (₱ 388k), defined benefit cost (₱7.7M) and the decrease in the minimum corporate income tax (₱975k)

5% or ₱0.4M increase in Refundable deposits – due to the increase in refundable deposits made during the year

Current liabilities increased by 71% of ₱545 million as a result of the net effect of the following:

13% or* ₱36.6*M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

f) 28% or ₱52.10M increase in accounts payable
g) 39% or ₱15.39M decrease in accrued expenses
h) 65% or ₱6.09M decrease in accrued interest payable
i) 42% or ₱3.38M increase in retention payable
j) 7% or ₱2.65M increase in other payables

26% or* ₱17.1*M decrease in Deposit from Customers – due to the net effect of the increase in real estate booked sales and increase in sales reservations during the year

20% or ₱45M increase in Short term Debt – due to the net effect of the additional clean term loan availed by the group amounting to ₱65M from PBCOM and payments made during the year - ₱10M to UCPB and ₱10M to CBC

485% or* ₱409.9*M increase in Subscription payable – the increase is mainly due to the capital call to complete the equity component of Power project

63% or ₱70.2 M increase in current maturities portion of long-term debt

Non-Current liabilities increased by 6% or ₱94.5 million as a result of the net effect of the following:

9% or ₱127.3M increase in Long-term Debt – due to the net effect of the net increase in loans (additional loans availed after deducting various payments made) and reclassification of the non-current portion to current portion

41% or ₱7.8M increase in Retirement liability – due to the net effect of the expense recognized during the year and defined benefit cost recognized in statements of comprehensive income

1% or ₱0.6M decrease in Deferred tax liabilities – due to the decrease of the tax-effects from the deferred income on sale of real estate, decrease in of the tax effect from the rental income, and the decrease in unrealized foreign exchange gain

100% or ₱*40M decrease in Deposit for future stock subscription* – due to cancellation of deposits received from a third party investor

Equity increased by 1% or ₱39.7 million as a result of the net effect of the following:

22% or ₱32.4M increase in Net unrealized gain on available for sale – due to the increase in market value of investments

17% or ₱4.7M decrease in cumulative remeasurement loss on retirement benefits – due to the defined benefit cost recognized in other comprehensive income

1% or ₱2.3M increase in the Retained Earnings – due to the effect of net income earned for the year

Results of Operation

In Thousand Pesos	Audited 2014	Audited 2013	Analysis Increase (Decrease) Amount	%	Vertical Analysis 2014	2013
Net Sales	624,654	452,664	171,990	38%	85%	82%
Financial income	18,599	31,546	(12,947)	-41%	3%	6%
Rental income	8,182	5,448	2,734	50%	1%	1%
Discount on long-term debt	24,874	-	24,874	0%	3%	0%
Sale of aggregates	9,652	13,458	(3,806)	-28%	1%	2%
Gain on sale of available-for-sale investments	25,521	-	25,521	0%	3%	0%
Gain on sale of property and equipment	993	234	759	325%	0%	0%
Dividend income	8	5	3	56%	0%	0%
Others	25,791	49,364	(23,573)	-48%	3%	9%
Total Revenues	**738,274**	**552,720**	185,554	34%	**100%**	**100%**
Cost of sales and services	365,063	234,345	130,718	56%	49%	42%
General and administrative expenses	173,681	197,380	(23,699)	-12%	24%	36%
Finance costs	90,738	68,468	22,270	33%	12%	12%
Marketing	40,864	41,308	(444)	-1%	6%	7%
Equity in net loss of an associate	29,943	11,846	18,097	153%	4%	2%
Provision for impairment loss	1,529	1,529	-	0%	0%	0%
Loss on sale of investment property	8,357	-	8,357	0%	1%	0%
Total Cost and Expenses	**710,175**	**554,876**	155,299	28%	**96%**	**100%**
Profit (Loss) before income tax	**28,099**	**(2,156)**	30,255	1403%	**3.81%**	**-0.39%**
Income tax expense (benefit)	25,373	(6,144)	31,518	513%	3.44%	-1.11%
Net Profit	**2,725**	**3,988**	(1,263)	-32%	**0.37%**	**0.72%**
Unrealized gain (loss) on available-for-sale investments	32,179	(2,501)	34,681	1386%		
Remeasurement gain (loss) on retirement benefits	4,658	(3,075)	7,733	251%		
Total Comprehensive Income(Loss)	**39,563**	**(1,588)**	41,151	2591%		

A Brown Company - CONSOLIDATED
Results of Operations
For the year ending December 31, 2014

The consolidated financial statements for the year ending December 31, 2014 resulted to a net income of **₱2.7 million** compared to a ₱4.0 million income against last year due to the following net effect:

38% or ₱172 M increase in Sales due to:

- ***m) Increase in Real estate Sales by 28% or ₱95.1M*** – in 2014, 218 accounts were booked. The net increase is due to the net effect of the increase in sales of West Highlands (₱72M), Coral Resort Estates (₱30M), Valencia Estates (₱12M), Xavier Ville (₱3M), and net decrease in sales of Xavier Estates (₱36M), St. Therese (₱13M) and Ventura Residences (₱9M), Teakwood Hills (₱4M).
- ***n) Increase in Sales of Crude palm oil by 139% or ₱89.6M*** – due to increase in quantity sold this year by 2,213.53 MT from a volume of 2,356.72 MT in 2013 to 4,570.25 MT in 2014 and with an increase in the average selling Price per MT of 23%, from ₱27,448.53 per MT last year to ₱33,759.64 per MT in this year of 2014
- ***o) Decrease in Management income by 100% or ₱23.2M*** – to raise equity for the Power projects
- ***p) Increase in sales from Water services by 10 % or ₱1.2M*** – as a result of the increase in billed water consumption this year from 432,017 cubic meter (cu.m). in 2013 to 474,737 cu.m in 2014 with a corresponding average selling price of ₱28.39 per cu.m; the increase in consumption is attributable to the new water connections in 2014
- ***q) Increase in sales from Hotel operations by 15% or ₱1.1M*** – due to increase in room occupancy.
- ***r) Decrease in sales of Crop and Palm Seedlings by 65% or ₱4.2 M*** – due to the decrease in sale of palm seedlings from 29,788 pcs in 2013 to 10,495 pcs in 2014 @ selling price of ₱220/pc in 2013 and 2014
- ***s) Increase in sales of Kernel nuts and fertilizers by 52% or ₱1.9M*** – due to the net effect of the increase in quantity sold of ***kernel nuts*** this year by 172.52 MT from 402.6MT in 2013 to 575.12 MT in 2014; average selling price in 2014 increased by 10% from ₱8,844.60 in 2013 to ₱9,748.47 in 2014; and decrease in ***fertilizers*** due to 76% decrease in quantity sold from 195 bags in 2013 to 47 bags in 2014; average selling price is still at ₱850 per bag
- ***t) 100% or ₱10.5M increase in sales of Other Byproducts of CPO –*** due to the production and sale of Feed oil and Palm acid oil as byproducts of CPO

41% or ₱12.9M decrease in Financial income – due to the decrease in interest from savings and money market placements (₱8.1M), decrease in interest income of from in house financing of real estate sale (₱4.8M) and decrease in interest from notes receivable (₱93k)

Decrease in Sales of aggregates by 28% or ₱3.8 M – due to disruption of operations in the first quarter of 2014 due to environmental concerns but was later resolved by the imposition of higher extraction tax by Bukidnon Environment and Natural Resources Office; with this, there is a decrease in sales volume from 21,150 cubic meter in 2013 with an average price of ₱636 per cu.m to 12,880 cubic meter in 2014 with an average price of ₱749 per cubic meter

50% or ₱2.7M increase in Rental income – due to the additional space occupied by third parties and increase in van rental

325% or ₱0.8M increase in Gain on sale of property and equipment – this refers to the gain on disposal of transportation equipment

100% or ₱25.5M increase in Gain on sale of shares – due to the sale of various available-for-sale investments in 2014

100% of ₱24.9 M increase the Discount of Loans payable – due to the discounting of the additional non-interest bearing loans availed by the Group from shareholders

48% or ₱23.6 M decrease in other income – due to the following:

- d) ***80% or ₱3.0 M increase in income from forfeited deposits*** – due to the increase in number of forfeited accounts this year as compared to last year
- e) ***8% or ₱0.2M increase in income from penalties and surcharges*** – payments received from customers with past due accounts

f) ***63% or ₱26.8M decrease in other income*** – due to the reimbursement of marketing expenses from XU in 2013

56% or ₱130.7M increase in Cost of Sales due to:

- ***h) 57% or ₱78.4M increase in cost of real estate sales*** – directly related to the increase in real estate sales
- ***i) 79% or ₱51.2M increase in cost of production of crude palm oil*** – directly related to the increase in sale of crude palm oil
- ***j) 3% or ₱0.4M increase in cost of hotel operations*** – due to the fixed costs incurred regardless of the number of room occupancy
- ***k) 50% or ₱3.9M decrease in cost of aggregates*** – relative to the decrease in quantity sold of aggregates
- ***l) 22% or ₱0.9M increase in the production of water services*** – due to the repairs and maintenance of the water pump house
- ***m) 45% or ₱1.5M decrease in cost of crop and palm seedlings –*** directly related to the decrease in sales of crop and palm seedlings
- ***n) 65% or ₱1.4M increase in the cost of kernel nuts and fertilizers –*** due to the increase in costs directly related to the sale of kernel nuts and fertilizers
- ***o) 176% or ₱3.8M increase in other direct cost*** – due to the costs incurred related to the sale of other by products of CPO

12% or ₱23.7M decrease in general and administrative expenses due to the following net effect of:

- **u)** ***10% or ₱6.7M decrease in Personnel Expenses*** – the decrease is due to net effect of the adjustment on the retirement liability of Parent Company in 2013, capitalized salaries and employee benefits of some personnel directly involved in the testing of RBD Oil production, and increase in salaries expense of the group
- **v)** ***10% or ₱2.1M decrease in Taxes and Licenses*** – due to the various taxes and licenses including SEC fees paid in 2013
- **w)** ***4% or ₱1.2 M decrease in Depreciation and Amortization*** – due to the net effect of the disposal of depreciable assets, full depreciation of a number of assets and additional depreciation of various new acquisitions of equipment and other depreciable assets during the year
- ***x) 47% or ₱2.3M increase in Repairs and Maintenance*** – due to the various repairs of various equipment in 2014
- ***y) 34% or ₱2.2M increase in Utilities and Supplies*** – due to the acquisition of Safety gear for mill and plantation and other consumable supplies for mill and plantation, and increase in utilities due to additional office space occupied
- ***z) 100% or ₱0.8M increase in provision for doubtful accounts*** – due to the provision for the various receivable accounts with high possibility of non-collection
- ***aa) 135% or ₱1.2M increase in Rental expense*** – due to the additional office space occupied
- ***bb) 55% or ₱0.6M increase in Representation and Entertainment*** – the frequency and cost of providing comfort/convenience (i.e.meals) to the prospective clients and other stakeholders of the company's future projects as well as various representations made to government in relation to the Group's projects is higher in 2014 as compared in 2013
- ***cc) 75% or ₱24.1M decrease in Professional fees/retainers fee*** – the decrease is related to the arrangers fee to solicit potential investors in the Power group incurred in 2013
- ***dd) 6% or ₱0.4 M increase in Travel and transportation*** – due to various travels made related to the development of real estate projects in various locations
- ***ee) 8% or ₱1.1M increase in Security services*** – due to the increase in number of security personnel assigned to real estate projects
- ***ff) 22% or ₱0.3M decrease in Board meeting expenses***
- **gg)** ***112% or ₱0.3M increase in Training and seminars*** – due to various training and seminars conducted and attended this year compared to last year.

hh) ***6% or ₱31k increase in Subscription and dues*** – due to the increase in subscription of business magazines
ii) ***16% or ₱0.2M increase in Insurance expense*** – due to the increase in properties insured
jj) ***29% or ₱0.3M decrease in Litigation expenses*** – due to the incurrence of litigation expenses related to Bernardino and Yulo case in the prior year
kk) ***18% or ₱0.3M decrease in Directors' fees***
ll) ***538% or ₱0.5M increase in Bank charges*** – due to the charges related to bank loans
mm) ***19% or ₱1.7M increase in Miscellaneous expenses*** – due to various expenses related to corporate social responsibility

153% or ₱18.1M increase in Equity in net losses of associate – pertains to the Group's 30% share of the net loss of PCPC and 20% of the net loss of PEI

33% or ₱22.3 M increase in Finance costs – due to the additional availment of loans

100% or ₱8.4 M increase in Loss on sale of investment properties – this is related to the disposal of investment property located in Kamuning, Quezon City

Key Performance Indicators

Financial Ratios Consolidated Figures	Audited 12/31/2014	Audited 12/31/2013
Current ratio[1]	1.04:1	1.91:1
Current Debt to Equity ratio[2]	0.47:1	0.28:1
Total Debt to Equity ratio[3]	1.08:1	0.86:1
Return on Assets[4]	0.04%	0.07%
Return on Equity[5]	0.08%	0.13%

[1]*Current assets/Current liabilities*
[2]*Current liabilities/Stockholders' equity*
[3]*Total liabilities/Stockholders' equity*
[4]*Net income/Total assets*
[5]*Net income/ Stockholders' equity*

Financial soundness indicators are also shown on Exhibit IV, page 77.

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.

Company’s Vision, Mission and Objectives

ABCI Group of Companies has envisioned to be an enterprise working towards enlightened and happier communities for the common good. For the property sector, it envisioned in making dreams come true for happier families. For the Agri-business sector, it envisioned to be the country’s leader in producing basic products sustainably for the world. For the Utilities sector, it envisioned in energizing the country’s development.

Its mission is to commit to deliver excellent products and services that will ensure growth, financial stability and sustainability by: thinking innovatively, building lasting relationships and acting with genuine concern for all our stakeholders and the environment, responsibly utilizing and managing resources for the development of products and services for love of the common good, incessantly providing means for its workers to develop their potentials to the fullest and living the company’s shared values of love for work and passion for excellence, family spirit, integrity in everything we do.

To maximize the shareholders’ value and achieve its vision, mission and objectives, the company plans to undertake activities in the short-term to long-term as discussed below.

Prospects of Real Property Development:

The Philippine economy has remained resilient as other countries faced their own economic difficulty. The continued remittances of Filipino overseas workers helped fuel household consumption, which contributes to economic growth. It primarily helped buffer the economy and government finances from the effects of the global financial crisis. Business Process Outsourcing (BPO) and off-shoring also remained to be a major economic and property industry driver of the country. Demand for offices will be sustained by BPOs. The housing market, especially the affordable ones, will be driven by both OFW money and attractive credit terms extended by banks to qualified borrowers. A big percentage of overseas Filipinos are not affected by the crisis since many of them are employed in the medical services. Thousands of Filipinos continue to leave for abroad every month and are still the preferred choice for seamen and in the services industry. Overseas inflow would likely to continue to grow.

The Philippines’ real estate sector is optimistic since developers continued to start new projects to provide the market’s increasing demand. Its resiliency has continued to defy the forecast of a possible recession due to tight lending rules, substantial up-front cash payment requirement, the banking sectors’ strict loan to collateral ratio for housing loans and non-usage of the same mortgage system as the US which is rising steadily in home foreclosures. The implementation of a contract-to-sell system instead of a mortgage origination to document sales and lot packages has helped the country from succumbing to the housing crisis that redounds to the US financial sector. Other economic fundamentals also proved to be better than expected.

There is also a growing demand for residential property by foreign nationals (retirees). They will continue to be attracted to own a property in the Philippines because of its relatively low cost of living, competitive labor costs, lower medical expenses and nice tropical climate.

It is also notable that a lot of overseas Filipinos are looking for ways to maximize their return on investments as they approach retirement. Investors are looking for more solid investments with potential for monthly income. There are developments that can be used for vacations and rent it out through when they are not using the unit thereby gaining rental income.

The availability of low interest rate financing has boosted the construction boom that the country particularly, the Metropolitan Manila has been experiencing. The large amount of foreign remittances from Filipinos working abroad and the need for more office space to accommodate the country’s growing outsourcing industry also added the increase in appetite for investing in real estate sector.

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 is likewise seen by government as a major economic growth contributor that can help alleviation efforts. 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).*

Plan of Action

While pursuing new projects, the Company will continue to roll-out new phases in its existing project called Xavier Estates and venture into socialized housing. 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 and government employees.

Short Term Prospects

Real Property Development:

Being at the forefront in real estate development in Mindanao, the management and the Board of ABCI will continue to pursue its real estate projects in key cities in the Land of Promise. Overtime, ABCI was able to build a reputation and credibility to deliver first class development. It has created a niche in Mindanao and has carved a name to beckon with when it comes to property development. It shall take advantage of the continuous demand in Xavier Estates lots since it is still the preferred place due to its aura. The strongest factor especially among the OFWs and foreigners married to a Filipino are its tree-lined streets now fully-grown, its in-house water system, strict security system, the largest clubhouse in Mindanao as well as having a luxurious view of nature on top of a plateau. Teakwood sales are beginning to pick-up and are also the preferred place compared to its competitors due to its magnificent location which is overlooking the Macajalar Bay. Coral Resort Estates is gaining popularity among local residents due to the tranquility the water front offers. ABCI will continue to focus on increasing revenue generation, reduction of costs and expenses, and increasing efficiency in its operations to continuously provide the growth of shareholder value. Thru its subsidiaries' diversified ventures, it will keep on pursuing businesses which will eventually replace the adhesive and chemical business ABCI was known for.

Cagayan de Oro City projects:

Teakwood Hills: Horizontal development 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. The company opted to put on hold the development of 13.34 hectares for Phase III momentarily.

On the other hand, **Xavierville Homes** is already 100% complete as to horizontal works. There were 131 saleable lots that were subdivided from the 4.8 hectares of development.

Xavier Estates Phase 5A – Ventura Residences is 84% complete. Cluster A is subdivided to produce 128 saleable house and lot packages of which 84 units were already completed. Cluster B is expected to provide 50 saleable lots while 91 saleable lots for Cluster C. **Ventura Lane** on the other hand is already 100% developed, it offers 30 lots with cuts starting at 110 sq.m.

Socialized Housing project:

St. Therese Subdivision located in mid- Balulang, Cagayan de Oro is a 1.6720-hectare socialized housing that will provide 155 lots of which 91 lots have row houses with an lot area of 50 sq.m. while 38 units are duplexes and 17 are single-attached with lot area of either 68 sq.m. or 75 sq.m. There are nine (9) units that are up for new design.

Mountain View Homes is located in mid-Balulang, Cagayan de Oro City, it's the latest project offering of ABCI. This has a development area of 2.3179 hectares with 216 saleable house and lots. Project development is 85% accomplished with amenities. Its License to Sell was released on Feb. 2015.

Misamis Oriental project:

Another residential development is located in Initao, Misamis Oriental with a total land area of 10 hectares. This development, **Coral Resort Estates** is currently working on its Phase 1 with two clusters. Cluster A has 42 saleable lots with an area of 2.5 hectares. Cluster B has developmental area of 2.9 hectares. As of the end of the year, 97% has already been accomplished for Cluster A while Cluster B is already 88% done.

Butuan project:

West Highlands Phase 1 is a residential estate located in Brgy. Bonbon, Butuan City with a total development area of 25.9 hectares. Phase 1 of the project is expected to generate 293 saleable lots. The project development is 95% accomplished with spillway, concrete barrier, riprap and spine road which already 100% done.

Medium to Long-Term Prospects.

Real Property Development:

A commercial building will be erected in the commercial strip of Xavier Estates to have a recurring rental income.

There is a rise in the demand of housing requirements for middle income, starter families and single market. To address these markets, ABCI intends to develop socialized and economic housing in Cagayan de Oro City, Butuan City and in Tanay, Rizal.

PROSPECTS OF PALM OIL:

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 petroleum 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.

The Hamburg-based ISTA Mielke GmbH which publishes Oil World expects that the current world palm oil consumption from 38 million tonnes will surge to 63 million tonnes in 2015 and increase further to 77 million tonnes in 2020. This would translate into an annual average growth rate of 3.1 million tonnes. Oil World in its latest forecast expects world palm oil production to increase by 3.2 million tonnes to 3.4 million tonnes last year. However, the supply situation will not likely to recover in 2013 onwards should the existing production and depleting stocks not be replenished to meet the surging demand from China, India and other developing economies. *(http://biz.thestar.com.my/news/story.asp?file=/2011/2/10/business/8031578&sec=business)*

Over the past 3 decades, there has been a substantial growth in the global consumption of vegetable oil. Between 1980 and 2008 consumption increased more than threefold from 40 million tones to over 130 million tones. In addition, there has been a significant shift in the relative market share of different vegetable oils. In 1980, the market share for palm oil was 11 percent; the main vegetable oil on world market was soybean, accounting approximately a third of total consumption. The market share of soybean has since fallen with palm oil becoming the major consumed vegetable oil. In 30 years, palm oil consumption has increased tenfold from 4.5 to 45 million tonnes (including growth of 100 percent in the last decade) and now comprises 34% of the world market. In 2009, despite consumption of soybean oil increasing by 22.5 million tonnes, its market share had fallen to 27 percent. Rapeseed and sunflower oil's market shares were 16 percent and 10 percent, respectively.

World Consumption of Vegetable Oils, 1980-2009

Type of Vegetable Oil	1980		1990		2000		2009	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Soybean Oil	13.4	33.7	16.1	26.5	25.6	27.7	35.9	27.0
Palm Oil	4.5	11.3	11.0	18.1	21.9	23.7	45.1	34.0
Rapeseed Oil	3.5	8.8	8.2	13.5	14.5	15.7	21.5	16.2
Sunflower Oil	5.0	12.6	7.9	12.9	9.7	10.5	13.0	9.8
Palm Kernel Oil	0.6	1.5	1.5	2.5	2.7	2.9	5.2	3.9
Other Vegetable Oils	12.8	32.1	16.1	26.5	18.1	19.6	12.0	9.0
Total Vegetable Oils	**39.8**		**60.8**		**92.5**		**132.8**	

Note; Quantity in millions of tonnes
Source: Oil World (2010), in Hai Teoh (2010)

World Bank issued its commodity forecasts in current US$, for energy, beverages, fats and oil, grains, other food, timber, other raw materials, fertilizers, and metals and minerals. They forecasted that the world prices of fats and oil which palm oil is included are shown below:

Commodity forecasts (current US$ prices)

Fats and oil (nominal)	2000	2010	2011	2012	2013	2015	2020
Coconut oil, $/mt, current	450	1,124	900	880	870	850	780
Groundnut oil, $/mt, current	714	1,404	1,340	1,345	1,350	1,325	1,200
Palm oil, $/mt, current	**310**	**901**	**830**	**825**	**820**	**800**	**715**
Soybean meal, $/mt, current	189	378	340	320	315	308	304
Soybean oil, $/mt, current	338	1,005	900	880	865	850	800
Soybeans, $/mt, current	212	450	420	410	400	390	375

Data for 2010 are actual and data for 2011 - 2020 are forecasts
Source: World Bank. Forecasts were prepared December 14, 2010 - Development Prospects Group, World Bank.

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 (5%) 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, accounted for 86% of global production.

Over the past years, and with the significant shortfall in supply for domestic demand for palm oil in the Philippines, there has been an upsurge of investment in the establishment of oil palm plantations and interest in establishing more palm oil mills. Local production can only supply 25% of what is needed by local industries; the remaining 75% is imported. Key industry players, particularly officers of the Philippine Palm Oil Industry Development Council, are enthusiastic about the bright prospect of increasing palm oil production amidst the soaring prices of this commodity on the world market, not to mention the great demand from the domestic market and the prospect of eventually exporting palm oil globally. The promotional taglines for the growth of palm oil industry include palm oil as the “sunrise industry” and the oil palm tree as the “tree of peace”.

2009 Philippine Crude Palm Oil Production

Product	Average Annual Production (MT)	Average Annual Usage (MT)	Shortfall (%)
Palm Oil	54,333	94,400	42.5
Palm Kernel	6,544	7,277	10.0

Based on 2009 industry data of CPO production and consumption, the shortfall in domestic consumption has an estimated worth of importation of palm oil of around PhP 840.03M (USD 14.83 M). With an annual increase of consumption at a conservative level at 5% and with a plantation gestation period of four years before harvest, the present trend of expansion of oil palm plantation is highly unlikely to catch up with the growing domestic demand. *(http://www.forestpeoples.org/sites/fpp/files/publication/2011/11/chapter-4-oil-palm-expansion-philippines.pdf)*

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 reqion suitable for oil palm planting. Based on the report presented during the mini-workshop on Oil Palm Planning conducted in June 2008, the Philippines has developed at least a total of more than 46,000 hectares of land for oil palm with only some 20,000 hectares of oil palm trees in year 2000. Caraga region registers as the largest area of more than 17,000 hectares or 37% of total oil palm area in the country. Major players include Filipinas Palm Oil Plantations, Inc., Agusan Plantations Inc. and Kenram Philippines Inc.

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/wpcontent/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.

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)

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).

In 2012, the world market experienced a price reduction of the palm oil during the last quarter which reflected the same scenario in the Philippines. The palm oil industry was affected by the reduction of export tariff of Indonesia where local processors opted to buy from Indonesia rather from local producers who cannot offer a lower price due to VAT, technical smuggling and higher cost of transport to Manila, etc.due to poor road network.(*http://ppdci.org/wp-content/uploads/2013/02/Coping-with-the-Price-Fluctuation-of-OP-and-Climate-Change.pdf)*

Plan of Action

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 2015, about 3,699.085 (gross area) hectares were already acquired for development, of which almost 1,547.96 hectares were planted while about 1,697.53 hectares total area for planting (are prepared to be available for planting for Nakeen Corp). ABERDI is targeting to plant additional 100 hectares. 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. have 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 engaged 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.

PROSPECTS OF 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.

Plan of Action

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.

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.

Significant Change in the number of employees

The Brown Group of Companies foresees significant change in the number of employees at around fifteen (15) new employees 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 the business as the need arises.

Item 7. FINANCIAL STATEMENTS

Please see the attached Audited Consolidated Financial Statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules, presented herewith as Exhibit VI.

Item 8. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The accounting firm of Constantino Guadalquiver & Co., (CG & Co.) was duly appointed as the Independent Public Accountants on 28 August 2009. Representatives of CG & Co. shall be present during annual meetings and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

There was no instance that CG & Co. had any disagreement relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure. Per SEC Memo Circular of 2005 – Amendments to SRC Rules 68 and 68.1, "… the external auditors shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The reckoning date for such rotation shall commence in year 2002 …". For five consecutive years (2009 to 2013), Rogelio M. Guadalquiver is the Partner-In-Charge of the independent examination. For the audit year 2015 and 2014, Annalyn B. Artuz is the Partner-In-Charge.

External Audit Fees and Services

A) Aggregate fees billed for the calendar years 2015 and 2014 for the audit of financial statements:

	2015	2014
1) Regular Annual Audit of Financial Statements (inclusive of VAT)	P 470,400	P 414,400

2) The nature of services comprising the fees includes the following:
   a) Audit in accordance with generally accepted auditing standards.
   b) Examination of the company's internal control structure for the purpose of establishing a basis for determining the nature, timing and extent of auditing procedures necessary for expressing an opinion.
   c) Procedures designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements.
   d) Audit and Business Advisory

The audit fee of the parent's seven (7) subsidiaries in 2015 and nine (9) subsidiaries in 2014 were P313,600 and P337,120, respectively.

B) Aggregate fees billed for the calendar years 2015 and 2014 for Tax Compliance Audit are as follows:

	2015	2014
1) Tax Compliance Audit (Inclusive of VAT)	P -	P -

2) The nature of services comprising the fees includes the following:
   a) In-depth review of company's records to ascertain compliance with the rules and regulations of the Bureau of Internal Revenue and the local government;
   b) Review completeness of documents for BIR and local government purposes;
   c) Evaluation of income and business tax positions based on past and current operations to determine tax savings and/or exposures;
   d) Recommend corrective measures to ensure compliance with tax laws; and
   e) Recommend measures for tax- savings purposes.

C) There are no services other than the services reported under items (a) and (b).

Reyes, Tacandong & Company is the external tax consulting firm who conducted the 2011 tax compliance audit of the parent and some of its subsidiaries. Currently, the firm is retained as tax consultant.
The ABCI Audit Committee recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

During end-of-audit, an initial conference by the external auditors with the management's authorized representatives discuss the initial findings. After the clarification conference, the external auditors together with the partner in-charge will discuss before the rest of the Audit Committee. If there are any revisions, another round of discussion will be set before the audited reports are finalized, accepted and approved.

Part IV MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

Board of Directors for June 2015 – June 2016

Listed below are ABCI's directors with their corresponding positions and offices held. The directors assumed their directorship during the annual stockholders' meeting for a term of one year.

INFORMATION ABOUT EACH DIRECTOR AND EXECUTIVE OFFICER

WALTER W. BROWN, Executive Chairman

Walter W. Brown, Filipino, 76, is the Chairman of A Brown Company, Inc., Palm Thermal Consolidated Holdings Corporation, Palm Concepcion Power Corporation, PeakPower Energy Inc., and A Brown Energy & Resources Dev't. Inc., President and CEO of Apex Mining Inc., a company listed in the Philippine Stock Exchange and Director of Monte Oro Resources and Energy, Inc.

He received two undergraduate degrees: B.S. Physical Science (1959) and B.S. Geology (1960), both from the University of the Philippines, and post graduate degrees from Stanford University: M.S. Economic Geology (1963), and Ph.D. in Geology, Major in Geochemistry (1965). He was also a candidate in Master of Business Economics (1980) from the University of Asia & Pacific (formerly Center for Research & Communications).

He was formerly associated with the following Philippine companies as Chairman or as President or Director: Atok Big Wedge Co, Inc., Philex Mining Corporation, National Grid Corporation of the Philippines, Atlas Consolidated Mining Co., Philodrill Corporation, Petroenergy, Philippine Realty & Holdings Corporation, Dominion Asia Equities, Inc. (Belle Corp.), Palawan Oil & Gas Exploration (Vantage Equities), 7 Seas Oil Company, Inc. (Abacus), Universal Petroleum (Universal Rightfield), Sinophil Corporation, Asian Petroleum Corporation, Acoje Mining Corporation, Semirara Coal Corporation, Surigao Consolidated Mining Inc., (Suricon), Vulcan Industrial and Mining Corporation, San Jose Oil, Seafront Petroleum, and Basic Petroleum. He was also Technical Director of Dragon Oil, a company listed on the London Stock Exchange.

He is currently the Chairman and Director of Family Farm School (PPAI), Chairman and President of Studium Theologiae Foundation, Member of the Board of Trustees of Xavier University from 2003 to 2014 as Vice Chairman from 2006-2014 and member of the Geological Society of the Philippines.

ANNABELLE P. BROWN, Director

Ms. Annabelle P. Brown, Filipino, 73. Director of A. Brown Company, Inc. from 1992 to present. She holds the position of: Treasurer since 1993 to July 2011, Chairman of the Committee on Corporate Culture and Values Formation and Executive Committee and Member of the Compensation Committee.

She is President and Director of PBJ Corporation; Chairman of the Board of Petwindra Media Inc.; Treasurer of Brown Resources Corporation; Treasurer/ Director of Bendana-Brown Holdings Corporation, Pine Mountain Properties Corporation. She is also a Director of the following corporations: North Kitanglad Agricultural Corp., Cogon Corporation and Shellac Petrol Corp. She has no directorship in other listed companies.

Her civic involvement includes: Founding Chairperson of Alalay sa Pamilya at Bayan (APB) Foundation, Inc. (*2009 to present*), Development Advocacy for Women Volunteerism (DAWV) Foundation, Inc. (*1988 to present*), Professional and Cultural Development for Women (PCDW) Foundation, Inc. (*1979 to present*); Consultant/Moderator of EDUCHILD Foundation, Inc. *(1985 to present)* and Chair of the Rosevale School, CDO (*2011 to present*).

Mrs. Brown holds a Bachelor of Science in Business Administration degree from the University of the Philippines, Diliman, Quezon City and is a candidate for a degree in Masters in Business Economics at the University of Asia and Pacific (formerly CRC).

For her outstanding contribution to the academe, business and socio-community development, Mrs. Brown is a recipient of several awards and citation, latest are the 2010 Soroptimists Award and 2010 UPCBA Distinguished Alumna Award.

GERARDO DOMENICO V. LANUZA, Director

Mr. Gerardo Domenico V. Lanuza, Filipino, 33, Director, August 3, 2009 to present. Currently, he is a Director, Executive Vice-President and Chief Operating Officer of Philippine Realty and Holdings Corp., a company listed in the Philippine Stock Exchange; Director, Vice President and Treasurer of Campos, Lanuza & Co., Inc.; Director and Vice President of Greenhills Properties, Inc., He is also the President and CEO of Meridian Assurance Corp. Formerly, he was a Director of British United Automotive Corp. and Klassik Motors Corp. He finished his Legal Management course from the De La Salle University (2006).

ANTONIO S. SORIANO, Director

Atty. Antonio S. Soriano, Filipino, 67, Director from Aug 2007 to present and Corporate Secretary (June 2002 to Nov. 2008). He obtained his Bachelor of Laws Degree from the University of the East in 1974 and was admitted to the Bar in 1975. He is the Senior Managing Partner of Soriano, Saarenas & Llido Law Office. He acts as the Corporate Secretary of the following: RISE Foundation, Inc. (1994 to present), ICS Development Corporation (1980 to present), PACEMAN General Services (1993 to present), Kagayhaan-Davao Resources Management Corporation (1994 to present), Kagayhaan - Cagayan de Oro City Resources Management Corporation (1993 to present), Chairman of Xavier Sports and Country Club (2000 to present), and Roadside Shops, Inc. (2000 to present). He is the Chairman of Cagayan de Oro Medical Centre, Philippine National Red Cross and First Industrial Plastic Ventures, Inc. (present). He is also active in civic and professional organizations like Integrated Bar of the Phils. – Misamis Oriental Chapter (Vice-President 1984-1986), Rotary Club of Cagayan de Oro City (IPP & SAG), Philippine Association of Voluntary Arbitrators (member - 1994) and Court of Appeals Mediation-Mindanao Station (member - 2007). He was also elected as Vice Mayor of Cagayan de Oro City from 1992-1995 and member of the City Council of the same city from 1988-1992. During his tenure he was able to pass several ordinances and resolutions that contributed to the development of the City. He has no directorship in other listed companies.

ROBERTINO E. PIZARRO, Director/President

Mr. Robertino E. Pizarro, Filipino, 61, August 2003 to present. He finished the course on Strategic Business Economic Program at University of Asia and the Pacific (Aug 2002–Aug 2003). He is also the President of ABERDI, Brown Resources Corporation, NAKEEN Corporation (February 26, 1997 to present), Xavier Sports and Country Club (1999 to present), Andesite Corporation, Bonsai Agricultural Corporation and Minpalm Agricultural Co., Inc. (2004 to present). Former President and now Director of Philippine Palmoil Development Council, Inc. (PPDCI). He has no directorship in other listed companies.

ELPIDIO M. PARAS, Independent Director

Engr. Elpidio M. Paras, Filipino, 63, Independent Director, June 28, 2002 to present. He obtained his Bachelor of Science major in Mechanical Engineering from the De La Salle University (1974). He is the President and CEO of Parasat Cable TV, Inc. (1991 to present), UC-1 Corporation (2002 to present), Arriba Telecontact, Inc. (2005 - present). , Trustee - Promote CDO Foundation, Inc. (2005 to present), President – Cagayan de Oro Chamber (2007), Chairman of the Board of Trustees – Xavier University (2007 to present) and independent director of Southbank. He is a founding member of the Philippine Society for Orphan Disorders (PSOD). He was also a Board member of the Cagayan de Oro International Trade and Convention Center Foundation, Inc. (2005). He is also a member of PhilAAPA (Philippine Association of Amusement Parks& Attractions), and Member of the Board of trustees of Maria Reyna-Xavier University Hospital, Inc. (MRXUH).He was also three time Pres. and Chairman of the Philippine Cable TV Association. He has no directorship in other listed companies.

THOMAS G. AQUINO, Independent Director

Dr. Thomas G. Aquino, Filipino, 67, March 12, 2012 to present. He has professional expertise in several fields namely business strategy, trade, investments and technology promotions, industrial policy and international trade negotiations.

He is Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He specializes in economic policy related to reinvigorating manufacturing for regional and global competition. He is Chairman of NOW Corporation, a publicly listed firm engaged in telecommunications, media and technology, and an Independent Director of Alsons Consolidated Resources Inc., also a publicly listed firm involved in property development and power generation in Mindanao. He is Vice-Chairman of Knowledge Professionals Service Cooperative Inc., a cooperative among knowledge professionals committed to advance Philippine IT competencies in various fields of endeavour

Dr. Aquino was formerly Senior Undersecretary of the Philippine Department of Trade and Industry. He managed international trade promotions by assisting exporters to the country's trade partners and led the country's trade negotiations work in the World Trade Organization and Asean Free Trade Agreement and representation in Asia Pacific Economic Cooperation. He was the lead negotiator for the Philippines-Japan Economic Partnership Agreement, the first bilateral free trade agreement for the Philippines. He was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country at home and abroad by the President of the Republic of the Philippines.

He obtained a Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from the Graduate School of CRC (now UA&P) in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

ROEL Z. CASTRO, **Director/Executive Vice President – Business Development**

Mr. Roel Z. Castro, Filipino, 49, Executive Vice President for Business Development joined the company last May 2010 and has become a Director since December 2012. He finished his Bachelor of Science in Agricultural Business degree at the University of the Philippines – Los Baños with Best Special Problem (Thesis) Award in 1988. He also earned his Master in Management at Asian Institute of Management with commendation from the faculty in 1997.

He had written and presented technical articles such as Issues and Concerns in Agri-Enterprises Development in the Philippines and Investment Portfolio on Renewable Energy Projects in the Philippines, among others. His broad range of experience in general management covers: project management and development, brand marketing and management, financial management, financial valuation and modelling, agri-business systems, policy analysis, development banking and corporate planning, strategic planning and organizational development

Currently, he is also the President of the following companies: Palm Thermal Consolidated Holdings Corp., Palm Concepcion Power Corporation, Peakpower Energy, Inc., Peakpower Soccargen, Inc., Peakpower San Francisco, Inc., Peakpower Bukidnon, Inc. and Hydro Link Projects Corp. These companies are engaged in power generation such as coal-fired, bunker-fired and hydro power. He has no directorship in other listed companies.

Before his stint as EVP for Business Development in ABCI, he was the Head of the Corporate Affairs Department and Concurrent Special Assistant to the President/CEO of National Grid Corporation of the Philippines (NGCP). He was appointed as the Chief Finance Officer of Monte Oro Resources and Energy, Inc. (MORE) and Monte Oro Grid Resources Corporation (MOGRC). He held also various posts in other local power consulting companies. He also became the Country Head Marketing and Member of Country Leadership Team of Syngenta Philippines, Inc.; Enterprise and Investment Specialist and Area Head of Louie Berger International, Inc. (Phils.), Growth with Equity in Mindanao (GEM) Program. He rose from various positions in Mindanao Development Bank from Special Assistant to the Managing Director, Partnership Officer, Senior Manager of the Corporate Planning Unit and Assistant Vice President of the Corporate Support Division.

Company Officers of ABCI:

WALTER W. BROWN, Executive Chairman (refer above for his profile)

ROBERTINO E. PIZARRO, President (refer above for his profile)

ROEL Z. CASTRO, **Vice President – Business Development** (refer above for his profile)

RENATO N. MIGRIÑO, Treasurer

Mr. Renato N. Migriño, 68, Filipino, was appointed as Treasurer of A Brown Company, Inc. effective September 1, 2015. Currently, he is also the Treasurer of Apex Mining Company, Inc. and an Independent Director of Mabuhay Vinyl Corporation. These companies are listed in the Philippine Stock Exchange.

Prior to his joining A Brown, Mr. Migriño was Treasurer, Chief Financial Officer, Senior Vice President for Finance, and Compliance Officer of Philex Mining Corporation, Director and Chief Financial Officer of Philex Gold Inc., and Director of FEC Resources Inc., Silangan Mindanao Mining Co., Inc., Brixton Energy & Mining Corporation and Lascogon Mining Corporation. He was also formerly Senior Vice President & Controller of Benguet Corporation.

MARIE ANTONETTE U. QUINITO, Chief Finance Officer

Atty. Marie Antonette U. Quinito, 39, Filipino, joined the A Brown Group of Companies in November 2013 as Comptroller. She was appointed as Chief Finance Officer effective September 1, 2015. She finished her Bachelor of Science in Accountancy at the University of San Carlos Cum Laude in 1997. She became a Certified Public Accountant in December the same year. She finished her Masters in Business Administration at Southwestern University last May 2003. She finished her Bachelor in Laws at Xavier University Ateneo de Cagayan last May 2009 and passed the bar examination given last November 2011. She has taken up twenty four (24) units in Doctor in Education Planning and Supervision at COC Phinma. She has also taken courses with institutions such as the Asian Institute of Management and American Management Association.

She started as a Staff Auditor of Sycip, Gorres Velayo and Company, CPAs in November 1997. She joined the Multi Stores Corporation, Operator of SM Department Store Cebu in July 1998. After almost five years she was promoted to Finance and Admin Manager and was transferred to Shopping Center Management Corporation-Cagayan de Oro, the operator of SM Mall Cagayan de Oro. She spent fifteen (15) years of her life with the SM Group of Companies.

JOHN L. BATAC, Vice-President – Construction and Development

Engr. John L. Batac, Filipino, 47, AVP from Aug 2008 until he was appointed as VP effective June 2014. He is a Civil, Sanitary and Geodetic Engineer. He graduated from the University of the East in 1991 for his Civil Engineering course, at National University in 1994 for Sanitary Engineering and at The University of Northern Eastern Philippines in 1998 for Geodetic Engineering. He used to be an Instructor at International Training Center for Surveyors (Sept 1991 to April 1995), a Manager for Project Development of A Brown Company, Inc. (May 1995 to July 2000) and a Technical Consultant of Green Square Properties Corp. (2000 to 2008). He is also a member of the following organizations: Philippine Institute of Civil Engineers (PICE), Philippine Society of Sanitary Engineers (PSSE) and Geodetic Engineers of the Philippines (GEP).

JASON C. NALUPTA, Corporate Secretary

Jason C. Nalupta, Filipino, 44, is the Corporate Secretary of the Corporation. He is also currently the Assistant Corporate Secretary of listed firm Pacific Online Systems Corporation. He is also either a Director and/or Corporate Secretary or Assistant Corporate Secretary of Lucky Circle Corporation, Loto Pacific Leisure Corporation, Total Gaming Technologies, Inc., Basic Leisure and Gaming Networks, Inc., and Stage Craft International, Inc. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Mr. Nalupta earned his *Juris Doctor* degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Mr. Nalupta was admitted to the Philippine Bar in 1997.

ANNA FRANCESCA C. RESPICIO, Asst. Corporate Secretary

Anna Francesca C. Respicio, Filipino, 30, is the Assistant Corporate Secretary. She is the incumbent Corporate Secretary or Assistant Corporate Secretary of the following listed I-Remit, Inc., Jolliville Holdings Corporation, Discovery World Corporation, and First Abacus Financial Holdings Corporation, as well as the following registered corporations: Sterling Bank of Asia, Inc. (A Savings Bank), Tagaytay Highlands International Golf Club, Inc, The Spa and Lodge at Tagaytay Highlands, Inc., and Fidelity Securities, Inc.

Atty. Respicio obtained her Bachelor of Arts degree (major in Philosophy) in 2007 and her *Juris Doctor* degree in 2011 from the Ateneo de Manila University. She is currently a Senior Associate at Tan Venturanza Valdez. She was admitted to the Philippine bar in April 2012.

b) Identify Significant Employees

Every employee of the Company is expected to perform the function assigned to him and contribute his share to the business. While each employee's role is important, there is no employee who is not an executive officer who is expected by the company to make a significant contribution to the business.

c) Family Relationship

Walter W. Brown, the Chairman of the Company, is married to Annabelle Pizarro Brown., Mr. Robertino E. Pizarro, the President of the Corporation, is the brother of Annabelle Pizarro Brown. Mrs. Cristina P. Pizarro, the General Manager of BRC is the wife of Mr. Robertino E. Pizarro. The Operations Manager of ABERDI, Mr. Juan Paolo Pizarro is the son of Mr. Robertino E. Pizarro and Mrs. Ma. Cristina P. Pizarro.

d) Involvement in Certain Legal Proceedings

The Company has no knowledge of any involvement by the members of the Board of Directors or Executive Officers in any legal proceeding affecting or involving themselves or their properties, or of said persons being subject to any order, judgment or decree before any court of law or administrative body in the Philippines. Neither have said persons filed any petition for suspension of payments or bankruptcy/ insolvency nor have been convicted by final judgment of any violation of a securities or commodities law or any offense punishable by laws of the Republic of the Philippines or any other country during the past five (5) years up to the latest date.

Item 10. EXECUTIVE COMPENSATION

Directors

The regular directors receive P10,000 while the Chairman of the Board and the independent directors receive P15,000 as per diem for every board and committee meeting. As provided in the By-Laws Article V, Section 1 (as amended and adopted by the BOD on March 12, 2012 pursuant to the power delegated by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation), a bonus may be distributed to the members of the Board of Directors, officers and employees "upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis…" The said bonus is to be pro-rated with respect to Director's attendance and for those who have served for less than one year.

Officers The Company adopts a performance-based compensation scheme as incentive. Payments to all senior personnel from Manager and up were all paid in cash. The total annual compensation includes the basic salary and other variable pay (performance bonus and other taxable income). Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund.

Other than the previously exercised stock option plan, there are no stock, non-cash compensation, warrants or options granted to the officers and directors. There are no other material term or other arrangement, other than the above to which any Director / officer named above was compensated.

Summary Compensation

Name	Position	As of December 31, 2015			2016 (Estimates)		
		Salary	Per Diem*	Others/Bonus	Salary	Per Diem*	Others/Bonus
Walter William B. Brown Robertino E. Pizarro Rosa Anna Duavit-Santiago John L. Batac Marie Antonette U. Quinito all above-named Directors & Officers as a group	Chairman President VP / Chief Finance Officer VP- Construction & Dev't. Controller, then CFO	20,637,365	162,000	2,826,270	16,397,647	191,000	1,406,471
all other officers and directors as a group unnamed *includes travel allowance*		21,290,705	575,000	3,551,735	19,145,919	736,000	1,595,493

Name	Position	2014		
		Salary	Per Diem*	Others/ Bonus
Walter William B. Brown Robertino E. Pizarro Rosa Anna Duavit-Santiago Ma. Antonette U. Quinito John L. Batac all above-named Directors & Officers as a group	Chairman President VP / Chief Finance Officer Controller VP - Construction & Dev't	20,024,408	220,000	2,592,511
all other officers and directors as a group unnamed *includes travel allowance*		17,681,021	585,000	3,299,628

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNER

a) As of December 31, 2015, the company knows of no beneficial owner of 5% or more among stockholders except as set forth below:

Title of Class	Name and Address of Record / Beneficial Owner	Relationship with Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	No. of Shares Owned	Percent of Class
Common	**PCD Nomineee Corporation**** (adjusted) 37/F Enterprise Bldg., Makati City	PCD Nominee	various shareholders	Filipino/Alien	610,363,879	35.22%
Common	**Walter W. Brown** No. 10 Temple Drive, Greenmeadows Q. C.	Executive Chairman	direct & indirect	Filipino	543,374,699	31.36%
Common	**Annabelle P. Brown** No. 10 Temple Drive, Greenmeadows Q. C.	Director	direct & indirect	Filipino	325,866,870	18.81%
Common	**Philippine Realty & Holdings Corp.** 5/F East Tower, Tektite Bldg, Ortigas Pasig City	Stockholder	direct	Filipino	123,715,000	7.14%
	Total				1,603,320,448	92.52%

	*** PCD Nominee Corporation has a total shares of 1,198,466,319 or 69.16% of the outstanding capital stock (OCS) including clients - beneficial owners owning 5% or more as enumerated below:*		
	*** The following are the PCD participants with shareholdings of 5% or more of the OCS:*		
	COL Financial Group, Inc. *2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	*297,329,314*	*17.16%*
	Campos, Lanuza & Company, Inc. *Unit 2003B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	*463,601,299*	*26.75%*
	Maybank ATR-Kim Eng Securities, Inc. *17F, Tower One & Exchange Plaza, Makati City*	*129,893,128*	*7.50%*
	*** The following are the clients - beneficial owners of the PCD participants owning 5% or more of the OCS:*		
	Walter W. Brown (direct and indirect) *No. 10 Temple Drive, Greenmeadows, Quezon City*	*402,553,188*	*23.23%*
	Annabelle P. Brown (indirect) *No. 10 Temple Drive, Greenmeadows Q. C.*	*75,115,502*	*4.33%*
	Philippine Realty & Holdings Corp. *5/F East Tower, Tektite Bldg, Ortigas Pasig City*	*110,433,750*	*6.37%*

- PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants who hold shares on their behalf or in behalf of their clients. PCD is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines.
- Phil. Realty and Holdings Corporation is represented by Mr. Gerardo Domenico V. Lanuza, Director. He has the right to vote or direct the voting or disposition of the PRHC's shares

(b) Shares held by Directors and Executive Officers as of December 31, 2015

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Owned	Nature of Ownership (r/b)	% of Class
Common	Walter W. Brown	Filipino	543,374,699	direct & indirect	31.3570%
Common	Annabelle P. Brown	Filipino	325,866,870	direct & indirect	18.8051%
Common	Robertino E. Pizarro	Filipino	2,370,870	direct & indirect	0.1368%
Common	Gerardo Domenico Antonio V. Lanuza	Filipino	13,202	r/b	0.0008%
Common	Elpidio M. Paras	Filipino	1,318	r/b	0.0001%
Common	Antonio S. Soriano	Filipino	1,318	r/b	0.0001%
Common	Thomas G. Aquino	Filipino	1,250	r/b	0.0001%
Common	Roel Z. Castro	Filipino	1,250	r/b	0.0001%
Common	Renato N. Migriño	Filipino	0	-	0.0000%
Common	John L. Batac	Filipino	0	-	0.0000%
Common	Marie Antonette U. Quinito	Filipino	0	-	0.0000%
	Total		871,630,777		

(c) Changes on control – There had been no change of control in the company that had occurred since the beginning of the last fiscal year. Furthermore, management is not aware of any arrangement which may result in a change in control of the company.

(d) Voting Trust Holder – A Brown Company, Inc. knows no person/s holding more than 5% of common shares under a voting trust or similar agreement.

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

The company, being a parent company, in its regular course of trade or business, enters into transactions with its subsidiaries consisting of reimbursement of expenses, purchase of other assets, construction and development contracts, management, marketing and service agreements. Sales and purchases of goods and services to and from related parties are made at arms-length transaction.

No other transaction was undertaken by the Company in which any Director or Executive Officers was involved or had a direct or indirect material interest except on the receipt of loan from the family of Dr. Walter W. Brown amounting to ₱ 107,280,000 for ABCI duly supported by promissory notes in 2012, P 60,000,000 in 2014 and another P50,000,000 in 2015.

The parent company purchased 29,376,039 ordinary shares of PhiGold Limited on November 29, 2011. Before the transaction, Dr. Walter W. Brown, ABCI Chairman of the Board has an interest in PhiGold Limited through his shareholdings under Strait Fire Capital, Limited, the seller of the 18,230,833 ordinary shares. Strait Fire Capital, Limited is a company registered in the British Virgin Islands. He is also currently the Chairman of PhiGold Limited. The additional purchase of 11,145,206 shares is an original subscription of PhiGold Limited ordinary shares. The consideration or the value of the transaction was determined from the results of the feasibility y study conducted and negotiation reached. The number of shares acquired and price per share are as follows: US$ 3,000,000 for the 18,230,833 ordinary shares at US$ 0.16/share; US$ 2,000,000 for the 11,145,206 ordinary shares at US$ 0.18/share with a total of US$ 5,000,000 for the 29,376,039 ordinary shares at US$ 0.17/share. The company will pay in Philippine Peso (Php) equivalent of the US Dollars (US $) broken down as follows: For the $3 million payable to Strait Fire Capital, Limited: $ 1 million at Php 42,000,000 and $2 million at closing rate of November 29, 2011 of Php 43.64 or Php 87,280,000, the total amount of Php 129,280,000 will be paid on or before the end of two (2) years from the date of purchase; For the $2 million payable to PhiGold Limited: $2 million at Php 85,000,000 payable on November 9, 2011. As of the end of the 2012, ABCI has paid the Strait Fire payable.

For the past five years, the Company did not enter into any contract with promoters.

PART V - CORPORATE GOVERNANCE

Item 13. Discussion of Compliance with leading practices on Corporate Governance:
Please refer to attached ACGR – Exhibit VIII

a. The Company has participated in the Corporate Governance Survey per SEC Memorandum Circular No. 8, series of 2008 and used the CG Scorecard as its performance evaluation checklist for year 2009 to 2012. With the issuance of SEC Memorandum Circular No. 5 Series of 2013, as amended, the Company submitted its Annual Corporate Governance Report (SEC Form ACGR) for 2012 on July 1, 2013. The Consolidated Changes in the Annual Corporate Governance Report for 2013 (with updates as of May 9, 2014) was submitted on May 13, 2014. The Consolidated ACGR for 2014 was submitted on January 9, 2015. The Consolidated ACGR for 2015 was submitted on January 8, 2016.

b. The Company's Corporate Governance Compliance Officer submitted the Certification on Compliance with its Revised Manual on Corporate Governance for Year 2012 to the SEC on January 29, 2013 and to the PSE on

February 04, 2013 confirming that ABCI has conformed to and complied with the provisions and leading practices and principles on good corporate governance as set forth in the Manual and SEC Code of Corporate Governance, as amended. The Company likewise submitted its 2015 PSE Corporate Governance Guidelines Disclosure Template to the exchange and duly posted on the PSE website on March 29, 2016 reflecting the company's level of adoption of the PSE recommended corporate governance guidelines as embodied under PSE Memorandum No. 2010-0574 dated November 26, 2010.

c. The Company's Corporate Secretary submitted to the SEC on January 6, 2016 the Certification on attendance of members of Board of Directors for the year 2015. The directors' attendance to the nine (9) Board meetings held for the year is as follows:

	Date of Meeting								
	Jan	March	June	June	June	July	Aug	Oct	Dec
	9	19	15	19	19*	29	25	27	8
Walter W. Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annabelle P. Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓
Robertino E. Pizarro	✓	✓	✓	✓	✓	✓	✓	✓	✓
Elpidio M. Paras	✓	✓	✓	-	-	✓	✓	✓	✓
Thomas G. Aquino	✓	✓	✓	✓	✓	✓	✓	✓	✓
Antonio S. Soriano	✓	✓	✓	-	-	✓	✓	✓	✓
Roel Z. Castro	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rosa Anna Trinidad Duavit-Santiago	✓	✓	✓	✓	✓	✓	✓		
Gerardo Domenico Antonio V. Lanuza	✓	-	✓	-	-	✓	✓	✓	-

d. Part of the measures being adopted by ABCI in order to comply with the leading practices is the participation and attendance by members of the Board and top level management in corporate governance initiated by accredited institutions. For 2015, fifteen (15) directors and officers attended a seminar on Corporate Governance in compliance with SEC Memorandum Circular No. 20 Series of 2013.

e. Annual self-assessment of the Board of Directors to determine compliance not only with its Manual of Corporate Governance but also all other regulations and rules prescribing good corporate governance is regularly being done.

f. Adoption of best practices and creation of different committees such as Audit, Nomination, Compensation and Governance. The Board of Directors organized the committee - Committee on Corporate Culture and Values Formation to promote, foster, and institutionalize the corporate vision, mission, core values, good corporate governance and ethical conduct among the members of the Board, officers and employees of the company. The formation of the Risk Committee to effectively manage financial and business risks in accordance with company's risk profile and risk culture will strengthen the company's position in terms of mitigated exposures. The different board and management committees also perform oversight functions over compliance with the Manual and other corporate policies of ABCI.

g. The Board of Directors through the Governance Committee has approved in December 2014 the Company's whistle blowing policy which provided the guidelines on handling employee disclosure or complaints of violation of the corporate governance rules which protects whistleblower from retaliation and ensures confidentiality and fairness in the handling of a disclosure or complaint. Likewise, the Insider Trading Policy has been approved to apprise and ensure compliance by all members of the Board of Directors, officers and employees of their obligations under the applicable securities laws to refrain from trading (buying and selling) the Issuer's securities based on inside information and tipping or passing information to someone who may use such information to trade Issuer's securities during prescribed blackout periods. The policy also includes the requirement to report their direct and indirect beneficial ownership of the Issuer's shares as well as any changes in such beneficial ownership within the prescribed period. The policy was adopted in keeping with the trend on sound corporate governance practices that support the integrity of capital market based on the principle of "equal opportunity based on equal access of information".

h. The Compliance Officer of ABCI coordinates with the Board and management committees in monitoring compliance with the Manual, determine the violations, if any, and recommend penalties for such violations. He/She also helps identify, monitor and control compliance risks.

There are no known material deviations from the Manual on Corporate Governance by ABCI.

PART VI – Corporate Social Responsibility

Initiative	Beneficiary
1.) Mind Diet (Communal Vegetable Garden)	ABCI implemented the mind diet program to Opol and Kalabugao Plantation workers by making a Communal Vegetable Garden planted with Eggplant, Beans, Atsal, Carrots, Tomatoe and Pechay. The purpose of this is to provide sustainable supply of organic vegetables for ABERDI Plantation workers and their families.
2.) Sportsfest (Opol, Kalabugao, ABERDI Mill)	ABERDI conducted its Sportsfest for Opol Plantation workers on July 25, 2015 at Xavier Sports and Country Club. Kalabugao Plantation workers on November 13-14, 2015 at Kalabugao Basketball Court, Kalabugao, Impasugong, Bukidnon. ABERDI Mill on December 12, 2015 at Impasugong Gymnasium, Impasugong, Bukidnon. The said sportsfest aims to develop a pool of physically fit plantation based workers and to engage workers in company wellness activities. Also to make them feel part of the Brown Group of Companies Family.
3.) Christmas Gift For former Typhoon Sendong Victims -December 2015	ABCI extended assistance of P 800,000 pesos worth of packed ham and queso de bola to more than 2,000 victims of Typhoon Sendong in Barangays Puntod, Macasandig and Indahag, Cagayan de Oro City on December 2015.
4.) Medical Mission	AB Bulk Water Co., Inc. (ABWCI) , a subsidiary of ABCI, participated last December 30, 2015, in a one day Medical

	Dental Mission conducted by LGU-Opol in cooperation with the Rotary Club of Opol. A total of 1,200 indigent families, most of whom were fire victims have availed of the free clinic held at Taboc, Opol, Misamis Oriental.
5.) ABCI Scholarship Program – on going since 2011	Six (6) college students belonging to the Higaonon tribe from Kalabugao, Impasugong, Bukidnon are recipients of the ABCI Scholarship program. Of the six ABCI Scholars, four of them already graduated namely: **1.Brian Sanugan Camahay, 2. Mailyn Sanugan Lisboa, 3. Melanie Sanugan Sujetado, 4. Emegene Quinhayan Sanugan.** One of the four who graduated **(Brian Sanugan Camahay)** is now employed with ABERDI as ComRel Coordinator. The remaining two Scholars **(Shiela Mae Sanugan Camahay and Liezl Sanugan Salingay)** are currently enrolled at Bukidnon State University to graduate this March 2016. Another new batch of Scholars this year, four freshmen students as replacement of the four graduates are currently enrolled at Misamis Oriental State College of Agriculture and Technology taking up Bachelor of Science in Agriculture.
6.) LET passers	Two among the four graduates of ABCI scholars namely: **Mailyn Sanugan Lisboa and Melanie Sanugan Sujetado** graduated with the degree of Bachelor of Science in Elementary Education at Bukidnon State University last March 2015. Fortunately, they had passed the Licensure Examination for Teachers taken last September 28, 2015.
7.) Breast Cancer Awareness Campaign Seminar	On June 23-24, 2015, A Breast Cancer Awareness Campaign Seminar (lecture and forum) with risk factor assessment, one-on-

	one consultation, and breast cancer screening was held at Xavier Estates, Cagayan de Oro City. This is to increase awareness and help resolve issues regarding breast cancer. One Hundred Five employees from Brown Group of Companies, Rosevale School, XEHAI and agency workers in SPI and Interserve joined the 2 day seminar campaign and underwent the Physical Breast Cancer Examination with the assistance of the team of nurses and doctors of G2L. Gift2Life Inc. (G2L), is a community- and volunteer-based nonprofit, non-stock, healthcare catalytic innovator in knowledge and access to cause-related and chronic disease service processes.
8.) Blood-Letting Activity	A Blood-Letting Activity was held at Xavier Estates & Salawaga, Opol, Misamis Oriental on Feb. 13 & 20, Oct. 20 & 23, 2015 in partnership with Red Cross, HR organized/facilitated Bloodletting activities at Xavier Estate, Cagayan de Oro City with 48 successful blood donors and 50 successful blood donors at Salawaga, Opol. Participated by its employees, and friends and agency workers of the company. This blood-letting activity is an annual humanitarian activity of A Brown Group of Companies

PART VII – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits – See accompanying Index to Exhibits (page 69)
The following exhibit is incorporated by reference in this report:
(10) 2015 Consolidated Audited Financial Statements and Supplementary Schedules

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the company or require no answer

(b) Reports on SEC Form 17-C - Exhibit V (page 78)

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

A BROWN COMPANY, INC.
3304-C West Tower, PSE Centre, Ortigas Center, Pasig City
(Liaison Office)

Attention: **Atty. Jason C. Nalupta**
Corporate Secretary

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ________________ on March 18 , 2016.

A BROWN COMPANY, INC.
Issuer

By:

Walter W. Brown
Executive Chairman

Atty. Marie Antonette U. Quinito
Chief Finance Officer

Robertino E. Pizarro
President

Atty. Jason C. Nalupta
Corporate Secretary

APR 0 6 2016

SUBSCRIBED AND SWORN to before me this _______ 2016, affiants exhibiting to me their respective passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Walter W. Brown	EB3952116	October 27, 2011	Manila
Marie Antonette U. Quinito	EB4378330	January 8, 2012	Cagayan de Oro City
Robertino E. Pizarro	EB8037747	May 4, 2013	Cagayan de Oro City
Jason C. Nalupta	EB9957619	Jan. 10, 2014	Manila

Doc. No. 326
Page No. 66
Book No. 59
Series of 2016

ATTY. RICHARD I. ANOLIN
NOTARY PUBLIC until December 31, 2016
FOR CITY OF MANILA, PHILIPPINES
IBP LIFETIME NO. 05179/02 25 05/MLA
PTR NO. 4922461 01/05/16 Mla.
Roll No. 33596
MCLE COMPLIANCE NO. IV-00238501 8/16/14
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG.
#350 ANTONIO VILLEGAS ST.,
ERMITA MANILA TEL. 525-05-86
EMAIL ADD: attyrichardanolin@yahoo.com

INDEX TO EXHIBITS
FORM 17-A

n.a. not applicable or require no answer.

EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Please refer to Note 1 of the accompanying Notes to Consolidated Financial Statement for details.

EXHIBIT I

Item 1. Business

LIST OF ACCREDITED SUPPLIERS (TOP) – ABCI
FOR THE YEAR 2015

SUPPLIERS NAME	ADDRESS
AVP Trading & Construction	Baloy, Cagayan de Oro City
BME Partners, Inc.	Door #7, GSC/RA Bldg., Gusa Hi-way, Cagayan de Oro City
Carmen Lumber Trading	Vamenta Blvd, Carmen, Cagayan de Oro City
Dataworld Computer Center	#49 Don Tirso Neri St., Cagayan de Oro City
Davao Citi Hardware (BULUA)	Zone 1 Bulua, Cagayan de Oro City
De Oro Pacific Home Plus Corp. (BULUA)	Near Jetti Gas Station, Bulua Branch, CDO City
Desmark Corporation	Capt. Vicente Roa St., Cagayan de Oro City
Goldtown Industrial Sales Corporation	Pres. S. Osmeña Sr. St., Cagayan de Oro City
GTS Construction Supply & Devt. Corp.	Corrales Ext., Cagayan de Oro City
Holcim Philippines, Inc.	Lugait, Misamis Oriental
Isalama Industries Inc..	229 Pres. Sergio Osmeña St., Cagayan de Oro City
Microtrade GCM Corporation	092 /F ICS Bldg., Tiano-Montalvan Sts., Cagayan de Oro City
Mie Oro Plast Corporation	#68 J.V Serina St., Zone 6 Carmen, Cagayan de Oro City
Mindanao Ace Marketing	MAM Bldg. Don S. Osmeña St., Cagayan de Oro City
Monark Equipment Corporation	Km. 3 Kauswagan Nat'l Hi-way, Cagayan de Oro City
Oro Mighty Enterprises	#196 Corrales Avenue, Cagayan de Oro City
Oro Solid Hardware, Inc.	Don S. Osmeña St., Cagayan de Oro City
Sharp Electrical Supply, Inc.	#6 Osmeña St., Cagayan de Oro City
Transway Sales Corporation	Km. 3 Kauswagan Nat'l Hi-way, Cagayan de Oro City
UP Marketing	#11 Lapasan Highway, Cagayan de Oro City

LIST OF ACCREDITED SUPPLIERS (TOP 20) – ABERDI
FOR THE YEAR 2015

Trade Name	Owner's Name	Address
AGUMIL PHILIPPINES INC.	SAMUEL M. MONTON	BRGY MANAT, TRENTO, AGUSAN DEL SUR
AGWAY CHEMICALS CORPORATION		GFR BLDG LOT9-B JP LAUREL AVE DAVAO CITY
APOLONIO, CALDERON JR	APOLONIO, CALDERON JR	TACURONG CITY, SULTAN KUDARAT
ARA INDUSTRIAL SUPPLY	RONA P. MARQUIÑO	NO. 053 SACRED HEART VILLAGE CARMEN, CDOC
BACPHIL PLANTERS FERTILIZER CORP		J. PACANA ST., PUNTOD CDOC
BANK OF THE PHILIPPINE ISLANDS		CM RECTO AVE LAPASAN CDOC
BERNARDO, NOEL ANDREW	BERNARDO, NOEL ANDREW	TACURONG CITY, SULTAN KUDARAT
BROWN RESOURCES CORPORATION		XAVIER ESTATES AIRPORT ROAD UPPER BALULANG CDOC
BUKIDNON II ELECTRIC COOPERATIVE, INC.		MANOLO FORTICH, BUKIDNON
CONNEX TECHNOLOGY AND INDUSTRIAL SERVICES		371 SAN FRANCISCO, SAN PABLO CITY, LAGUNA
DY, LINO	DY, LINO	CAGAYAN DE ORO CITY
FIL CONVEYOR COMPONENTS	JAQUEFIL V. DACLAG	DOOR 6, CUI BUILDING, SAN PEDRO GUSA, CDOC
FIRST ASIANMETALS CORPORATION	ALONZO T. CHIONG	TABLON HIGHWAY, CDOC
JAS TRADING AND GENERAL SERVICES	MA. JOCELYN I. SAGRADO	T. NERI ST., BALOY TABLON CDOC
LIM, EDWARD	LIM, EDWARD	TACURONG CITY, SULTAN KUDARAT
MEGANTECH ENGINEERING CENTER		2/F NEO CENTRAL BLDG., CUGMAN, CAGAYN DE ORO CITY
MEM TRADING		TAGOLOAN, MISAMIS ORIENTAL
NGPI MULTI PURPOSE COOPERATIVE	NGPI MULTI PURPOSE COOPERATIVE	DAANG MAHARLIKA, BRGY. 3 POB., SAN FRANCISCO, AGUSAN DEL SUR
RAJAH BAGANI PROTECTIVE AGENCY INC	MARIE M. NOBLE	#1020 GUILLERMO HAYES STS., CDOC / 30-B NEO CENTRAL ARCADE CUGMAN CDOC
SERVICE PARTNERS INC		UNIT 302 3RD FLR., ORTIGAS ROYALE BLDG., ORTIGAS AVE., SAN JUAN, CAINTA, RIZAL
TAGBAGANI SECURITY AND INVESTIGATION AGENCY	MARIE M. NOBLE	P. RIZAL , BUTUAN CITY / 30-B NEO CENTRAL ARCADE CUGMAN CDOC
UNITED COCOUT PLANTERS BANK		OSMENA ST COR. LIMKETKAI DRIVE, CAGAYAN DE ORO CITY
VINISSAJAY AGRI SUPPLY	EDGAR D. YAP	JR BORJA EXTENSION GUSA CDOC
XAVIER SPORTS AND COUNTRY CLUB INC		XAVIER ESTATES, AIRPORT ROAD, CAGAYAN DE ORO CITY

EXHIBIT- IIa

Item 2. Properties

List of Properties as of December 31, 2015

Location	Area in Sq. Meters	Condition	Owner
Luzon: Angono, Rizal	263	An idle residential lot subject for sale	A Brown Company, Inc.
Binangonan, Rizal	148,953	Raw land which is suitable for residential development and near the vicinity of East Ridge Golf and Country Club	A Brown Company, Inc.
	294	An idle residential lot subject for sale	
Ortigas Ave., Pasig	87.30	Lot easement subject to expropriation - DPWH *(688.78 sold to Mission Hospital)*	A Brown Company, Inc.
Tektite, Pasig	110 37.5	Office unit w/ three parking slots at 12.5 sqm each *(leased to E Business Services, Inc.* *for 3 years from September 2014 to September 2017* *Lease rate starting at Php71,090.02 with 10%* *yearly escalation plus 12% VAT* Property along MaharlikaHigway - National Road	A Brown Company, Inc.
Culiat, Quezon City	5,550	Residential property with informal settlers and subject to land litigation	A Brown Company, Inc.
Tanay, Rizal	1,614,881	mostly raw land	A Brown Company, Inc.
	276,977	A raw land for title tranfer to ABCI since the (1) year redemtion period expired on January 2016. With Certificate of Sale from RTC, Malolos, Bulacan	Home Industry Dev. Corp.
Sitio Harangan Tanay, Rizal	32,383	Industrial; with office and warehouse building warehouse bldg. 5,952 sq.m. (GFA) *Ten-year contract with Bostik Philippines, Inc. starting* *Jan. 2015 to Dec. 2024 with 25%, 15%, 10% , 5% escalation.* *(Leased Area = 32,039.00 sqm)*	A Brown Company, Inc.

Note: all option to renew is subject to new terms and conditions, as the case may be

EXHIBIT- IIb

Location	Area in Sq. Meters	Condition	Owner
Mindanao:			
Initao, Misamis Or.	54,261	developed residential subdivision - Corral Resort Estate	A Brown Company, Inc.
	51,867	undeveloped land for residential use	A Brown Company, Inc.
	11,856	undeveloped land for residential use	A Brown Company, Inc.
Sasa, Buhangin, Davao City	1,296	developed land fronting the domestic airport, with hotel foundation for development	Epic Holdings Corp./ ABCI
Sirawan, Toril, Davao	51,418	raw land; for resort/residential development	EPIC (merged w/ABCI)
Cugman, Cagayan de Oro City	1160	developed with infastructure containing warehouse facilities and staff housing	Epic Holdings Corp./ ABCI
Brgy. Balulang, Cagayan de Oro City	969	subdivision lot at Xavier Estates	A Brown Company, Inc.
	916	subdivision lot at Xavier Estates	A Brown Company, Inc.
	345	subdivision lot at Xavier Estates	A Brown Company, Inc.
Upper Balulang, Cagayan de Oro City	468,743	developed residential subdivision Xavier Estates - Phase 4	A Brown Company, Inc.
Lower Balulang, Cagayan de Oro City	48,396	developed residential subdivision; economic housing; Xavierville Homes	A Brown Company, Inc.
Panginuman, Balulang, Cagayan de Oro City	90,957	developed residential subdivision Xavier Estates - Phase 5	A Brown Company, Inc.
	22,251	developed residential subdivision ; socialized housing - Mt. View Homes	A Brown Company, Inc.
	182,123	undeveloped land for residential use	A Brown Company, Inc.
	83,198	undeveloped land for residential use	A Brown Company, Inc.
	16,335	undeveloped land for residential use	A Brown Company, Inc.
Brgy. Balulang, Cagayan de Oro City	16,720	developed residential subdivision; socialized housing; St. Therese Subd.	MGCC (merged w/ ABCI)
	12,998	raw land for residential use	MGCC (merged w/ ABCI)
	23,618	undeveloped land for residential use	MGCC (merged w/ ABCI)
	5,198	undeveloped land for residential use	MGCC (merged w/ ABCI)
	10,900	undeveloped land for residential use, accretion	MGCC (merged w/ ABCI)
	33,780	undeveloped land	A Brown Company, Inc.
	38,832	undeveloped land	A Brown Company, Inc.

Lumbo, Valencia	117,244	developed residential subdivision - Valencia Estates Phase 1	EPIC (merged w/ABCI)
	211,277	undeveloped land for residential development - Valencia Estates	EPIC (merged w/ABCI)
Brgy. Agusan, Cagayan de Oro City	278,136	developed residential subdivision - Teakwood Hills	A Brown Company, Inc.
	121900	undeveloped land for residential use - Teakwood Hills 1	A Brown Company, Inc.
	30,914	undeveloped land for residential use - Teakwood Hills 2	A Brown Company, Inc.
	21,761	undeveloped land for residential use - Teakwood Hills 3	A Brown Company, Inc.
	47,200	undeveloped land for residential use - Teakwood Hills 4	A Brown Company, Inc.
	28,610	undeveloped land for residential use - Teakwood Hills 5	A Brown Company, Inc.
	13,355	undeveloped land for residential use - Teakwood Hills 6	A Brown Company, Inc.
	11,657	undeveloped land for residential use - Teakwood Hills 6	A Brown Company, Inc.
	19,054	undeveloped land for residential use - Teakwood Hills	A Brown Company, Inc.
Bonbon, Butuan City	201,370	developed residential subdivision - West Highlands	A Brown Company, Inc.
	53,600	undeveloped land	A Brown Company, Inc.
	2,955	undeveloped land	A Brown Company, Inc.
	29,551	undeveloped land	A Brown Company, Inc.
	10,000	undeveloped land for access road	A Brown Company, Inc.
	27,619	undeveloped land for residential use	A Brown Company, Inc.
	30,000	undeveloped land for residential use	A Brown Company, Inc.
	49,995	undeveloped land for residential use	A Brown Company, Inc.
	49,999	undeveloped land for residential use	A Brown Company, Inc.
	59,428	undeveloped land for residential use	A Brown Company, Inc.
	36,698	undeveloped land for residential use	A Brown Company, Inc.
	53,694	undeveloped land for residential use	A Brown Company, Inc.
Talakag, Bukidnon	221,230	raw land, utilized for quarrying; source of aggregates	Northmin Mining & Devt. Corp. (merged with ABCI)
Casisang, Malaybalay City	36,898	undeveloped land	A Brown Company, Inc.
MAMBUAYA	28,464	undeveloped land	A Brown Company, Inc.

EXHIBIT- IIc

Properties owned by the Subsidiaries

Location	Area in Sq. Meters	Condition	Owner
Pagahan, Initao Mis.Or.	7,840 T-27642	agricultural land for development in the future as a beach-front property	Bonsai Agri. Corp.
Impasug-ong, Bukidnon	16 hec. T-90115	agricultural land; 10 has. converted to agro-industrial & currently constructed the site of 10 T/hr palm oil mill and the 50T/day refinery	ABERDI = 5 has Nakeen Corp. = 5 has. Bonsai Agri. Corp. = 4 has. RFI (merged w/ BRC) = 2 has.
Libertad, Butuan City	20,000	undeveloped land for residential use	Andesite Corp.

EXHIBIT- III

A BROWN COMPANY, INC.
LIST OF TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2015

Rank	Name of Stockholders	Total Number of Shares Subscribed	Percent to Total Outstanding
1	PCD NOMINEE CORPORATION	1,198,466,319	69.1610%
2	BROWN ANNABELLE P.	188,829,288	10.8969%
3	BROWN, WALTER W.	136,200,000	7.8598%
4	JIN NATURA RESOURCES CORPORATION	85,000,000	4.9052%
5	PBJ CORPORATION	61,922,080	3.5734%
6	PHIL. REALTY & HOLDINGS CORP.	13,281,250	0.7664%
7	JUAT &/OR PATRICIA JUAT BRIAN	3,960,937	0.2286%
8	BROWN OR ANNABELLE P. BROWN WALTER W.	3,821,418	0.2205%
9	TAN A. BAYANI K.	1,694,267	0.0978%
10	PIZARRO ROBERTINO E.	1,060,613	0.0612%
11	TAN MA. GRACIA P.	815,595	0.0471%
12	BROWN (SPECIAL FUND) WALTER	797,895	0.0460%
13	JUAT DAVID NICHOLAS B.	782,207	0.0451%
	JUAT JOHN WALTER B.	782,207	0.0451%
	JUAT PAUL FRANCIS B.	782,207	0.0451%
14	DAVILA REGINA	782,052	0.0451%
15	JUAT &/OR MIGUEL VICTOR B. JUAT PATRICIA B.	781,273	0.0451%
16	FERNANDEZ LUISITO	710,956	0.0410%
	GANDIONCO ANDREA L.	710,956	0.0410%
	PIZARRO DANILO E.	710,956	0.0410%
	PIZARRO LOURDES	710,956	0.0410%
17	JUAT &/OR ANDREW PATRICK JUAT PATRICIA B.	679,368	0.0392%
18	LORENZO ALICIA P.	625,641	0.0361%
19	SAY CARIDAD	540,325	0.0312%
20	LAGDAMEO, JR. ERNESTO R.	502,242	0.0290%
		1,704,951,008	98.3891%
	*** The following are the clients - beneficial owners owning 5% or more:*		
	Walter W. Brown (direct and indirect)	*543,374,699*	31.3570%
	Annabelle P. Brown (indirect)	*325,866,870*	18.8051%
	Philippine Realty & Holdings Corp.	*123,715,000*	7.1393%

EXHIBIT- IV

Item 6. Management Discussion and Analysis

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios Consolidated Figures	Audited 12/31/2015	Audited 12/31/2014
Current ratio[1]	1.04:1	1.04:1
Total Debt to Equity ratio[2]	0.96:1	1.08:1
Asset to Equity ratio[3]	1.96:1	2.08:1
Interest coverage ratio[4]	0.30:1	0.31:1
Net Profit Margin ratio[5]	1.51%	0.42%
Return on Assets[6]	0.17%	0.05%
Return on Equity[7]	0.34%	0.10%

[1] *Current assets/Current liabilities*
[2] *Total liabilities/Stockholders' equity*
[3] *Total assets/Stockholders' equity*
[4] *Earnings before interest, income tax/Total Financing Cost*
[5] *Net Income/Total Revenue*
[6] *Net income/Average Total assets*
[7] *Net income/Average Stockholders' equity*

EXHIBIT- V

Item 14. Exhibits and Reports on SEC Form 17-C

Reports on SEC Form 17-C that were filed for the year covered by this report are listed below:

Date Filed	Particulars
January 08, 2015	Palm Thermal Consolidated Holding Corporation's Equity Interest in Palm Concepcion Power Corporation at 20%
February 02, 2015	Execution of Deed of Sale on the sale of land
February 02, 2015	Execution of Deed of Sale on the sale of Brown Resources Corp. (BRC) shares
March 19, 2015	Schedule of Stockholders' Meeting
April 06, 2015	Incorporation of New Subsidiary-AB Bulk Water Company, Inc.
May 11, 2015	Change of Corporate Name, Primary & Secondary Purposes, and Principal Office Address of a Subsidiary-Andesite Corporation
June 15, 2015	Dissolution of the Position – "Vice President – External Affairs"
June 19, 2015	Results of Annual Stockholders' Meeting and Organizational Meeting
June 22, 2015	Clarification of News Reports – Business Mirror (Internet Edition) – A Brown eyes P17-B in next five years
July 30, 2015	Sale of Peakpower Bukidnon, Inc. (PBI)
August 26, 2015	Resignation of an Executive Director
October 19, 2015	Execution of the Deed of Assignment of Shares_Peakpower Bukidnon Inc.
October 27, 2015	Resignation of an Officer_RPS

AUDIT COMMITTEE REPORT

March 18, 2016

The Board of Directors
A Brown Company, Inc.

The Audit Committee represents and assists the Board of Directors in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions. The Committee also takes the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

Further to our compliance with applicable corporate governance laws and rules, we confirm for 2015 that:

- The Audit Committee is chaired by an independent director as determined by the Board of Directors
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of A Brown Company, Inc. and Subsidiaries, or ABCI Group, as of and for the year ended December 31, 2015 with ABCI Group's management, which has the primary responsibility for the financial statements, and with Constantino Guadalquiver and Co., CPAs, the ABCI Group's independent auditor, who is responsible for expressing an opinion on the conformity of the ABCI Group's audited financial statements with generally accepted accounting principles;
- We have discussed with Constantino Guadalquiver and Co., CPAs the matters required to be discussed by the applicable regulatory requirements, which includes their independence form the ABCI Group and the ABCI Group's management. Constantino Guadalquiver and Co., CPAs have confirmed their independence and compliance with the requirements provided by the Revised Code of Ethics for Professional Accountants in the Philippines (2008);
- We have discussed with the ABCI Group's internal audit group and Constantino Guadalquiver and Co., CPAs the overall scope and plans for their respective audits. We also met with the ABCI Group's internal audit group and representatives from Constantino Guadalquiver and Co., CPAs to discuss the results of their examinations, their evaluations of the ABCI group's internal controls and the overall quality of the ABCI Group's financial reporting;

Based on the reviews and discussions referred to above, in reliance on the ABCI Group's management and Constantino Guadalquiver and Co., CPAs and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved the inclusion of the ABCI Group's audited financial statements as of and for the year ended December 31, 2015 in the ABCI Group's Annual Report to the Stockholders and to the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission on Form 17-A.

ELPIDIO M. PARAS	THOMAS G. AQUINO	ANTONIO S. SORIANO
Chairman	Member	Member
Independent Director	Independent Director	TIN 114-750-521
TIN 421-743-766	TIN 121-905-565	

SUBSCRIBED AND SWORN to before me this APR 13 2016 2016, affiants exhibiting to me their respective passports, as follows:

NAMES	I.D No./ PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Elpidio M. Paras	EB9957346	01/10/2014	Cagayan de Oro City
Thomas G. Aquino	JB-06083	09/03/2009	Paranaque City
Antonio S. Soriano	K02-70-010590		Cagayan de Oro City

Doc. No. 447
Page No. 90
Book No. 02
Series of 2016

ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC Until December 31, 2016
FOR CITY OF MANILA PHILIPPINES
IBP LIFETIME NO. 05 25 05/MLA.
PTR NO. 4022461 01/05/16 Mla.
Roll No. 33596
MCLE COMPLIANCE NO. IV-00238501 8/16/14
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG.
#350 ANTONIO VILLEGAS ST.
ERMITA MANILA TEL. 525-95-86
EMAIL ADD: attyrichardanolin@yahoo.com

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 1 1 6 8

COMPANY NAME

A BROWN COMPANY, INC. AND SUBSIDIARIES

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

XAVIER ESTATES, UPPER BALULANG CAGAYAN DE ORO CITY, PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CED/CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.abrown.ph	(088) 324-0150	(088) 324-0150

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,121	JUNE	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Marie Antonette U. Quinito	maquinito@abrown.ph	(088) 324-0150	(+63)9173101870

CONTACT PERSON's ADDRES

Vista Verde Subdivision, Pueblo de Oro, Masterson Avenue, Cagayan de Oro City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact 0person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

A BROWN COMPANY, INC.

March 18, 2016

The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **A Brown Company, Inc. and its subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements including the additional components attached therein and submits the same to the stockholders or members.

Constantino Guadalquiver & Co., the independent auditors and appointed by the stockholders, has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

WALTER W. BROWN
Executive Chairman

ROBERTINO E. PIZARRO
President

ATTY. MARIE ANTONETTE U. QUINITO
Chief Finance Officer

APR 06 2016

SUBSCRIBED AND SWORN to before me this ____ day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Walter W. Brown	EB3952116	October 27, 2011	Manila
Robertino E. Pizarro	EB8037747	May 4, 2013	Cagayan de Oro City
Atty. Marie Antonette U. Quinito	EB4378330	January 8, 2012	Cagayan de Oro City

Doc. No. 324
Page No. 66
Book No. 59
Series of 2016

ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC until December 31, 2016
FOR CITY OF MANILA PHILIPPINES
IBP LIFETIME NO. 05179/02 25.05/MLA
PTR NO. 4922461 01/05/16 Mla.
Roll No. 33596
MCLE COMPLIANCE NO. IV-0023850 8/16/14
RODULFO ... ASSOCIATES LAW OFFICE
2/F YMCA ... BLDG.
#350 ...
ERMITA MANILA ...

CG&Co

an independent member of BAKER TILLY INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants
22nd Floor Citibank Tower
8741 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1051
Fax (+632) 728-1014
E-mail address:mail@cgco.com.ph

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan de Oro City

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of A Brown Company, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2015, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of A Brown Company, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2016
SEC Accreditation No. (AN) 003-FR-3 (Group A), valid until November 10, 2017
TIN 000-451-068-000
BIR AN 08-001507-0-2014, valid until January 5, 2018

By:

ANNALYN B. ARTUZ
Partner
CPA License No. 88651
PTR No. 5359250, issued on January 27, 2016, Makati City
SEC AN 0020-AR-3 (Group A), valid until December 16, 2017
TIN 153-978-171-000
BIR AN 08-001507-7-2014, valid until January 5, 2018

Makati City, Philippines
March 18, 2016

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	**2015**	2014
ASSETS			
Current Assets			
Cash and cash equivalents	6	**₱43,920,481**	₱93,045,062
Current portion of accounts receivable – Net	7	**435,880,598**	374,400,468
Notes receivable	8	**–**	347,316
Advances to a related party	20	**24,721,000**	–
Real estate held for sale	9	**670,938,440**	603,598,222
Inventories	10	**44,668,043**	27,456,634
Prepayments and other current assets	10	**299,692,171**	269,673,728
Total Current Assets		**1,519,820,733**	1,368,521,430
Noncurrent Assets			
Noncurrent portion of accounts receivable	7	**109,980,748**	163,622,783
Available-for-sale investments	11	**988,939,404**	626,496,144
Investments in associates	12	**991,933,944**	1,237,194,151
Investment properties – Net	13	**220,989,321**	247,075,235
Property and equipment – Net	14	**472,579,972**	442,085,944
Land and improvements	15	**713,999,468**	799,835,370
Biological assets	16	**403,666,418**	334,531,067
Investments and deposits	11, 20	**–**	554,146,919
Leasehold rights	17	**34,244,607**	35,532,828
Deferred tax assets	29	**40,582,210**	51,280,542
Refundable deposits	5	**11,052,656**	8,999,549
Total Noncurrent Assets		**3,987,968,748**	4,500,800,532
		₱5,507,789,481	₱5,869,321,962

	Notes	**2015**	2014
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	18	**₱381,241,640**	₱326,911,807
Short-term debt	19	**289,000,000**	265,000,000
Current portion of long-term debt	19	**685,396,811**	181,111,133
Deposit from customers		**42,230,985**	48,737,809
Subscription payable	11, 12	**70,025,817**	494,482,038
Total Current Liabilities		**1,467,895,253**	1,316,242,787

(Forward)

(Carryforward)

	Note	**2015**	2014
Noncurrent Liabilities			
Noncurrent portion of long-term debt	19	**₱1,112,983,579**	₱1,618,220,076
Retirement liability	27	**32,557,786**	26,586,981
Deferred tax liabilities	29	**82,425,417**	84,388,134
Total Noncurrent Liabilities		**1,227,966,782**	1,729,195,191
Total Liabilities		**2,695,862,035**	3,045,437,978
Equity	33		
Equity attributable to equity holders of Parent Company			
Capital stock	21	**₱1,732,865,522**	₱1,732,865,522
Additional paid-in capital	21	**586,198,947**	586,198,947
Net unrealized gain on available-for-sale investments		**151,001,526**	176,572,963
Net cumulative remeasurement loss on retirement benefits	27	**(23,298,404)**	(22,624,441)
Retained earnings		**361,793,923**	347,042,787
		2,808,561,514	2,820,055,778
Non-controlling interests		**3,365,932**	3,828,206
Total Equity		**2,811,927,446**	2,823,883,984
		₱5,507,789,481	₱5,869,321,962

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013

(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
INCOME				
Sales	22	**₱621,351,823**	₱634,306,016	₱466,122,629
Equity in net income of associates	12	**7,539,793**	–	–
Discount on long-term debt	19	**16,718,115**	24,874,165	–
Gain on disposal of:				
Investment properties	13	**15,671,727**	–	–
Net assets of deconsolidated subsidiaries	2	**104,604**	–	–
Property and equipment	14	**–**	993,126	233,803
Available-for-sale investments	11	**–**	25,521,240	–
Financial income	23	**14,746,667**	18,599,067	31,546,448
Rental income	13, 28	**14,048,602**	8,181,575	5,447,917
Dividend income		**12,874**	8,349	5,336
Others	24	**22,564,837**	25,790,729	49,363,935
		712,759,042	738,274,267	552,720,068
COST AND EXPENSES				
Cost of sales and services	25	**365,818,697**	365,063,241	234,344,944
General and administrative expenses	26	**179,438,554**	173,681,243	197,380,238
Finance costs	19	**109,408,927**	90,737,847	68,467,666
Marketing		**21,481,327**	40,864,447	41,308,313
Provision for impairment loss	13	**4,054,869**	1,528,600	1,528,600
Loss on sale of:				
Property and equipment	14	**263,417**	–	–
Investment properties	13	**–**	8,356,634	–
Equity in net loss of associates	12	**–**	29,943,472	11,846,345
		680,465,791	710,175,484	554,876,106
PROFIT (LOSS) BEFORE INCOME TAX		**32,293,251**	28,098,783	(2,156,038)
INCOME TAX EXPENSE (BENEFIT)	29			
Current		**13,519,933**	12,185,260	11,461,437
Deferred		**9,210,227**	13,188,208	(17,605,903)
		22,730,160	25,373,468	(6,144,466)
NET PROFIT		**₱9,563,091**	₱2,725,315	₱3,988,428
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱10,025,365**	₱2,282,423	₱3,555,644
Non-controlling interests		**(462,274)**	442,892	432,784
		₱9,563,091	₱2,725,315	₱3,988,428
BASIC AND DILUTED EARNINGS PER SHARE	30			
Attributable to:				
Equity holders of the Parent Company		**₱0.005785**	₱0.00132	₱0.00205

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	**2015**	2014	2013
NET PROFIT		**₱9,563,091**	₱2,725,315	₱3,988,428
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to profit or loss				
Net change in unrealized gain (loss) on available-for-sale investments	11	**(25,771,437)**	32,179,480	(2,501,391)
Item that will not be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits – net of deferred tax	27	**(1,177,719)**	4,658,018	(3,075,468)
Total Other Comprehensive income (loss)		**(26,949,156)**	36,837,498	(5,576,859)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱17,386,065)**	₱39,562,813	(₱1,588,431)
Attributable to:				
Equity holders of the Parent Company		**(₱16,923,791)**	₱39,119,921	(₱2,021,215)
Non-controlling interests		**(462,274)**	442,892	432,784
		(₱17,386,065)	₱39,562,813	(₱1,588,431)

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	**2015**	2014	2013
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	21			
Balance at beginning of year		**₱1,732,865,522**	₱1,732,865,522	₱1,386,293,229
Stock dividends declared and issued during the year		**–**	–	346,572,293
Balance at end of year		**1,732,865,522**	1,732,865,522	1,732,865,522
ADDITIONAL PAID-IN CAPITAL	21			
Balance at beginning and end of year		**586,198,947**	586,198,947	586,198,947
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENTS				
Balance at beginning of year		**176,572,963**	144,393,483	146,894,874
Net change in unrealized gain (loss) during the year	11	**(25,771,437)**	32,179,480	(2,501,391)
Reclassification due to deconsolidation of a subsidiary during the year		**200,000**	–	–
Balance at end of year		**151,001,526**	176,572,963	144,393,483
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS	27			
Balance at beginning of year		**(22,624,441)**	(27,282,459)	(24,206,991)
Remeasurement gain (loss) during the year		**(1,177,719)**	4,658,018	(3,075,468)
Reclassification due to deconsolidation of a subsidiary during the year		**503,756**	–	–
Balance at end of year		**(23,298,404)**	(22,624,441)	(27,282,459)

(Forward)

(Carryforward)

	2015	2014	2013
RETAINED EARNINGS			
Balance at beginning of year	**347,042,787**	344,760,364	687,777,013
Net profit during the year	**10,025,365**	2,282,423	3,555,644
Effect of deconsolidation of subsidiaries during the year	**4,725,771**	–	–
Stock dividends declared and issued during the year	**–**	–	(346,572,293)
Balance at end of year	**361,793,923**	347,042,787	344,760,364
Total Equity Attributable to Equity Holders of Parent Company	**2,808,561,514**	2,820,055,778	2,780,935,857
NON-CONTROLLING INTERESTS			
Balance at beginning of year	**3,828,206**	3,385,314	2,952,530
Increase (decrease) during the year	**(462,274)**	442,892	432,784
Balance at end of year	**3,365,932**	3,828,206	3,385,314
	₱2,811,927,446	₱2,823,883,984	₱2,784,321,171

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Note	**2015**	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before income tax and non-controlling interest		**₱32,293,254**	₱28,098,783	(₱2,156,038)
Adjustments for:				
Finance costs	19	**109,408,927**	90,737,847	68,467,666
Depreciation and amortization	13, 14	**30,663,997**	50,518,142	49,285,498
Equity in net loss (gain) of an associate	12	**(7,539,793)**	29,943,472	11,846,345
Discount on long-term debt	19	**(16,718,115)**	(24,874,165)	–
Loss (gain) on disposal of:				
Investment property	13	**(15,671,727)**	8,356,634	–
Property and equipment	14	**263,417**	(993,126)	(233,803)
Net assets of deconsolidated subsidiaries	2	**(104,604)**		
Available-for-sale investments	11	**–**	(25,521,240)	–
Financial income	23	**(14,746,667)**	(18,599,067)	(31,546,448)
Retirement benefits expense	27	**4,458,824**	3,602,483	2,978,165
Provisions for impairment of:				
Investment properties	13	**4,054,869**	1,528,600	1,528,600
Doubtful accounts	7, 26	**–**	769,679	–
Amortization of leasehold rights	17	**1,288,221**	1,328,366	1,331,078
Unrealized foreign exchange loss (gain)	32	**(14,837)**	110,259	(70,223)
Amortization of biological assets	16	**–**	120,072	2,257,728
Write-off of dividends payable		**–**	–	(2,355,117)
Operating income before working capital changes		**127,635,766**	145,126,739	101,333,451
Decrease (increase) in:				
Accounts receivable	7	**(17,386,594)**	(21,779,284)	59,064,439
Real estate held for sale	9	**50,671,368**	19,108,250	(75,387,821)
Inventories	10	**(17,424,712)**	(23,146,625)	3,472,114
Prepayments and other current assets	10	**(27,177,813)**	(17,253,985)	(5,438,888)
Increase (decrease) in:				
Accounts payable and accrued expenses	18	**51,888,307**	43,135,646	(56,149,238)
Deposit from customers	31, 32	**(5,353,287)**	(17,135,733)	24,227,187
Cash provided by operations		**162,853,035**	128,055,008	51,121,244
Income tax paid		**(19,639,922)**	(21,677,052)	(16,673,370)
Interest received		**14,812,778**	18,195,593	31,310,478
Contributions to plan assets	27	**–**	(424,010)	(5,048,453)
Net cash provided by operating activities		**158,025,891**	124,149,539	60,709,899

(Forward)

(Carryforward)

	Note	**2015**	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	14	**(₱89,329,146)**	(₱96,934,934)	(₱137,654,249)
Refundable deposits		**(2,053,106)**	(443,017)	(12,799,372)
Land and improvements	15	**–**	(11,944,484)	(17,695,874)
Available-for-sale investments		**–**	(50,000)	(789,600)
Investment properties	13	**–**	(43,509)	(202,322)
Increase in:				
Biological assets	16	**(69,135,351)**	(32,994,138)	(66,748,755)
Leasehold rights	17	**–**	–	(75,029)
Proceeds from disposal of:				
Investment properties	13	**35,140,801**	16,428,578	–
Net assets of deconsolidated subsidiaries	2	**31,825,000**	–	–
Property and equipment	14	**547,059**	2,200,033	16,027,332
Available-for-sale investments	11	**–**	439,115,838	–
Cash of deconsolidated subsidiaries	2	**(4,419,467)**	–	–
Advances made to a related party	20	**(24,721,000)**	–	–
Payment of subscription payable	11, 12	**(6,204,000)**	(14,524,925)	(29,999,921)
Collection of notes receivable	8	**347,316**	8,652,684	1,594,674
Investments and deposits	20	**–**	(594,146,919)	(678,605,873)
Investment in an associate	12	**–**	(17,716,322)	(169,901,667)
Loans granted (notes receivables)	8	**–**	(2,000,000)	(1,594,674)
Return of investments and deposits	20	**–**	–	101,363,484
Net cash used in investing activities		**(128,001,894)**	(304,401,115)	(997,081,846)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Long-term debt	19	**323,734,400**	388,748,000	85,000,000
Short-term debt	19	**45,204,579**	70,000,000	50,000,000
Payments of:				
Long-term debt	19	**(322,323,599)**	(179,400,167)	(43,248,696)
Finance cost	19	**(104,574,216)**	(112,065,326)	(60,783,986)
Short-term debt	19	**(21,204,579)**	(25,000,000)	–
Receipt of deposits for future stock subscriptions		**–**	–	40,000,000
Increase in due to related parties	20	**–**	–	1,199,268
Net cash provided by (used in) financing activities		**(79,163,415)**	142,282,507	72,166,586

(Forward)

(Carryforward)

	Note	**2015**	2014	2013
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6	**14,837**	(110,259)	70,223
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(49,124,581)**	(38,079,328)	(864,135,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**93,045,062**	131,124,390	995,259,528
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱43,920,481**	₱93,045,062	₱131,124,390

SUPPLEMENTAL DISCLOSURE ON NON-CASH TRANSACTIONS

INVESTING ACTIVITIES				
Investments and deposits:	11, 20			
Reclassification to available-for-sale investments		**₱388,694,697**	₱93,600,445	₱–
Application to subscription payable		**165,452,221**	269,547,779	–
		₱554,146,918	₱363,148,224	₱–

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
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 Bendana 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 such as crude oil and petroleum products
Brown Resources Corporation (BRC)*	Real estate holding and management of chalet operations
Bonsai Agri Corporation (BAC)** and Nakeen Corporation (NC)	Development of land for palm oil production and sale of palm seedlings and crude palm oil
Simple Homes Development, Inc. (SHDI), *Formerly Andesite Corporation (AC)***	Development of socialized housing projects
AB Bulk Water Co., Inc. (ABBWCI)**	Holding and providing rights to water to public utilities and cooperatives or in water distribution
Masinloc Consolidated Power, Inc. (MCPI)**	Operating of power plants and/or purchase, generation, production supply and sale of power
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	Holding of properties of every kind and description
Hydro Link Projects Corp. (HLPC)** and Peakpower Bukidnon, Inc. (PBI)***	Developing, constructing and operating power generating plants

**Subsidiary up to January 2015*
***Has not yet started commercial operations as of March 18, 2016.*
**** Subsidiary up to October 2015*

On June 13, 2012, the SEC approved the amendment of the Parent 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 of Directors (BOD), and to impose certain requirements on granting of bonuses to its BOD, officers and employees.

On October 5, 2012, the Parent Company's 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 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 36).

The accompanying consolidated financial statements of the Parent Company and the above mentioned subsidiaries (collectively referred herein as "the Group") as of December 31, 2015 and 2014, and for each of the three years ended December 31, 2015 were authorized for issue by the Board of Directors on March 18, 2016.

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 value and agricultural produce which is measured at fair value less cost to sell at the point of harvest. 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 Philippine interpretations - International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

<u>Principles of Consolidation</u>
The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of December 31 of each year. 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.

When the Group loses control over a subsidiary, at the date when control is lost, it: (a) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amount; (b) derecognizes the carrying amount of any noncontrolling interests including any components of other comprehensive income attributable to them; (c) recognizes the fair value of the consideration received; (d) recognizes the fair value of any investment retained in the former subsidiary at its fair value; (e) account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the parent had directly disposed of the related assets and liabilities, (f) recognizes any resulting difference as gain or loss in profit or loss attributable to the parent.

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 equity holders of Parent Company.

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

		Percentage of ownership	
Name of subsidiary	Nature of business	2015	2014
ABERDI	Manufacturing and trading/Service/Agriculture	100	100
BAC	Agriculture	100	100
NC	Agriculture	100	100
SHDI*	Real estate	100	100
ABBWCI	Water service	100	–
MCPI	Power plant operations	49	49
PTCHC	Holdings	100	100
HLPC	Power plant operations	100	100
PBI	Power plant operations	–	100
BRC	Real estate holding/Hotel operations	–	100

**Formerly AC*

All of the above subsidiaries were incorporated in the Philippines.

<u>Investment in ABERDI</u>
ABERDI obtained control in the ownership of BAC and NC. BAC is still in its development stages. NC started its commercial operations as of March 1, 2007. Prior to 2013, NC manages the palm oil nursery and plantation operations. The separate financial statements of these companies are included in the consolidated financial statements as of December 31, 2015 and 2014.

On August 30, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Articles and Plan of Merger of the ABERDI and NC which was approved by their BOD, in their meeting on March 6, 2012. However, on July 31, 2012, before the SEC approved ABERDI's Articles and Plan of Merger which was filed on July 12, 2012, the BOD and the stockholders of NC approved and ratified the subscription by the ABERDI to the 750,000 unsubscribed shares of NC at ₱1 per share with ₱50 million as additional paid-in capital. The BOD and the stockholders of NC also approved the filing with SEC of the amended Articles and Plan of Merger reflecting the new capital structure of NC 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 NC approved the filing of the amended Articles and Plan of Merger using the 2012 audited Financial Statements. The amended articles and plan was filed with the SEC on July 24, 2013 to amend certain provisions 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 18, 2016 the request for reconsideration is still pending with SEC.

Investment in SHDI
In December 2014, the Parent Company bought SHDI from ABERDI to undertake its socialized housing projects. As of March 18, 2016, SHDI has not yet started its commercial operations. 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 which was later approved on April 10, 2015.

Investment in ABBWCI
In March 2015, the Parent Company invested ₱5.0 million in ABBWCI, representing 100% equity holdings. ABBWCI 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.

Investment in MCPI
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 BOD. Accordingly, MCPI qualifies as a subsidiary of the Parent Company. The financial statements of MCPI as of and for each years ended December 31, 2015 and 2014 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 BOD resolved the revocation of its previous resolution to dissolve MCPI and any act pursuant to the dissolution.

Investment in PTCHC
In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of PTCHC and Panay Consolidated Land Holdings Corporation (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.

In September 2012, the Parent Company, together with its subsidiaries, PTCHC, Palm Concepcion Power Corporation (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.

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 light of this event, PTCHC had 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, Oriental Knight Limited (OKL) bought out and subscribed to the 30.46% equity interest of PCPC from the PTCHC. Additional shares were subscribed by the PTCHC bringing its equity interest to 39.54%. On the other hand, the 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. As of December 31, 2013, PTCHC still holds sufficient interest in PCPC for it to be able to exercise significant influence. PTCHC's interest in PCLHC was presented under the investment in associate account as a result of the merger application as of December 31, 2013. 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, the Parent Company's holding through PTCHC retained its 30% interest in the outstanding capital of PCPC as of December 31, 2014 (see Note 12).

On January 6, 2015, the SEC approved PCPC's application of the increase in authorized capital stock which reduced the Parent Company's holding through PTCHC to 20% as of December 31, 2015.

Investment in HLPC
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 subscribed 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.

Investment in PBI
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 assigned the remaining balance of deposit for future subscription of ₱5.6 million and sold its 100% equity interest in capital stock of PBI to Peakpower Energy, Inc (PEI), an associate, for ₱2.5 million.

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

The net gain from the disposal of net assets of deconsolidated subsidiaries is shown below:

	Amount
Consideration for the disposal	₱31,825,000
Net assets disposed:	
Assets	49,973,527
Liabilities	18,253,131
Net assets	31,720,396
Net gain	₱104,604

3. **Changes in Accounting Policies**

The accounting policies adopted by the Group are consistent with those of the previous financial year 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 have no significant impact to the Group's financial statements as the Group's retirement plan is non-contributory.

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

- 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.

  The amendment has no significant impact on the Group's financial position or performance.

- 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.

  The 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 does not apply to the Group as it has no business combination transactions in 2015.

- 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.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- 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.

  This applies 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 has no impact on the Group's financial position or performance since it has no property and equipment carried 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 affect disclosures only and 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.

  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 have are currently not applicable to the Group since it has no intangible assets carried at revalued amounts.

Annual Improvements to PFRS (2011 to 2013 cycle)
The annual improvements to PFRS (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 currently not applicable 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 has 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.

  The amendment has no significant 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:

  - 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.

  - An entity need not provide a specific disclosure required by a PFRS if the information resulting from that disclosure is not material.

  - 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

The principal accounting and financial reporting policies adopted in preparing the financial statements of the Group are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated.

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

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

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

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

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

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

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

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

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

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

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 preference 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 December 31, 2015 and 2014, 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 initially at cost and at amortized cost subsequent to initial recognition 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 noncurrent assets.

  The Group's cash on hand, cash in banks and cash equivalents, accounts receivable (excluding advances to suppliers and contractors), notes receivable and refundable deposits under noncurrent assets are included in this category (see Notes 6, 7, 8, 20 and 31).

- *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 December 31, 2015 and 2014, 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 11).

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 December 31, 2015 and 2014, 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 excluding statutory regulated 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, short-term and long-term debt, and subscription payable are included in this category (see Notes 18, and 19).

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.

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

Advances to Contractors and Suppliers
Advances to contractors and suppliers represent amounts paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the financial reporting date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent purchases. Advances to contractors and suppliers are stated at realizable value.

Advances to Officers and Employees
Advances to employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are subsequently applied to the related assets, costs or expenses incurred.

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 initially recorded at cost. Subsequent to initial recognition, these 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. Transfers to or from real estate held for sale, or land improvements are measured at the carrying values of the assets transferred.

Inventories
Inventories are initially recorded at cost. Subsequent to initial recognition, these 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.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less cots to complete and sell. The impairment loss is recognized immediately in profit or loss. Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow - moving, damaged, and obsolete inventories and charged to operations.

When inventories are sold, the carrying amount of those inventories is recognized in the period in which the related revenue is recognized. The amount of any write – down of inventories to net realizable value and all losses of inventories is as an expense in the period the write – down or loss occurs. The amount of any reversal of any write – down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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. Input tax is stated at its realizable value.

- Prepaid Expenses. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate account in the Group statements of income when incurred. Prepaid expenses are stated at its realizable value.

- 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. Creditable withholding tax is stated at its realizable value.

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.

Deferred Input VAT

Deferred input VAT represents portion of input VAT incurred and paid in connection with purchase of capital assets in excess of ₱1 million per month. As provided by Republic Act No. 9337 which is implemented by Revenue Regulation 4-2007, said portion of the input VAT shall be deferred and depreciated over the shorter of the expected useful lives of said capital asset or five years. Deferred Input VAT is stated at its realizable value.

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.

<u>Investment Properties</u>
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. Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from owner-occupied property to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property. Transfers to or from investment properties are measured at the carrying value of the assets transferred.

<u>Property and Equipment</u>
Property and equipment are initially recorded at cost. Subsequent to initial recognition, 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 and amortization 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 and crushing equipment, which is depreciated using units of production method based on estimated recoverable reserves:

Category	Estimated useful life
RBD and fractionation machineries	2 to 25 years
Land improvements	1 to 10 years
Building and improvements	10 to 20 years
Leasehold improvements	2 to 5 years
Machinery and equipment	2 to 10 years
Furniture, fixtures and equipment	2 to 9 years
Transportation equipment	2 to 5 years
Tools and other equipment	2 to 5 years
Other assets	3 to 5 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 accumulated costs net of any amortization and impairment losses. The costs and expenses incurred up to the start of the productive stages are accumulated and amortized over the estimated produce of the palm trees. The Group uses the cost method of valuation since fair value cannot be measured reliably.

The Group's biological assets have no active market and no active market for similar assets is available in the Philippine industry.

The Group's agricultural produce consists of those harvested from the biological assets and is measured at fair value less costs to sell at the point of harvest. The fair value of the Group's agricultural produce approximates the costs.

The total estimated production of the Group's biological assets is based on the expected crop yield over its expected lifespan which is 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.

The carrying values of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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 changes in circumstances indicate that the carrying value may be impaired. An impairment loss is 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.

Investments and Deposits

This account which represents amount paid for deposits for future stock subscriptions of the capital stock of investee companies is stated at cost (actual amount of cash paid) less any impairment.

Impairment of Non-financial Assets

The carrying values of nonfinancial assets such as prepayments and other current assets, investment properties, property and equipment, biological assets carried at cost, leasehold rights and investments and deposits 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.

Equity

Capital stock 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 share capital. 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 investments accounts for the excess of the fair 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.

Remeasurement gains and losses on retirement benefits are recognized immediately in other comprehensive income (loss) in equity in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Treasury shares are stated at the cost of reacquiring such shares.

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

Non-controlling Interests

Non-controlling 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 (EPS)

Basic earnings per share is determined by dividing net profit 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 profit 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.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue, related cost incurred or to be incurred/cost to complete the transactions can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any value added taxes. 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 collectability 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 goods (e.g. crude palm oil, agricultural produce, food and beverage items)*
  Revenue is recognized when the risks and rewards are transferred to the buyer, specifically, upon delivery or shipment of goods to customers.

  Cash received from the Group's customers for sales that do not meet the revenue recognition criteria (i.e., transfer of risk and rewards to customers through actual delivery of inventories) as at reporting date are included in "Deposit from customers". These customers' deposits will be applied against future deliveries of inventories which are generally completed within the next twelve months.

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

- *Hotel operations*
  Revenue is recognized when the services are rendered and when goods are delivered to the buyer.

- *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.

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

- *Penalties, surcharges and other income*
  Revenue is recognized as these accrue.

- *Other services*
  Revenue is recognized the extent of services rendered.

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.

Costs of sales of goods are recognized when goods are sold upon delivery to buyers. Cost of service, operating and other expenses which include expenses related to administering and operating the business and are expensed upon utilization of the service or at the date they are incurred. Interest and similar expenses are reported on accrual basis.

Pre-operating Expenses
Pre-operating expenses are expensed as incurred.

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accounts payable and accrued expenses" in the consolidated statement of financial position.

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 straight-line basis over the lease term. Associated costs such as repairs and maintenance and business taxes are expensed 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.

Employee Benefits

Short-Term Benefits
Short-term employee benefits are recognized as expense at undiscounted amount expected to be paid in exchange of service in the period when the economic benefits are given. Unpaid benefits at 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 employee benefits given by the Company includes salaries and wages, life and health insurances, social security system contributions, short-term compensated absences, bonuses and other non-monetary benefits.

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

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

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

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

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

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

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

Termination Benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Borrowing Cost</u>
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, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward 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 and Relationships

Related party transactions are transfers of resources, services or obligations between the company and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) and, individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Deposit for Future Stock Subscription

Deposit for future stock subscriptions which are received in view of call for future subscriptions are stated at actual amount of cash received.

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 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 financial expense.

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.

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 in the Philippines only.

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, and such estimates will be adjusted accordingly.

The following is a summary of these significant estimates and judgments and the related impact and associated risks on the consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

- *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.

- *Determination of Fair Value of Financial Instruments*
  The Group carries certain financial instruments at fair value or discloses the fair values of its financial instruments, 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 December 31, 2015 and 2014 is shown in Note 31.

- *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 2015 and 2014 are shown in Notes 26 and 28.

- *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.

- *Operating Lease Commitments – Company as a Lessor*
  The Company has entered into various lease agreements as a lessor. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of the properties and, thus, accounts for the contracts as operating leases.

- *Operating Lease Commitments – Company as a Lessee*
  The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risk and benefits of ownership of the properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

- *Determination of Functional Currency*
  Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of real properties, services, and investments and the costs of providing the services and of the sold investments.

- *Measurement of Refundable Deposits and Utility Deposits*
  The fair value of refundable deposits under noncurrent assets which significantly include utility deposits are not readily determinable nor reliably measured because the actual timing of receipt is linked to the cessation of the service of the utility or service entities to the Group which cannot be reasonably predicted. Accordingly, the refundable deposits are carried at cost less any impairment. The carrying value of refundable deposits shown under noncurrent assets amounted to ₱11,052,656 and ₱8,999,549 as of December 31, 2015 and 2014, respectively.

<u>*Estimates*</u>

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- *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 customers and debtors, the customers or 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. Any increase in allowance would increase operating expenses and decrease related accounts.

  The Group's allowance for doubtful accounts amounted to ₱453,225 and ₱1,364,796 as of December 31, 2015 and 2014, respectively (see Note 7). The carrying values of accounts receivables and notes receivable as of December 31, 2015 and 2014 are shown in Notes 7 and 8, respectively.

- *Estimation of Impairment of Other Available-for-Sale Investments*
  The computation for the impairment of available-for-sale financial assets 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 and estimates. 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. In the case of refundable utility deposits, the Group considers the utility service companies' ability to continuously provide the services. Any increase in impairment on financial assets would increase operating expenses and decrease the related accounts.

The carrying values of available-for-sale investments amounted to ₱988.9 million and ₱626.5 million as of December 31, 2015 and 2014, respectively (see Note 11).

- *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 useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. 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, if any. 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 the related noncurrent assets. There were no significant changes on the estimated useful lives of the abovementioned assets.

  The carrying values of the Group's depreciable investment properties, property and equipment, and leasehold rights as of December 31, 2015 and 2014 are shown in Notes 13, 14 and 17, respectively.

  As of December 31, 2015 and 2014, the Group's property and equipment have no residual values.

- *Estimation of Net Realizable Value of Real Estate Held for Sale, Inventories and Land and Improvements*
  In determining the net selling prices of real estate held for sale and other inventories, and land and improvements, management takes into account the most reliable evidence of fair value available at the time the estimates are made. The net realizable value is calculated in an effort to prevent the Group from under or over estimating the value of such assets. The Group adjusts the cost of the assets to the recoverable value at a level considered adequate to reflect obsolescence or decline in value of the recorded amounts, if any. Provision for obsolescence or decline in value is established based on the evaluation of age and movement of inventories, and current selling prices of real estate held for sale and land and improvements. Any increase in provision for decline in value or obsolescence would increase recorded expenses and decrease the related assets.

  As of December 31, 2015 and 2014, the carrying values of real estate held for sale, inventories and land and improvements are shown in Notes 9, 10 and 15, respectively.

- *Estimation of Impairment and Recoverable Values of Non-financial Assets*
The Group reviews prepayment and other current assets, investment in associates, investment properties, property and equipment, biological assets and leasehold rights, investment and deposits 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. 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 certain non-financial assets.

  The Group's allowance for impairment loss pertaining to an investment property amounted to ₱20.9 million and ₱16.8 million as of December 31, 2015 and 2014, respectively (see Note 13). Provision for impairment loss recognized in the consolidated statements of income amounted to ₱4.1 million in 2015 and ₱1.5 million in 2014. As of December 31, 2015 and 2014, the recoverable values of the Group's nonfinancial assets approximate their carrying values.

  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 obligations and cost of retirement benefits are described in Note 27, and include among others, discount rates and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions 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. Any changes in assumptions would increase or decrease the net retirement liability and the amount recognized in total comprehensive account.

  Retirement liability amounted to ₱32.7 million and ₱26.6 million as of December 31, 2015 and 2014, respectively (see Note 27).

- *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 income tax in the period in which such determination is made.

  The Group's deferred income tax assets amounted to ₱40.6 million and ₱51.3 million as of December 31, 2015 and 2014, respectively (see Note 29). The Group's deferred tax liabilities amounted to ₱82.4 million and ₱84.4 million as of December 31, 2015 and 2014, respectively (see Note 29).

- *Estimation of Provisions for Contingencies*
  The estimate of the probable costs for the resolution of possible third party claims including current tax assessments, if any, is developed in consultation with outside consultant handling the Group's defense on these matters and is based upon an analysis of potential results. When management and its outside consultant/legal counsel believe that the eventual liabilities under these claims, if any, will not have material effect on the Group's financial statements, no provision for probable losses is recognized in the Group's financial statements. The Group has an outstanding assessment for taxable year 2011 from the Bureau of Internal Revenue amounting to ₱24.9 million. The Group protested such assessment which is currently re-investigated. No provision for losses is recognized in the Group's financial statements in 2015 and 2014 as management believes that there will be no eventual liability for the current tax assessment.

- *Estimation of Production and Amortization of Biological Assets*
  The total estimated production of the Group's biological assets is based on the expected crop yield over its expected lifespan which is 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. Any decrease in estimated production would increase the amortization per unit and decrease related assets.

  As of December 31, 2015 and 2014, the net carrying value of the Group's biological assets amounted to ₱403.7 million and ₱335.0 million, respectively (see Note 16).

- *Estimation of the Number of Years of Various Stages of Life of Biological Assets*
  Management estimates the number of years of the various stages of the life of biological assets (i.e., planting, growing, productive/fruiting, harvesting and commercially fruiting stages) based on certain factors including the elevation and climate conditions of the plantation area.

  In 2015 and 2014, management has assessed that the reasonable growing stage in years of biological assets in certain plantation area is longer compared to that of other areas. The longer growing stage is due to the high elevation and colder climate condition of such area (see Note 16).

6. **Cash and Cash Equivalents**

This account consists of:

	2015	2014
Cash on hand	**₱861,629**	₱950,258
Cash in banks	**43,058,852**	92,004,617
Cash equivalents	**–**	90,187
	₱43,920,481	₱93,045,062

Cash in banks pertain to savings and current accounts that generally earned interest based on prevailing respective bank deposit rates of approximately less than 1% annually.

The Group's cash in banks include dollar denominated accounts with Peso equivalents amounting to ₱389,395 and ₱3,903,799 as of December 31, 2015 and 2014, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of ₱47.166/$1.00 and ₱44.617/$1.00 as of December 31, 2015 and 2014, 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. As of December 31, 2015 and 2014, total cash in bank set-aside as project deposit account amounted to ₱1.3 million and ₱0.1 million, respectively.

Cash equivalents include short-term money market placements placed by the Group in a local bank. These have a maturity of less than 90 days with an interest of 1.05% to 3.6% per annum in 2014.

Financial income recognized in the consolidated statements of income on cash in banks and cash equivalents amounted to ₱64,506 in 2015, ₱245,492 in 2014 and ₱8,095,676 in 2013 (see Note 23).

7. **Accounts Receivable - Net**

This account consists of:

	Note	**2015**	2014
Contract receivables on sale of real estate		**₱438,734,960**	₱373,582,691
Trade receivables		**13,130,365**	42,960,188
Advances to officers and employees		**1,427,312**	9,382,960
Accrued interest receivable	8	**–**	66,111
Others		**93,021,934**	113,396,097
Total receivables		**546,314,571**	539,388,047
Allowance for doubtful accounts		**(453,225)**	(1,364,796)
Net carrying amount		**545,861,346**	538,023,251
Less: Noncurrent portion of contract receivables on sale of real estates		**109,980,748**	163,622,783
Current accounts receivables		**₱435,880,598**	₱374,400,468

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 10% to 18% in 2015 and 2014. The transfers certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest income pertaining to sale of real estate amounted to ₱14.6 million in 2015, ₱17.8 million in 2014 and ₱23.0 million in 2013 (see Note 23).

Trade receivables include receivables from water service and sale of crude palm oil and its by-products.

Advances to officers and employees include car loans to employees. Interest income pertaining these loans amounted to ₱0.1 million in 2015 and ₱0.2 million 2014 (see Note 23).

Accrued interest receivable includes interest from contract receivables, notes receivable and loans receivable.

Other receivables which are interest–free include receivables from various companies for the sale of available-for-sale investments in 2008 and various advances to suppliers and contractors in 2015 and 2014.

No receivable is collateralized to any of the Group's debt as of December 31, 2015 and 2014.

The movement of allowance for doubtful accounts is as follows:

	Note	**2015**	2014
Balance at beginning of year		**₱1,364,796**	₱595,117
Decrease due to deconsolidation		**(911,571)**	–
Provision for doubtful accounts	26	**–**	769,679
Balance at end of year		**₱453,225**	₱1,364,796

8. **Notes Receivable**

- In January 2013, the Parent Company granted a loan to Xavier Sports and Country Club, Inc. (XSCCI) amounting to ₱1.0 million and bearing the same interest rate of 10% per annum and collectible within one (1) year for twelve monthly equal installments. The loan was fully paid in December 2013.

  Subsequent to this, the Parent Company extended two other loans to XSCCI amounting to ₱394,674 and ₱200,000 last February 2013 and July 2013, respectively. All of these were fully paid in December 2013.

  In January 2014, the Parent Company extended another loan to XSCCI amounting to ₱2 million. This unsecured loan bears an interest of 10% and collectible within one (1) year for twelve monthly equal installments. The outstanding balance relative to this loan amounted to ₱347,316 as of December 31, 2014 which was fully paid in 2015.

  Interest income on notes receivable amounted to ₱95,082 in 2014 and ₱73,994 in 2013 (see Note 23).

- On February 2, 2012, the Group granted a noninterest-bearing loan to a third party debtor amounting to ₱7.0 million payable on or before December 31, 2014. The debtor fully settled the account on December 29, 2014.

The loan was discounted at the prevailing interest rate applicable to the Group. The carrying value of this loan is presented below:

	2014
Principal	
Balance at beginning of year	₱7,000,000
Principal collections during the year	(7,000,000)
	₱–
Discount on loans receivable:	
Balance at beginning of year	367,172
Amortization of discount on loans during the year (Note 23)	367,172
Balance at end of year	–
	₱–

9. **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:

	2015	2014
Land	**₱173,795,994**	₱194,919,448
Development cost and materials	**497,142,446**	408,678,774
	₱670,938,440	₱603,598,222

Real estate held for sale with carrying value of ₱518.5 million and ₱351.2 million as of December 31, 2015 and 2014, respectively, are collateralized to the loans obtained from UBP, AUB, BPI, UCPB and BPIF (see Note 19).

In 2014, investment properties with carrying value of ₱22.3 million was reclassified to real estate held for sale (see Note 13).

The Group reclassified real estate held for sale with a total cost of ₱85.8 million and ₱203.8 million from and into land and improvements in 2015 and 2014, respectively (see Note 15). The reclassification has no impact on the statements of cash flows.

In 2013, the Group reclassified land and improvements amounting to ₱10.5 million into real estate held for sale.

10. **Inventories, Prepayments and Other Current Assets**

a. Inventories

This account consists of:

	2015	2014
Crude palm oil	**₱13,902,968**	₱21,993,214
Refined bleached deodorized oil	**11,569,301**	–
Palm olein	**6,354,518**	–
Aggregates and water meter	**5,008,799**	4,812,025
Palm acid oil and fatty acid distillate	**4,234,707**	112,195
Palm stearin	**3,597,750**	–
Palm kernels	**–**	325,897
Foods and beverages	**–**	213,303
	₱44,668,043	₱27,456,634

No allowance for inventory obsolescence was recognized as of December 31, 2015 and 2014. There are no inventories that are pledged as collateral for any of the Group's debt.

b. Prepayments and Other Current Assets

This account consists of:

	2015	2014
Deposit for land acquisition	**₱106,758,303**	₱104,837,801
Creditable withholding taxes	**72,679,535**	66,559,546
Other deposits	**43,966,440**	31,063,027
Value-added input taxes	**40,259,226**	9,902,085
Prepaid expenses	**26,311,717**	46,706,472
Supplies and materials	**9,716,950**	10,269,828
Others	**–**	334,969
	₱299,692,171	₱269,673,728

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 transfers 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 of a third party to look for suitable parties for the Group to enter into a joint venture agreement for acceptable agricultural 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.

Prepaid expenses include prepaid commission related to the sale of real estate, supplies, insurance and taxes and licenses which are applicable in the future period.

11. **Available-for-Sale Investments**

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

	2015			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	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)
Derecognition 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

	2014			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	Total
Carrying value:				
Balance at beginning of year	₱128,626,968	₱505,064,248	₱280,569,601	₱914,260,817
Additions	–	–	50,000	50,000
Disposal:				
– Derecognized cost	(24,899,900)	(388,694,698)	–	(413,594,598)
– Derecognized cumulative unrealized loss on fair value	18,176,927	–	–	18,176,927
Unrealized gain on fair value	14,002,553	–	–	14,002,553
Reclassification	–	93,600,445	–	93,600,445
Balance at end of year	₱135,906,548	₱209,969,995	₱280,619,601	₱626,496,144

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 ₱70.0 million and ₱78.1 million as of December 31, 2015 and 2014, respectively.

- 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 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 December 31, 2014, the Group's equity interest in Phigold was reduced to 18.70% with the entry of new investors.

- 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 ₱388.7 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 January 2015, the SEC approved AMC's application for increase in authorized capital stock and the Group subsequently reclassified the related deposits for future stock subscriptions (included in Investment and deposits account) to available-for-sale investments.

The net change in unrealized gain (loss) on available-for-sale investments shown in other comprehensive income (loss) is as follows:

	2015	2014
Net unrealized gain (loss) on fair value during the year	**(₱25,771,437)**	₱14,002,553
Net unrealized loss on fair value of sold investments removed from equity and included in profit or loss	**–**	18,176,927
	(₱25,771,437)	₱32,179,480

12. Investments in Associates

This account consists of the Group's investments in the following companies as of December 31, 2015 and 2014.

	Percentage of ownership		Amount	
	2015	2014	**2015**	2014
Palm Concepcion Power Corporation (PCPC)	**20%**	30.00%	**₱866,428,382**	₱1,134,548,691
Peakpower Energy, Inc. (PEI)	**20%**	20.00%	**125,505,562**	102,645,460
			₱991,933,944	₱1,237,194,151

The workforward analysis of this account follows:

	2015	2014
Carrying value at beginning of year	**₱1,237,194,151**	₱222,682,747
Reduction in subscription during the year	**(252,800,000)**	–
Equity in net income (loss) for the year	**7,539,793**	(29,943,472)
Reclassification from deposit for future stocks subscription	**–**	619,998,655
Additional subscription during the year	**–**	424,456,221
Carrying value at end of year	**₱991,933,944**	₱1,237,194,151

- In February 2013, the Parent Company subscribed to 25% of 160,000,000 authorized shares of PEI, a joint venture with other investors, 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. The Parent Company holds 20% equity ownership as of December 31, 2015 and 2014.

- 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 hold 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, 2014. The subscription payable related to the above investment amounted to ₱418,252,221 as of December 31, 2014.

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 breakdown of the Group's investment in PCPC as to common shares and preferred shares are as follows:

Type of Shares	Number of shares
Common	210,000,000
Redeemable Preferred	647,200,000
Total	857,200,000

Management believes that there is no indication of impairment on the Group's investment in associates.

The aggregated financial information of the associates is summarized below:

	2015	2014
Total assets		
Current assets	**₱2,873,399,456**	₱3,372,678,046
Noncurrent assets	**12,574,302,114**	7,326,105,586
Total assets	**15,447,701,570**	10,698,783,632
Current liabilities	**877,091,825**	1,154,881,288
Total equity	**4,664,247,573**	2,925,131,952
Gross revenues for the year	**903,422,954**	45,094,865
Net income (loss) for the year	**37,698,966**	(110,728,269)

13. **Investment Properties - Net**

This account consists of:

	2015	2014
Properties held for capital appreciation – Net	**₱197,930,785**	₱213,495,619
Properties held under lease	**23,058,536**	33,579,616
	₱220,989,321	₱247,075,235

Investment properties are stated at cost less any impairment. Investment properties have a fair value of about ₱453.0 million and ₱489.3 million as of December 31, 2015 and 2014, respectively. The fair value as of December 31, 2015 and 2014 was based on appraisal report as of December 31, 2014 as determined by an independent firm of appraisers. Land and building which was subsequently sold in January 2016 has a carrying value and fair value of ₱12.5 million based on the net recoverable amount of the subsequent sale. The excess of the fair value over the carrying amount of the assets is not recognized in the consolidated financial statements.

The rollforward analysis of properties held for capital appreciation as of and for the years ended December 31, 2015 and 2014 follows:

	2015		
	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

		2014		
	Note	Land and improvements	Building	Total
Cost:				
Balance at beginning of year		₱218,597,272	₱30,532,806	₱249,130,078
Additions		43,508	–	43,508
Reclassification from property and equipment	14	3,431,522	–	3,431,522
Reclassification to real estate held for sale	9	(22,294,887)	–	(22,294,887)
Balance at end of year		199,777,415	30,532,806	230,310,221
Allowance for impairment loss:				
Balance at beginning of year		–	15,286,002	15,286,002
Provision for impairment		–	1,528,600	1,528,600
Balance at end of year		–	16,814,602	16,814,602
Net carrying value		₱199,777,415	₱13,718,204	₱213,495,619

In 2015, disposals pertain to sale of various land properties which resulted to a total gain of ₱9,430,835.

In 2014, the Group reclassified land under property and equipment into investment property which amounted to ₱3,431,522 (see Note 14) and reclassified parcels of land under investment properties to real estate held for sale (see Note 9) which amounted to ₱22,294,887. The reclassification has no impact on the statement of cash flows.

The provision for impairment loss of ₱4,054,869 million in 2015 and ₱1,528,600 million in 2014 and 2013 represents the write-down of an unfinished building to its estimated net recoverable amount. The building with its land was subsequently sold in January 2016 at a loss of ₱2,526,269.

Direct operating expenses relative to investment properties which are not earning income are as follows:

	2015	2014	2013
Provision for impairment	**₱4,054,869**	₱1,528,600	₱1,528,600
Security	**1,856,752**	2,224,435	1,557,286
Taxes and licenses	**1,680,684**	2,062,821	1,528,589
Repairs and maintenance	**552,029**	687,774	829,800
Professional fee	**47,059**	66,610	–
Utilities	**38,727**	28,095	–
Transportation	**8,411**	6,133	3,000
Insurance	**2,864**	–	–
Others	**–**	330	5,050
	₱8,241,395	₱6,604,798	₱5,452,325

The details of the properties held under lease follows:

	2015		
	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

	2014		
	Land	Building and improvements	Total
Cost:			
Balance at beginning of year	₱23,382,132	₱134,673,526	₱158,055,658
Disposals	–	(46,919,562)	(46,919,562)
Balance at end of year	23,382,132	87,753,964	111,136,096
Accumulated depreciation:			
Balance at beginning of year	–	95,948,392	95,948,392
Additions	–	3,742,444	3,742,444
Disposals	–	(22,134,356)	(22,134,356)
Balance at end of year	–	77,556,480	77,556,480
Net book value	₱23,382,132	₱10,197,484	₱33,579,616

In 2015, the Group sold land property which resulted to a gain of ₱6,240,892. In 2014, the Group sold buildings and improvements with a carrying value of ₱24,785,206 which resulted to a loss of ₱8,356,634.

Rental income generated from investment properties held under lease amounted to ₱14.0 million in 2015, ₱8.2 million in 2014 and ₱5.4 million in 2013 (see Note 28).

Direct operating expenses relative to investment properties held under lease are as follows:

	Note	**2015**	2014
Depreciation:			
General and administrative expense	26	**₱2,561,971**	₱2,561,970
Cost of services - other direct cost	25	**–**	1,180,474
		2,561,971	3,742,444
Taxes and licenses		**43,416**	288,673
Insurance		**6,369**	25,978
Transportation and travel		**520**	13,814
Utilities		**–**	7,592
Others		**223**	536
		₱2,612,499	₱4,079,037

The Group collateralized investment properties with a carrying amount of₱21.3 million and ₱21.4 million as of December 31, 2015 and 2014, respectively, on its long-term debts from AUB and MPI (see Note 19).

There are no restrictions on the realizability of investment properties nor on the remittance of income. There are also no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance or enhancements as of December 31, 2015 and 2014.

14. **Property and Equipment - Net**

The net carrying value of this account is as follows:

	2015	2014
Land	**₱12,967,297**	₱12,967,297
Refined bleached deodorized (RBD) and fractionation machineries	**248,622,268**	–
Land improvements	**1,370,819**	1,061,045
Building and improvements	**10,513,767**	35,989,642
Leasehold improvements	**171,687**	356,916
Machinery and equipment	**142,786,031**	156,390,083
Furniture, fixtures and equipment	**1,987,359**	4,485,755
Transportation equipment	**10,297,081**	11,557,376
Tools and other equipment	**570,343**	533,951
Other assets	**8,532,026**	3,063,228
Construction in progress	**34,761,294**	215,680,651
	₱472,579,972	₱442,085,944

Rollforward analysis of this account is shown below:

	2015					
	Balance at beginning of year	Additions/ Depreciations	Disposals	Reclassification	Adjustment due to deconsolidation	Balance at end of year
Cost:						
Land	₱12,967,297	₱–	₱–	₱–	₱–	₱12,967,297
RBD and fractionation machineries	–	–	–	248,622,268	–	248,622,268
Land improvements	3,651,606	726,453	–	–	(1,967,229)	2,410,830
Building and improvements	90,898,516	–	–	2,996,340	(39,634,183)	54,260,673
Leasehold improvements	2,797,786	157,923	–	–	–	2,955,709
Machinery and equipment	301,670,328	1,160,714	(1,500,000)	1,600,000	–	302,931,042
Furniture, fixtures and equipment	29,267,115	1,087,272	(120,536)	–	(8,341,848)	21,892,003
Transportation equipment	57,176,214	4,529,234	(1,868,143)	–	(2,266,792)	57,570,513
Tools and other equipment	3,599,952	435,425	–	–	(1,120,883)	2,914,494
Other assets	25,994,121	7,086,992	–	4,004,803	(4,379,222)	32,706,694
Construction in progress	215,680,651	76,304,054	–	(257,223,411)	–	34,761,294
	743,703,586	91,488,067	(3,488,679)	–	(57,710,157)	773,992,817
Accumulated depreciation and amortization:						
Land improvements	2,590,561	62,754	–	–	(1,613,304)	1,040,011
Building and improvements	54,908,874	1,146,699	–	–	(12,308,667)	43,746,906
Leasehold improvements	2,440,870	343,152	–	–	–	2,784,022
Machinery and equipment	145,280,245	15,652,266	(787,500)	–	–	160,145,011
Furniture, fixtures and equipment	24,781,360	1,200,253	(120,536)	–	(5,956,433)	19,904,644
Transportation equipment	45,618,838	5,328,232	(1,770,167)	–	(1,903,471)	47,273,432
Tools and other equipment	3,066,001	249,245	–	–	(971,095)	2,344,151
Other assets	22,930,893	4,119,425	–	–	(2,875,650)	24,174,668
	301,617,642	28,102,026	(2,678,203)	–	(25,628,620)	301,412,845
Net carrying value	₱442,085,944	₱63,386,041	(₱810,476)	₱–	(₱32,081,537)	₱472,579,972

	2014				
	Balance at beginning of year	Additions/ Depreciations	Disposals	Reclassification	Balance at end of year
Cost:					
Land	₱16,398,819	₱–	₱–	(₱3,431,522)	₱12,967,297
Land improvements	3,572,029	79,577	–	–	3,651,606
Building and improvements	84,700,026	809,145	–	5,389,345	90,898,516
Leasehold improvements	2,773,453	–	–	24,333	2,797,786
Machinery and equipment	292,182,560	4,167,504	–	5,320,264	301,670,328
Furniture, fixtures and equipment	28,370,803	896,312	–	–	29,267,115
Transportation equipment	59,495,614	2,120,030	(4,439,430)	–	57,176,214
Tools and other equipment	3,007,498	592,454	–	–	3,599,952
Other assets	22,724,405	1,883,763	–	1,385,953	25,994,121
Construction in progress	141,712,950	86,386,149	–	(12,418,448)	215,680,651
	654,938,157	96,934,934	(4,439,430)	(3,730,075)	743,703,586
Accumulated depreciation and amortization:					
Land improvements	2,033,855	556,706	–	–	2,590,561
Building and improvements	50,167,933	4,740,941	–	–	54,908,874
Leasehold improvements	1,975,119	465,751	–	–	2,440,870
Machinery and equipment	119,846,597	25,433,648	–	–	145,280,245
Furniture, fixtures and equipment	22,120,096	2,661,264	–	–	24,781,360
Transportation equipment	41,333,344	7,518,016	(3,232,522)	–	45,618,838
Tools and other equipment	2,637,922	428,079	–	–	3,066,001
Other assets	17,959,600	4,971,293	–	–	22,930,893
	258,074,466	46,775,698	(3,232,522)	–	301,617,642
Net carrying value	₱396,863,691	₱50,159,236	(₱1,206,908)	(₱3,730,075)	₱442,085,944

Other assets include software applications and other various small equipment such as transmitter radios.

In 2014, the Group reclassified land amounting to ₱3.4 million to investment property held for capital appreciation (see Note 13).

The Company sold property and equipment which resulted to a loss of ₱263,417 in 2015 and a gain of ₱993,126 in 2014.

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 19).

There are no contractual commitments to purchase property and equipment.

The depreciation and amortization charges were presented as part of the following accounts:

	Notes	**2015**	2014	2013
General and administrative expenses	26	**₱13,947,455**	₱23,807,511	₱21,842,638
Real estate held for sale	9	**10,523,384**	13,053,872	12,623,250
Cost of sales and services	25	**3,631,187**	9,914,315	7,516,135
		₱28,102,026	₱46,775,698	₱41,982,023

The Group's management had reviewed the carrying values of the property and equipment for any impairment as of December 31, 2015 and 2014. 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.

15. **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:

		2015		
	Note	Land	Improvements	Total
December 31, 2014		₱347,268,780	₱452,566,590	₱799,835,370
Reclassifications	9	(9,209,790)	(76,626,112)	(85,835,902)
December 31, 2015		₱338,058,990	₱375,940,478	₱713,999,468

		2014		
	Note	Land	Improvements	Total
December 31, 2013		₱337,668,780	₱246,377,672	₱584,046,452
Additions		9,600,000	2,344,484	11,944,484
Reclassifications	9	–	203,844,434	203,844,434
December 31, 2014		₱347,268,780	₱452,566,590	₱799,835,370

The Group reclassified land and improvements with a total cost of ₱85.8 million and ₱203.8 million to and from real estate held for sale in 2015 and 2014, respectively (see Note 9). The reclassification has no impact on the statements of cash flows.

16. **Biological Assets**

The workforward analysis of this account is as follows:

	Note	**2015**	2014
Cost:			
Balance at beginning of year		**₱348,820,403**	₱315,826,266
Additions during the year		**67,847,130**	32,130,989
Amortization of leasehold rights	17	**1,288,221**	863,148
Balance at end of year		**417,955,754**	348,820,403
Accumulated amortization:			
Balance at beginning of year		**14,289,336**	14,169,264
Amortization during the year	25	**–**	120,072
Balance at end of year		**14,289,336**	₱14,289,336
Net carrying value		**₱403,666,418**	₱334,531,067

As of December 31, 2015 and 2014, the Group has 193,277 palm oil trees planted on land under leasehold (see Note 17). Starting 2014, the amortization of biological assets was suspended in Kalabugao area because of the change in estimate of the harvesting age to year 2017 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 in 2014 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 through use in operations.

17. **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 palm oil commercial plantations (see Note 37).

Rollforward analysis of this account is shown below:

	Note	**2015**	2014
Cost:			
Balance at beginning and end of year		**₱41,655,391**	₱41,655,391
Accumulated amortization:			
Balance at beginning of year		**6,122,563**	4,794,197
Amortization during the year	16	**1,288,221**	1,328,366
Balance at end of year		**7,410,784**	6,122,563
Net carrying value		**₱34,244,607**	₱35,532,828

As of December 31, 2013, the biological assets in all the plantation areas were still in their growing stage (see Note 16). Accordingly, the amortization of leasehold rights was capitalized as part of the production cost of the Company's biological assets as of December 31, 2013. 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 16). 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 16).

Amortization of leasehold rights is distributed as follows:

	Note	**2015**	2014	2013
Capitalized to biological assets	16	**₱1,288,221**	₱863,148	₱1,331,078
Charged to direct plantation costs	25	**–**	465,218	–
Total amortization of leasehold rights		**₱1,288,221**	₱1,328,366	₱1,331,078

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.

18. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Accounts payable	**₱302,564,734**	₱240,081,993
Accrued expenses	**28,008,312**	23,845,863
Retention payable	**12,607,039**	22,896,443
Accrued interest payable	**10,602,933**	3,230,349
Contracts payable	**5,326,335**	5,926,335
Others	**22,132,287**	30,930,824
	₱381,241,640	₱326,911,807

The above accounts payables and accrued expenses include lease payable to related parties with outstanding balances totaling to ₱686,055 and ₱1,364,630 as of December 31, 2015 and 2014, respectively (see Note 20).

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

	2015	2014
Output VAT payable	**₱8,479,321**	₱6,246,900
Construction bond payable	**7,562,828**	6,886,117
Withholding tax payable	**2,190,039**	2,603,421
SSS, HDMF, PHIC premium payable	**614,067**	584,134
Deposit from subscribers	**–**	1,300,659
Others	**3,286,032**	13,309,593
	₱22,132,287	₱30,930,824

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.

19. Short-term and Long-term Debt

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

	2015	2014
Financial Institutions:		
Union Bank of the Philippines (UBP)	**₱100,000,000**	₱100,000,000
China Banking Corp. (CBC)	**100,000,000**	90,000,000
Philippine Bank of Communication (PBCOM)	**65,000,000**	65,000,000
United Coconut Planters Bank (UCPB)	**20,000,000**	10,000,000
Others	**4,000,000**	–
	₱289,000,000	₱265,000,000

- The loan from UBP pertains to the term loans availed 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 in December 2013, 2014 and 2015 under the same term and interest rate. The loan balance as of December 31, 2015 and 2014 is unsecured.

- The loan from CBC pertains to a clean term loan availed 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%.

- A clean term loan amounting to ₱65 million was obtained 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 on April 30, 2015, total principal payments made amounted to ₱15 million. The remaining ₱50 million loan was renewed on April 30, 2015 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 March 18, 2013, the Group availed a clean term loan from UCPB amounting to ₱20 million payable after one year from the date of availment with 5.75% interest rate. The loan was subsequently renewed on March 31, 2014. Total principal payments in 2014 amounted to ₱10 million. On March 6, 2015, the ₱10 million remaining loan in 2014 was renewed for another year maturing on February 29, 2016 which bears 5.5% annual interest rate. On January 30, 2015, the Group availed additional loan amounting ₱10 million payable after one year from the date of availment with 5.5% interest rate.

- 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.

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

	2015	2014
Financial Institutions:		
UCPB	**₱433,752,364**	₱298,882,844
Asia United Bank (AUB)	**330,930,000**	340,723,000
UBP	**329,583,808**	287,391,800
CBC	**301,562,539**	300,000,000
BPI Family Savings Bank (BPIF)	**190,944,250**	226,812,738
Bank of the Philippine Islands (BPI)	**67,500,000**	183,500,000
MPI	**53,333,333**	60,000,000
Total loans from financial institutions	**1,707,606,294**	1,697,310,382
Shareholders	**90,774,096**	102,020,827
Total long-term debt	**1,798,380,390**	1,799,331,209
Less current portion	**685,396,811**	181,111,133
Noncurrent portion of long-term debt	**₱1,112,983,579**	₱1,618,220,076

- In August and December of 2011, the Group obtained ₱400.0 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 obtained 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 and ₱44.5 million as of December 31, 2015 and 2014, respectively (see Note 9).

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 14).

- On December 2, 2013, the Group availed of loan from AUB amounting to ₱85.0 million that will mature on December 1, 2017 with an interest rate of 5% per annum. This loan is collateralized by real estate mortgage on the Group's investment properties with net carrying amount of ₱0.01 million and ₱0.2 million as of December 31, 2015 and 2014, respectively (see Note 14), and real estate mortgage on the property of the Group's stockholder.

  In January 2014, the Group obtained loan from AUB amounting to ₱180.0 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 loans consist of ₱65.0 million loans bearing an annual interest rate of 5.0% and maturing in December 2017, and ₱18.8 million loans bearing an annual interest rate of 5.5% maturing in January 2019. These loans were collateralized by the Group's real estate held for sale assets with carrying amount of ₱89.0 million and ₱40.1 million in 2015 and 2014, respectively (see Note 9).

- The loan from UBP pertains to a 7-year loan availed by the Group in 2012 amounting to ₱300.0 million, 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%. On September 23, 2015, the Parent Company availed additional ₱75.0 million loan bearing 5.78% annual interest rate maturing on September 23, 2019. The loans are collateralized by the Parent Company's real estate held for sale assets with carrying amount of ₱101.6 million and ₱105.6 million as of December 31, 2015 and 2014, respectively (see note 9).

- 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.

  The Group obtained from CBC a 3-year loan with 8.08% annual interest rate loan amounting to ₱0.9 million availed in July 2015 and a 4-year loan with 10% annual interest rate amounting to ₱0.8 million availed in August 2015 for car loan plans for its officers. The loans are payable monthly in arrears.

- 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 and ₱50.8 million as of December 31, 2015 and 2014, respectively (see Note 9).

- 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 and ₱110.2 million as of December 31, 2015 and 2014, respectively (see Note 9).

  On December 20, 2012, the Group availed a loan amounting to ₱89.0 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. The principal is payable in quarterly installments amounting to ₱4.5 million to commence on March 20, 2015. The loan is collateralized by the Company's land with carrying value of ₱84.0 million (see Note 14). However, the loan was fully paid in 2015, ₱80.1 million of which was paid from the proceeds of loan from UCPB.

- 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 as of December 31, 2015 and 2014 (see Note 13).

- 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.

The following table presents the contractual maturity of short-term and long-term debt as of December 31, 2015 and 2014:

	2015	2014
Due within 1 year	**₱974,396,811**	₱446,111,133
Due beyond 1 year, not later than 5 years	**1,017,826,614**	436,547,886
Due beyond 5 years	**95,156,965**	1,181,672,190
	₱2,087,380,390	₱2,064,331,209

The finance costs relative to the foregoing loans were presented as part of the following accounts:

	2015	2014
Finance costs under profit or loss	**₱109,408,927**	₱90,737,847
Real estate held for sale	**26,750,000**	27,853,014
Construction in progress	**2,158,921**	4,123,260
	₱138,317,848	₱122,714,121

20. **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 Group 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. Noninterest-bearing loans received from shareholders.

   The Group received noninterest-bearing loans from shareholders (see Note 19).

b. Deposits for future stock subscription in an associate (included in investment and deposits).

   The Group made deposits for future subscription to an associate which amounted to ₱165,452,221 as of December 31, 2014.

   Deposits made to associate

Transaction	**2015**	2014
Outstanding balance at beginning of year	**₱165,452,221**	₱538,486,333
Applied to subscription payable	**(165,452,221)**	–
Subscribed to capital during the year	**–**	(538,486,333)
Deposits made during the year	**–**	435,000,000
Deposits returned during the year	**–**	(269,547,779)
Outstanding balance at end of year	**₱–**	₱165,452,221

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

	2015	2014
Rent expense to profit or loss	**₱3,599,854**	₱2,730,340
Rent expense capitalized to CIP	**299,954**	255,136
Total rent expense	**3,899,808**	2,985,476
Outstanding balances	**686,055**	236,732

e. Loan granted to an affiliate.

In January 2014, the Parent Company granted ₱2,000,000 loan to XSCCI payable within one year (see Note 8).

f. 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 19).

The summary of the above related party transactions follows:

	2015			
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/Provision
Shareholders				
1. Loans received from shareholders		(₱90,774,096)	Noninterest-bearing and repayable in lump sum on or before maturity after 10 years from 2012	Unsecured; no significant warranties and covenants
• Loans received	(₱62,000,000)			
• Discount on loans received	16,718,115			
• Payments made	70,885,110			
• Amortization of discount	(26,371,047)			
• Adjustment due to deconsolidation of subsidiary	12,014,553			
Associate				
2. Deposit for future stock subscription		–	To be applied to equity call	No significant warranties or covenants
• Applied to subscription payable	(165,452,221)			
3. Advances		24,721,000	Payable on demand; noninterest-bearing	Unsecured; no significant warranties and covenants; no impairment
• Advances made	24,721,000			

(*Forward*)

(Carryforward)

Category	Amount/ Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/Provision
		2015		
Affiliate				
4. Lease of office space from an affiliate (Note 18)		(686,055)	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
• Rent expense	(3,899,808)			
5. Loan granted		–	Noninterest-bearing and repayable in cash within 1 year from date of availment	Unsecured; no significant warranties and covenants; no impairment
• Payments received	(347,316)			
6. Loan availed		(1,000,000)	Noninterest-bearing and repayable in cash within 1 year from date of availment	Unsecured; no significant warranties and covenants
• Loan received	(1,000,000)			

Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/Provision
		2014		
Shareholders				
7. Loans received from shareholders		(₱102,020,827)	Noninterest-bearing and repayable in lump sum on or before maturity after 10 years from 2012	Unsecured; no significant covenants
• Loans received	(₱60,000,000)			
• Discount on loans received	24,874,165			
• Payments made	28,000,000			
• Amortization of discount	(13,503,650)			
Associate				
8. Deposit for future stock subscription		165,452,221	To be applied to equity call	No significant warranties or covenants
• Deposits made	435,000,000			
• Deposits returned	(269,547,779)			
• Subscribed to capital	(602,282,333)			
Affiliate				
9. Lease of office space from an affiliate		(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
• Rent expense	(2,985,476)			
10. Loan granted		347,316	Noninterest-bearing and repayable in cash within 1 year from date of availment	Unsecured; no significant warranties and covenants
• Loan granted	2,000,000			
• Payments received	(1,652,684)			

Below are the account balances as of December 31, 2015 and 2014 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

- Receivables/Payables

	2015			
	Receivables			
	ABCI-Parent	ABERDI	MCPI	Total
Payables:				
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	–	571,879
BAC	–	423,095	–	423,095
	₱9,696,123	₱1,701,452	₱6,508,784	₱17,906,359

	2014		
	Receivables		
	ABERDI	NC	Total
Payables:			
ABCI-Parent	₱1,050,662	₱–	₱1,050,662
ABERDI	–	3,079,857	3,079,857
SHDI	3,041	–	3,041
BAC	40,644	–	40,644
NC	11,200	–	11,200
	₱1,105,547	₱3,079,857	₱4,185,404

- Deposits for future stock subscription

	2015		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱818,305,221	₱ –	₱818,305,221
ABERDI	390,203,228	–	390,203,228
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

	2014		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱825,205,221	₱ –	₱825,205,221
ABERDI	376,303,228	–	376,303,228
AC	9,600,000	–	9,600,000
PBI	7,500,000	–	7,500,000
HLPC	5,500,000	–	5,500,000
NC	–	255,485,103	255,485,103
Total	₱1,224,108,449	₱255,485,103	₱1,479,593,552

The compensation of key management personnel by benefit type follows:

	2015	2014
Salaries and wages	**₱43,761,687**	₱31,695,594
Short-term employee benefits	**9,345,652**	6,730,258
Post-employment benefits	**4,259,125**	5,724,950
	₱57,366,464	₱44,150,802

The Group has no transactions with its retirement fund involving loans (neither as creditor nor debtor), investments (neither as investor nor investee), lease on services and guarantee or surety made or received. The following information is shown in Note 27.

a. carrying value and fair value of fund,
b. amount of contributions to the fund,
c. description and composition of the fund, and
d. Trustee of the fund.

There are no other related party transactions.

21. **Share Capital**

The details of the number of shares of authorized and subscribed capital stock and additional paid-in capital follows:

	Note	**2015**	2014	2013
Authorized	1	**2,000,000,000**	2,000,000,000	2,000,000,000
Subscribed and issued	1	**1,732,865,522**	1,732,865,522	1,732,865,522
Additional paid-in-capital		**586,198,947**	586,198,947	586,198,947

The movement of the number of authorized and subscribed share capital and additional paid-in capital (APIC) follows:

	Share Capital	
	Authorized	Subscribed and issued
Balance as at December 31, 2012	1,620,000,000	1,386,293,229
Increase in authorized capital stock	380,000,000	–
Stock dividend declared and issued in 2013	–	346,572,293
Balance as at December 31, 2013, 2014 and 2015	2,000,000,000	1,732,865,522

There is no movement in the number of shares of authorized and subscribed capital stock for the years 2015 and 2014.

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.

There are 2,121 and 2,129 stockholders as of December 31, 2015 and 2014, respectively, in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.75 on December 29, 2015 and ₱1.07 on December 29, 2014.

22. **Sales**

This account consists of:

	2015	2014	2013
Real estate	**₱454,224,678**	₱430,271,389	₱335,141,057
Crude palm oil (CPO)	**98,604,592**	154,290,000	64,688,505
Palm olein	**24,431,260**	–	–
Water service	**16,066,623**	13,477,155	12,276,412
Palm stearin	**7,556,214**	–	–
Other by-products of CPO	**7,306,626**	8,767,579	–
Aggregates	**7,039,915**	9,651,974	13,458,404
Kernel nuts	**5,535,203**	5,606,538	3,726,586
Crops and palm seedlings	**586,712**	4,027,048	6,553,360
Hotel operations	**–**	8,174,383	7,078,305
Fertilizer	**–**	39,950	–
Management fee	**–**	–	23,200,000
	₱621,351,823	₱634,306,016	₱466,122,629

Sales of other by-products of CPO include sales of palm acid oil, palm fatty acid distillate and feed oil. Sale of crops include sales of cassava.

23. **Financial Income**

This account consists of:

	Notes	**2015**	2014	2013
Interest from:				
Sales of real estate	7	**₱14,571,176**	₱17,756,082	₱22,991,015
Notes receivable	7, 8	**110,985**	597,493	459,757
Cash in banks and cash equivalents	6	**64,506**	245,492	8,095,676
		₱14,746,667	₱18,599,067	₱31,546,448

24. **Other Income**

This account consists of:

	2015	2014	2013
Income from forfeited accounts	**₱3,043,441**	₱6,819,012	₱3,787,664
Surcharge income	**2,145,639**	3,097,271	2,876,086
Others	**17,375,757**	15,874,446	42,700,185
	₱22,564,837	₱25,790,729	₱49,363,935

Other income in 2015 includes income from sale of scrap oil and diesel, rental of pay loader and trucking services, lot staking and driving range fees. In 2014, other income includes revenue from providing services to foreign entity, sale of scrap oil and diesel, rental of pay loader and trucking services, lot staking and driving range fees.

25. **Cost of Sales and Services**

This account consists of:

	2015	2014	2013
Real estate	**₱253,944,632**	₱214,935,085	₱136,520,528
Crude palm oil	**68,791,946**	115,720,963	64,557,360
Palm olein	**16,868,326**	–	–
Crop and palm seedlings	**4,968,850**	5,421,045	3,224,689
Palm stearin	**4,949,219**	–	–
Aggregates	**6,150,588**	3,887,817	7,787,268
Water services	**5,667,789**	4,914,119	4,041,787
Kernel nuts and fertilizers	**4,436,347**	3,609,816	2,204,383
Hotel operations	**–**	14,314,656	13,876,758
Other direct costs	**41,000**	2,259,740	2,132,171
	₱365,818,697	₱365,063,241	₱234,344,944

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 and hotel operations. This also includes amortization charges of biological assets and leasehold rights which were included as part of cost of sales of crude palm oil.

26. **General and Administrative Expenses**

This account consists of:

	Notes	**2015**	2014	2013
Personnel costs	20, 27	**₱68,120,787**	₱56,860,498	₱64,225,383
Depreciation and amortization	13, 14	**16,509,426**	26,369,481	27,572,145
Taxes and licenses		**23,632,059**	19,782,102	21,870,688
Utilities and supplies		**7,225,509**	8,666,516	6,449,370
Rental	20, 28	**6,714,207**	2,154,230	916,761
Repairs and maintenance		**6,242,019**	7,124,548	4,846,198
Retirement benefits	27	**4,458,824**	3,602,483	2,978,165
Entertainment, amusement and recreation		**475,855**	1,591,208	1,023,868
Provision for doubtful accounts	7	**–**	769,679	–
Others		**46,059,868**	46,760,498	67,497,660
		₱179,438,554	₱173,681,243	₱197,380,238

Personnel costs include salaries and wages, short-term employee benefits and SSS, PHIC and HDMF contributions.

Depreciation and amortization are derived from:

	Notes	**2015**	2014	2013
Investment properties	13	**₱2,561,971**	₱2,561,970	₱5,729,507
Property and equipment	14	**13,947,455**	23,807,511	21,842,638
		₱16,509,426	₱26,369,481	₱27,572,145

Significant components of other operating expenses follow:

	2015	2014	2013
Security services	**₱14,356,837**	₱14,656,836	₱13,592,802
Professional fees	**8,384,902**	7,954,939	32,029,356
Transportation and travel	**5,385,320**	7,444,491	7,016,604
Director fees	**1,413,882**	1,216,882	1,489,480
Board meetings	**942,807**	941,109	1,210,254
Insurance	**820,735**	1,151,934	989,034
Trainings and seminars	**677,196**	590,374	278,973
Subscription and dues	**634,099**	596,379	565,201
Litigation fees	**342,461**	777,122	1,088,884
Bank charges	**54,786**	555,854	87,131
Miscellaneous	**13,046,843**	10,874,578	9,149,941
	₱46,059,868	₱46,760,498	₱67,497,660

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

27. **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, 2014 and 2013.

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

	2015	2014
Discount rate, beginning of year	**4.73%**	5.03%
Discount rate, end of year	**5.17%**	4.73%
Salary increase rate , beginning and end of year	**5.00%**	5.00%

The net retirement liability recognized in the consolidated statements of financial position as of December 31, 2015 and 2014 were determined as follows:

	2015	2014
Present value of defined benefit obligations	**₱43,604,338**	₱42,255,343
Less fair value of plan assets	**11,046,552**	15,668,362
Net retirement liability	**₱32,557,786**	₱26,586,981

The carrying amount of the plan asset approximates the fair value of plan assets which is allocated as of December 31, 2015 and 2014 is as follows:

	2015	2014
Cash and cash equivalents	**60.87%**	60.19%
Equity instruments	**24.70%**	23.16%
Debt instruments-government bonds	**14.53%**	11.63%
Others (market gains (losses), accrued receivables, etc.)	**(0.10%)**	5.02%
	100%	100.00%

The rollforward of present value of defined benefit obligation follows:

	2015	2014
Balance at beginning of year	**₱42,255,343**	₱37,346,161
Benefits paid	**(3,107,725)**	(4,737,744)
Current service cost	**3,185,855**	2,577,412
Interest cost	**1,893,839**	1,821,325
Remeasurement loss on:		
Experience	**848,918**	5,392,118
Demographic assumptions	**(434,659)**	(306,885)
Change in financial position	**(179,158)**	162,956
Derecognition due to deconsolidation of a subsidiary	**(858,075)**	–
Balance at end of year	**₱43,604,338**	₱42,255,343

The rollforward of fair value of plan assets follows:

	2015	2014
Balance at beginning of year	**₱15,668,362**	₱18,512,239
Benefits paid	**(3,107,725)**	(4,737,744)
Remeasurement gain (loss) on plan assets	**(1,430,863)**	673,603
Adjustment due to deconsolidation of subsidiary	**(704,092)**	–
Interest income	**620,870**	796,254
Contributions	**–**	424,010
Balance at end of year	**₱11,046,552**	₱15,668,362

The retirement benefits expense recognized in the consolidated statements of income included in personnel costs under general and administrative expenses in Note 26 were determined as follows:

	Note	**2015**	2014	2013
Current service cost		**₱3,185,855**	₱2,577,412	2,094,588
Interest cost		**1,893,839**	1,821,325	1,863,262
Interest income		**(620,870)**	(796,254)	(979,705)
Change in effect of asset ceiling		**–**	–	20
Total retirement benefits expense	26	**₱4,458,824**	₱3,602,483	2,978,165

The movement of the net retirement liability recognized in the consolidated statements of financial position follows:

	2015	2014
Retirement liability at beginning of year	**₱26,586,981**	₱18,833,922
Derecognition due to deconsolidation of a subsidiary	**(153,983)**	–
Retirement benefits expense – profit or loss	**4,458,824**	3,602,483
Remeasurement loss (gain) – OCIL on:		
Plan assets	**1,430,863**	(673,603)
Defined benefit obligation	**235,101**	5,248,189
Actual contributions	**–**	(424,010)
Net retirement liability at end of year	**₱32,557,786**	₱26,586,981

The movements of net remeasurement gain (loss) recognized in "Other Comprehensive Income (Loss)" (OCIL) follow:

	2015	2014	2013
Balance at beginning of year – net	**(₱22,624,441)**	(₱27,282,459)	(₱24,206,991)
Derecognition due to deconsolidation of a subsidiary	**503,756**	–	–
	(22,120,685)	(27,282,459)	(24,206,991)
Actuarial gain (loss):			
Changes in financial assumptions	**179,158**	(162,956)	(165,808)
Experience	**(848,918)**	(5,392,118)	1,458,073
Demographic assumptions	**434,659**	306,885	(2,289,825)
Remeasurement gain (loss) - fair value of plan assets arising from financial assumptions	**(1,430,863)**	673,603	(2,077,908)
Remeasurement loss	**(1,665,964)**	(4,574,586)	(3,075,468)
Deferred income tax	**488,245**	9,232,604	–
Remeasurement loss – net of deferred tax	**(1,177,719)**	4,658,018	(3,075,468)
Balance at end of year – net	**(₱23,298,404)**	(₱22,624,441)	(₱27,282,459)

Expected future benefit payments of the Group is shown below:

Year	**2015**	2014
Within one year	**₱27,088,798**	₱23,930,735
Within 2 to 5 years	**1,709,826**	5,240,123
Beyond 5 years	**5,662,087**	12,763,821

Sensitivity analysis on the retirement benefit obligation follows:

	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	0.6%	₱88,107
100 bps decrease in discount rate	(0.5)%	(30,277)
100 bps increase in salary increase rate	0.5%	352,299
100 bps decrease in salary increase rate	(0.4%)	(307,684)
Increase in DBO, no attrition rates	12.90%	6,280,429

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.

28. 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 three (3) to ten (10) years and is renewable upon mutual agreement of both parties. The lease agreements that are existing as of December 31, 2015 and 2014 will expire in various dates in 2017 to 2024.

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

Estimated future minimum rental receipts follow:

	2015	2014
Due within one year	**₱10,899,541**	₱6,517,683
Due beyond one year, not later than five years	**51,833,166**	5,989,646
Due beyond five years	**62,724,015**	–
	₱125,456,722	₱12,507,329

Rental income under these operating leases which amounted to ₱14,048,602 in 2015, ₱8,181,574 in 2014 and ₱5,447,917 in 2013 are all from non-related parties (see Note 13).

Group as a Lessee

The Group entered into operating lease agreements with related and non-related parties for its office space in Cagayan de Oro City and Metro Manila. The term of the lease agreements are for one to two years and is renewable upon the agreement of both parties.

Estimated future minimum rental payments are as follows:

	2015	2014
Due within one year	**₱4,720,947**	₱3,050,032
Due beyond one year, not later than five years	**3,716,841**	1,017,008
	₱8,437,788	₱4,067,040

Rental expense under these operating leases amounted to ₱6,714,207 in 2015, ₱2,154,230 in 2014 and ₱916,761 in 2013 (see Notes 20 and 26).

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

29. **Income Taxes**

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

	2015	2014	2013
RCIT	**₱12,429,241**	₱10,962,491	₱11,219,303
MCIT	**1,090,692**	1,222,769	242,134
	₱13,519,933	₱12,185,260	₱11,461,437

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

	2015	2014
Deferred tax assets		
Income tax effects of:		
NOLCO	**₱12,170,631**	₱24,596,425
Retirement liability and unamortized past service cost	**11,248,183**	9,759,254
Allowance for impairment losses on investment properties	**6,260,841**	5,044,380
Allowance for doubtful accounts	**135,968**	135,968
Others	**8,210,992**	10,045,834
MCIT	**2,555,595**	1,698,681
	₱40,582,210	₱51,280,542

	2015	2014
Deferred tax liabilities		
Income tax effects of:		
Deferred income on sale of real estate	**₱80,776,419**	₱84,307,505
Deferred rental income	**1,644,894**	79,814
Unrealized foreign exchange gain	**4,104**	815
	₱82,425,417	₱84,388,134

The Group did not recognize the deferred income tax asset on NOLCO amounting to ₱7.7 million as of December 31, 2015 since management believes that this could not be utilized prior to its expiration. NOLCO amounting to ₱40.5 million as of December 31, 2015, can be carried forward and claimed as deduction against regular taxable income for the next three (3) years. The details of recognized and unrecognized NOLCO are shown below:

Date Incurred	Amount	Expired/Applied	Balance	Tax effect	Expiry Date
December 31, 2012	₱42,019,556	(₱42,019,556)	₱–	₱–	Expired
December 31, 2013	39,525,752	–	39,525,752	11,857,726	December 31, 2016
December 31, 2014	3,978,145	–	3,978,145	1,193,444	December 31, 2017
December 31, 2015	4,719,922	–	4,719,922	1,415,977	December 31, 2018
	₱90,243,375	(₱42,019,556)	₱48,223,819	₱14,467,147	

The carry forward benefits of the following MCIT 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, 2012	₱233,778	(₱233,778)	₱–	December 31, 2015
December 31, 2013	242,134	–	242,134	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
	₱2,789,373	(₱233,778)	₱2,555,595	

c. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax expense (benefit) shown in the consolidated statements of income follows:

	2015	2014	2013
Income tax expense computed at statutory tax rate	**₱9,687,976**	₱8,429,635	(₱646,811)
Income tax effects of:			
Write-off of expired NOLCO and other deferred tax assets	**10,270,217**	15,580,431	–
Discount on long-term debt	**(5,015,435)**	(7,542,763)	–
Amortization of discount on long-term debt	**8,005,410**	4,131,608	1,254,811
Equity in net loss (income) of associates	**(2,261,938)**	8,983,042	3,312,547
Change in unrecognized deferred tax assets	**1,247,606**	2,568,701	–
Nondeductible expenses	**711,231**	738,141	190,061
Amortization of discount on notes receivable	**(94,142)**	(110,151)	–
Gain on disposal of net assets of deconsolidated subsidiaries	**(31,381)**	–	–
Interest income subject to final tax	**(19,301)**	(73,541)	(2,428,585)
Dividend income	**(3,861)**	(2,505)	(1,600)
Gain on sale of AFS – net	**–**	(7,602,372)	–
Capital gains tax paid	**–**	25,800	16,175
Accounts written-off	**–**	–	354,130
Applied and expired MCIT	**233,778**	247,442	(8,195,194)
	₱22,730,160	₱25,373,468	(₱6,144,466)

d. RA No. 9504 that was enacted in 2008 amended various provisions in the existing 1997 National Internal Revenue Code. Among the forms introduced by the said RA was the option granted to corporations to avail of the optional standard deduction at 40% of gross income in lieu of the itemized deduction scheme.

The Group opted for the itemized deduction scheme for its income tax reporting in 2015, 2014 and 2013.

30. **Earnings per Share (EPS)**

Basic EPS is computed as follows:

	2015	2014	2013
Net profit attributable to equity holders of Parent Company	**₱10,025,368**	₱2,282,423	₱3,555,644
Divided by weighted average number of shares outstanding	**1,732,865,522**	1,732,865,522	1,732,865,522
Basic earnings per share	**₱0.00579**	₱0.00132	₱0.00205

The Group has no dilutive potential shares as of December 31, 2015, 2014 and 2013 (see Note 21).

31. **Financial Instruments**

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of December 31, 2015 and 2014:

		2015				
	Note	Carrying value	Fair value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:						
Cash and cash equivalents	6	₱43,920,481	₱43,920,481	₱–	₱43,920,481	₱–
Receivables*	7	533,964,983	533,964,983	–	533,964,983	–
Advances to a related party	20	24,721,000	24,721,000	–	24,721,000	–
Refundable deposits	5	11,052,656	11,052,656	–	11,052,656	–
AFS investments	12	988,939,404	988,939,404	824,275,828	–	164,633,576
		₱1,602,598,524	₱1,602,598,524	₱824,275,828	₱613,659,120	₱164,633,576
Financial liabilities:						
Accounts payable and accrued expenses**	18	₱369,958,213	₱369,958,213	₱–	₱369,958,213	₱–
Short-term debt	19	289,000,000	289,000,000	–	289,000,000	–
Long-term debt	19	1,798,380,390	1,798,380,390	–	1,798,380,390	–
Subscriptions payable	12	70,025,817	70,025,817	–	70,025,817	–
		₱2,527,364,420	₱2,527,364,420	₱–	₱2,527,364,420	₱–

		2014				
	Note	Carrying value	Fair value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:						
Cash and cash equivalents	6	₱93,045,062	₱93,045,062	₱–	₱93,045,062	₱–
Receivables*	7	512,932,210	512,932,210	–	512,932,210	–
Notes receivable	8	347,316	347,316	–	347,316	–
Refundable deposits	5	8,999,549	8,999,549	–	8,999,549	–
AFS investments	11	626,016,144	626,016,144	135,906,548	–	490,109,596
		₱1,241,340,281	₱1,241,340,281	₱135,906,548	₱615,324,137	₱490,109,596
Financial liabilities:						
Accounts payable and accrued expenses**	18	₱317,279,133	₱317,279,133	₱–	₱317,279,133	₱–
Short-term debt	19	265,000,000	265,000,000	–	265,000,000	–
Long-term debt	19	1,799,331,209	1,799,331,209	–	1,799,331,209	–
Subscriptions payable	12	494,482,038	494,482,038	–	494,482,038	–
		₱2,876,092,380	₱2,876,092,380	₱–	₱2,876,092,380	₱–

* *Excluding nonfinancial assets amounting to ₱11,896,363 and ₱25,091,041 as of December 31, 2015 and 2014, respectively.*
** *Excluding nonfinancial liabilities amounting to ₱11,283,427 and ₱9,632,674 as of December 31, 2015 and 2014, respectively.*

Methods and Assumptions Used to Estimate Fair Value

The carrying value of cash and cash equivalents, accounts and notes receivables, advances to a related party, accounts payable and accrued expenses, and short-term bank debts approximates their fair value due to the short-term nature of the transactions.

AFS investments in listed companies included in level 1 are valued based on published prices. AFS investments in golf, sports and country clubs and non-listed companies, which are not traded in active market, are included in Level 3. The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

The Group has no financial instruments that are carried at FVPL.

32. 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 and cash equivalents, nontrade accounts and notes receivables, investment in equity securities, and short and long-term debt. 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 contract and trade receivables, advances to a related party refundable deposits, trade payables and accrued liabilities, which arise directly from operations. The Group's policies and guidelines cover credit risk, liquidity risk and market risks. 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 principle.

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

- *Credit risk*
  Credit risk refers to the risk that a 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. 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. In addition, real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered.

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

	2015	2014
Cash in banks and cash equivalents	**₱43,058,852**	₱92,094,804
Accounts receivable	**533,964,983**	512,932,210
Available-for-sale investments	**988,939,404**	626,496,144
Advances to a related party	**24,731,000**	–
Refundable deposits	**11,052,656**	8,999,549
Notes receivable	**–**	347,316
	₱1,601,746,895	₱1,240,870,023

  The Group's cash and cash equivalents have been invested with various creditworthy banks, thus limiting exposure to credit risk, in regard to its liquid assets. The Group's contract and trade receivables consist 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 counterparties, with a maximum exposure equal to the carrying value of these instruments.

b. Credit Quality

Below is the credit quality by class of financial assets as of December 31, 2015 and 2014, gross of allowance for impairment losses.

		2015					
		Neither past due nor impaired			Past due		
	Note	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash and cash equivalents	6	₱43,920,481	₱–	₱–	₱–	₱–	₱43,920,481
Accounts receivable	7	463,855,378	7,828,700	519,094	61,761,811	453,225	534,418,208
Advances to a related party	20	24,721,000	–	–	–	–	24,721,000
Refundable deposits	5	11,052,656	–	–	–	–	11,052,656
Total loans and receivables		543,549,515	7,828,700	519,094	61,761,811	453,225	614,112,345
AFS investments							
Equity securities	12	988,939,404	–	–	–	–	988,939,404
		₱1,532,488,919	₱7,828,700	₱519,094	₱61,761,811	₱453,225	₱1,603,051,749

		2014					
		Neither past due nor impaired			Past due		
	Note	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash and cash equivalents	6	₱93,045,062	₱–	₱–	₱–	₱–	₱93,045,062
Accounts receivable	7	458,594,333	38,510,641	8,228,125	7,599,111	1,364,796	514,297,006
Refundable deposits	5	8,999,549	–	–	–	–	8,999,549
Notes receivable	8	347,316	–	–	–	–	347,316
Total loans and receivables		560,986,260	38,510,641	8,228,125	7,599,111	1,364,796	616,688,933
AFS investments							
Equity securities	12	626,496,144	–	–	–	–	626,496,144
		₱1,187,482,404	₱38,510,641	₱8,228,125	₱7,599,111	₱1,364,796	₱1,243,185,077

High grade cash and cash equivalents are short-term placements and working capital cash fund placed, invested, or deposited in local banks belonging to the top 25 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

Below is the aging analysis of past due but not impaired receivables:

	2015			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Accounts receivable	₱1,986,220	₱3,228,652	₱56,546,939	₱61,761,811

	2014			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Accounts receivable	₱1,862,751	₱1,437,025	₱4,299,335	₱7,599,111

c. *Risk concentrations of the maximum exposure to credit risk*
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

Given the Group's diverse base of counterparties, significantly various individual buyers of real estates and manufacturers using crude palm oil and other Group products, it is not exposed to a large concentration of credit risks.

e. *Impairment assessment*
The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and, (c) the expected receipts and recoveries once impaired.

- *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 December 31, 2015 and 2014, the available credit lines with banks and outstanding balances are as follows:

	2015		
	Available credit line	Drawable line	Unpaid
UCPB	₱ 605,000,000	₱–	₱453,752,364
CBC	110,000,000	–	100,000,000
CBC TRUST	300,000,000	–	300,000,000
BPIF	275,983,414	–	190,944,250
BPI	135,000,000	–	67,500,000
AUB	348,748,000	–	330,930,000
PBCOM	65,000,000	–	65,000,000
MAY	60,000,000	–	53,333,333
UBP	475,000,000	–	429,583,808
	₱2,374,731,414	₱–	₱1,991,043,755

	2014		
	Available credit line	Drawable line	Unpaid
UCPB	₱420,000,000	₱10,000,000	₱308,882,844
CBC	100,000,000	10,000,000	90,000,000
CBC TRUST	300,000,000	–	300,000,000
BPIF	275,983,414	–	226,812,738
BPI	224,000,000	–	183,500,000
AUB	348,748,000	–	340,723,000
PBCOM	65,000,000	–	65,000,000
MAY	60,000,000	–	60,000,000
UBP	400,000,000	–	387,391,800
	₱2,193,731,414	₱20,000,000	₱1,962,310,382

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 December 31, 2015 and 2014:

		2015		
	Notes	Due within one year	Due beyond one year	Total
Financial assets:				
Cash and cash equivalents	6	₱43,920,481	₱–	₱43,920,481
AFS investments	11	–	988,939,404	988,939,404
Accounts receivable – net*	7	423,984,235	109,980,748	533,964,983
Advances to a related party	20	24,721,000	–	24,721,000
Refundable deposits	5	–	11,052,656	11,052,656
		₱492,625,716	₱1,109,972,808	₱1,602,598,524
Financial liabilities:				
Short-term debt	9	₱289,000,000	₱–	₱289,000,000
Long-term debt	9	685,396,811	1,112,983,579	1,798,380,390
Accounts payable and accrued expenses**	8	369,958,213	–	369,958,213
Subscription payable	12	70,025,817	–	70,025,817
		₱1,414,380,841	₱1,112,983,579	₱2,527,364,420

		2014		
	Notes	Due within one year	Due beyond one year	Total
Financial assets:				
Cash in banks and cash equivalents	6	₱93,045,062	₱–	₱93,045,062
Accounts receivable – net*	7	349,309,427	163,622,783	512,932,210
Notes receivable	8	347,316	–	347,316
Refundable deposits	5	–	8,999,549	8,999,549
AFS investments	11	–	626,496,144	626,496,144
		₱442,701,805	₱799,118,476	₱1,241,820,281
Financial liabilities:				
Short-term debt	9	₱265,000,000	₱–	₱265,000,000
Long-term debt	9	181,111,133	1,618,220,076	1,799,331,209
Accounts payable and accrued expenses**	8	317,279,133	–	317,279,133
Subscription payable	12	494,482,038	–	494,482,038
		₱1,257,872,304	₱1,618,220,076	₱2,876,092,380

** Excluding nonfinancial assets*
*** Excluding nonfinancial liabilities*

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 and cash equivalents, 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 and cash equivalents is minimal. Interest rates in 2015, 2014, 2013 are approximately less than 1% for cash in banks and 1.05% to 3.60% for cash equivalents.

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 2015 and 2014, 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 4.75% to 11.5% in 2015 and 2014. 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 ₱0.8 million as of December 31, 2015. 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 ₱8.3 million as of December 31, 2015, 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
7%	₱27,258	₱19,080
-7%	(27,258)	(19,080)

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.

33. **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:

	2015	2014
Capital stock	**₱1,732,865,522**	₱1,732,865,522
Additional paid-in capital	**586,198,947**	586,198,947
Retained earnings	**361,793,923**	347,042,787
	₱2,680,858,392	₱2,666,107,256

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity.

The debt-to-equity ratios as at December 31, 2015 and 2014 follow:

	2015	2014
Total debt	**₱2,695,862,035**	₱3,045,437,978
Divided by total equity	**2,680,858,392**	2,666,107,256
Debt-to-equity ratio	**1.01:1.00**	1.14:1.00

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 years ended December 31, 2015 and 2014.

34. **Dividend Declaration**

On June 7, 2013, the Parent Company declared stock dividends equivalent to 25% of outstanding capital stock of the Corporation for the stockholders of record as of September 12, 2013 and distributed the shares to the stockholders in October 2013.

In 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.

On August 18, 2010, the BOD 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 were issued. Since the property dividend was 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 BOD to set those pertinent dates.

On July 9, 2010, the Parent Company's BOD, 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 was August 6, 2010 and Payment Date was on August 31, 2010.

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, 2012, dividends payable amounted to ₱2,420,541. In 2013, the unpaid dividends of the Parent Company was closed to other income.

35. **Business Segment Information**

The operating subsidiaries of the Group engaged in varied principal activities or operations such as real estate, quarry and mining, service/manufacturing/trading, agriculture, power and holding of which two or more subsidiaries share the same line of business. The operating results of these segments are regularly monitored by the President who is the chief operating decision maker (CODM) of the Group for the purpose of making decisions about resource allocation and performance assessment. However, as permitted by PFRS 8, Operating Segments, the Group has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

a. Nature of products and services

b. Nature of operating processes

c. Methods used to distribute their products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's CODM.

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
Service/ Manufacturing /Trading	Holding and providing rights to water to public utilities and cooperatives; Manufacturing of crude palm oil; Selling of goods on wholesale and retail basis
Hotel	Management of hotel operations
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 operations yet in 2014.
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.

The following tables regarding business segments present assets and liabilities as of December 31, 2015 and revenue and profit information for each of the three years in the period ended December 31, 2015 (in thousands).

The following tables regarding business segments present assets and liabilities as of December 31, 2015 and revenue and profit information for each of the three years in the period ended December 31, 2015 (in thousands).

	2015								
	FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS								
	Real estate	Quarry and Mining	Service/ Manufacturing/ Trading	Agriculture	Power Operations	Holding	Total	Adjustments and eliminations	Consolidated
Revenues									
External revenues	₱468,273	₱7,040	₱160,087	₱–	₱–	₱–	₱635,400	₱–	₱635,400
Inter-segment revenues	–	–	–	3,125	–	–	3,125	(3,125)	–
Total revenues	468,273	7,040	160,087	3,125	–	–	638,525	(3,125)	635,400
Operating expenses	411,978	8,753	145,742	3,013	3,219	1,214	573,919	(3,125)	570,794
Operating profit (loss)	56,295	(1,713)	14,345	112	(3,219)	(1,214)	64,606	–	64,606
Gain on sale of AFS investments	–	–	–	–	–	–	–	–	–
Equity in net income	–	–	–	–	–	–	–	7,540	7,540
Dividends income	13	–	–	–	–	–	13	–	13
Financial income	31,447	–	16	–	316	705	32,484	(1,019)	31,465
Financial expenses	(104,937)	–	(4,472)	–	(705)	(314)	(110,428)	1,019	(109,409)
Gain (loss) on disposal of assets	15,630	–	224	(445)	–	–	15,409	105	15,514
Other income	15,340	–	7,221	–	4	–	22,565	–	22,565
Income tax benefit (expense)	(10,285)	–	(4,983)	(6,432)	(1,287)	256	(22,731)	–	(22,731)
Net profit	₱3,503	(₱1,713)	₱12,351	(₱6,765)	(₱4,891)	(₱567)	₱1,803	₱ 7,645	₱ 9,563
Net profit attributable to:									
Equity holders of Parent Company									₱ 10,025
Noncontrolling interest									(462)
									₱9,563
Other information									
Segment assets	₱5,401,953	₱22,826	₱1,008,553	₱251,907	₱26,601	₱926,008	₱7,637,848	(₱2,170,640)	₱5,467,208
Deferred tax assets	24,825	–	14,014	311	–	1,432	40,582	–	40,582
Total assets	5,426,778	22,826	1,022,567	252,218	26,601	927,440	7,678,430	(2,170,640)	5,507,790
Segment liabilities	2,365,836	13,375	640,827	249,520	11,500	534,835	3,815,893	(1,202,456)	2,613,437
Deferred tax liabilities	82,424	–	–	–	1	–	82,425	–	82,425
Total liabilities	2,448,260	13,375	640,827	249,520	11,501	534,835	3,898,318	5,348,608	2,695,862
Segment additions to property and equipment and investment properties	8,000	–	78,799	–	4,689	–	91,488	–	91,488
Depreciation and amortization	(18,954)	(820)	(8,371)	(1,928)	(590)	–	(30,663)	–	(30,663)
Impairment loss	(₱4,055)	₱ –	₱–	₱–	₱–	₱–	(₱4,055)	₱–	(₱4,055)

	2014									
	FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS									
	Real estate	Quarry and Mining	Service/ Manufacturing/ Trading	Hotel	Agriculture	Power Operations	Holding	Total	Adjustments and eliminations	Consolidated
Revenues										
External revenues	₱438,453	₱9,652	₱186,208	₱8,174	₱–	₱–	₱–	₱642,487	₱–	₱642,487
Inter-segment revenues	–	–	–	2,955	7,143	–	–	10,098	(10,098)	–
Total revenues	438,453	9,652	186,208	11,129	7,143	–	–	652,585	(10,098)	642,487
Operating expenses	410,494	7,946	172,156	19,271	3,865	2,904	1,078	617,715	(36,577)	581,138
Operating profit (loss)	27,959	1,706	14,052	(8,142)	3,278	(2,904)	(1,078)	34,871	26,479	61,350
Gain on sale of AFS investments	25,521	–	–	–	–	–	–	25,521	–	25,521
Equity in net loss	–	–	–	–	–	–	–	–	(29,943)	(29,943)
Dividends income	8	–	–	–	–	–	–	8	–	8
Financial income	43,337	–	14	5	–	384	1	43,741	(268)	43,473
Financial expenses	(90,291)	–	–	(715)	–	–	–	(91,006)	268	(90,738)
Gain (loss) on sale of assets	632	–	268	(8,356)	96	–	–	(7,360)	(4)	(7,364)
Other income	17,721	–	7,912	158	–	–	–	25,791	–	25,791
Income tax benefit (expense)	(11,811)	–	(2,886)	(6,551)	(5,028)	659	244	(25,373)	–	(25,373)
Net profit	₱13,076	₱1,706	₱19,360	(₱23,601)	(₱1,654)	(₱1,861)	(₱833)	₱6,193	(₱3,468)	₱2,725
Net profit attributable to:										
Equity holders of Parent Company										₱2,283
Noncontrolling interest										442
										₱2,725
Other information										
Segment assets	₱5,418,627	₱24,043	₱878,747	₱41,864	₱270,350	₱25,634	₱1,352,857	₱8,012,122	(₱2,193,901)	₱5,818,221
Deferred tax assets	24,218	–	17,906	–	6,682	1,085	1,190	51,081	200	51,281
Total assets	5,442,845	24,043	896,653	41,864	277,032	26,719	1,354,047	8,063,203	2,194,101	5,869,502
Segment liabilities	2,367,769	12,878	521,720	18,236	266,838	6,930	952,782	4,147,153	(1,186,103)	2,961,050
Deferred tax liabilities	84,388	–	–	–	–	–	–	84,388	–	84,388
Total liabilities	2,452,157	12,878	521,720	18,236	266,838	6,930	952,782	4,231,541	(1,186,103)	3,045,438
Segment additions to property and equipment and investment properties	10,369	1,650	79,215	8,752	9,600	12,187	–	121,773	(12,850)	108,923
Depreciation and amortization	(10,500)	(169)	(14,537)	(8,583)	(3,171)	(502)	(2)	(37,464)	–	(37,464)
Impairment loss	(₱27,829)	₱–	₱–	₱–	₱–	₱–	₱–	(₱27,829)	₱26,300	(₱1,529)

	2013									
	FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS									
	Real estate	Quarry and Mining	Service/ Manufacturing/ Trading	Hotel	Agriculture	Power Operations	Holding	Total	Adjustments and eliminations	Consolidated
Revenues										
External revenues	₱366,289	₱13,458	₱74,968	₱8,856	₱8,000	₱–	₱–	₱471,571	₱–	₱471,571
Inter-segment revenues	11,335	–	–	–	–	–	–	11,335	(11,335)	–
Total revenues	377,624	13,458	74,968	8,856	8,000	–	–	482,906	(11,335)	471,571
Operating expenses	337,216	7,787	113,172	18,967	5,795	1,218	2,546	486,701	(293)	486,408
Operating profit (loss)	40,408	5,671	(38,204)	(10,111)	2,205	(1,218)	(2,546)	(3,795)	(11,042)	(14,837)
Financial income	30,315	–	231	122	1	359	519	31,547	–	31,547
Financial expenses	(67,786)	–	–	(681)	–	–	–	(68,467)	–	(68,467)
Dividends income	5	–	–	–	–	–	–	5	–	5
Other income	49,375	5	1,257	(1,040)	–	–	–	49,597	–	49,597
Income tax expense (benefit)	(8,041)	–	10,398	3,354	(820)	542	711	6,144	–	6,144
Net profit	₱44,276	₱5,676	(₱26,318)	(₱8,356)	₱1,386	(₱317)	(₱1,316)	₱15,031	(₱11,042)	₱3,989
Net profit attributable to:										
Equity holders of Parent Company										₱3,556
Noncontrolling interest										433
										₱3,989
Other information										
Segment assets	₱5,116,263	₱17,122	₱747,492	₱100,865	₱259,464	₱21,402	₱744,314	₱7,006,922	(₱1,872,082)	₱5,134,840
Deferred tax assets	16,995	–	19,118	6,551	11,577	627	947	55,815	–	55,815
Total assets	5,133,258	17,122	766,610	107,416	271,041	22,029	745,261	7,062,737	(1,872,082)	5,190,655
Segment liabilities	2,119,394	11,016	396,756	59,411	259,194	177	739,287	3,585,235	(1,263,869)	2,321,366
Deferred tax liabilities	84,967	–	–	–	–	–	–	84,967	–	84,967
Total liabilities	2,204,361	11,016	396,756	59,411	259,194	177	739,287	3,670,202	(1,263,869)	2,406,333
Segment additions to property and equipment and investment properties	12,380	1,706	92,272	29,352	–	2,147	–	137,857	–	137,857
Depreciation and amortization	(14,449)	(170)	(7,329)	(2,245)	(3,288)	(88)	(3)	(27,572)	–	(27,572)
Impairment loss	(₱1,529)	₱–	₱–	₱–	₱–	₱–	₱–	(₱1,529)	₱–	(₱1,529)

The Group's external revenues as shown in the preceding tables are analyzed as follows for each major product and service category:

	2015	2014	2013
Real estate:			
Sale of lot – real estate held for sale	**₱454,224,678**	₱430,271,389	₱348,599,461
Rental – investment properties	**14,048,602**	8,181,575	5,447,917
Management fees	–	–	23,200,000
	468,273,280	438,452,964	377,247,378
Service/Manufacturing and trading:			
Crude palm oil	**98,604,592**	154,290,000	64,688,505
Palm olein	**24,431,260**	–	–
Water service	**16,066,623**	13,477,155	12,276,412
Palm stearin	**7,556,214**	–	–
Other by-products of CPO	**7,306,626**	8,767,579	–
Kernel nuts	**5,535,203**	5,606,538	3,726,586
Crops and palm seedlings	**586,712**	4,027,048	6,553,360
Fertilizer	**–**	39,950	**–**
	160,087,230	186,208,270	87,244,863
Hotel operations	**–**	8,174,384	7,078,305
	₱628,360,510	₱632,835,618	₱471,570,546

Revenues from external customers have been identified based on the principal products and services. The Group's external revenues in each of the segment do not depend on a single customer.

36. **Amendments to the Articles of Incorporation**

- 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 18, 2016.

- 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.

37. **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.

38. **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.

39. Treasury Shares

On June 1, 2010, the Parent Company acquired 300,000,000 treasury shares held by Baysfield Investments Limited (BIL) at the purchase price of ₱335,212,810, or about ₱1.12 per share.

On October 12, 2010, the Parent Company sold 63,865,705 common shares held in treasury at ₱3.01 per share resulting to additional paid-in capital amounting to ₱120,873,766.

As discussed in Note 1, the Parent Company's Board of Directors (BOD) approved, during their meeting on October 5, 2012, 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.

CG&Co

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BAKER TILLY
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SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and Subsidiaries as at December 31, 2015 and 2014, and for each of the three years ended December 31, 2015 and have issued our report thereon dated March 18, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying summary of effective standards and interpretations under Philippine Financial Reporting Standards as at December 31, 2015 is the responsibility of the Group's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2016
SEC Accreditation No. (AN) 003-FR-3 (Group A), valid until November 10, 2017
TIN 000-451-068-000
BIR AN 08-001507-0-2014, valid until January 5, 2018

By:

Annalyn B. Artuz

ANNALYN B. ARTUZ
Partner
CPA License No. 88651
PTR No. 5359250, issued on January 27, 2016, Makati City
SEC AN 0020-AR-3 (Group A), valid until December 16, 2017
TIN 153-978-171-000
BIR AN 08-001507-7-2014, valid until January 5, 2018

Makati City, Philippines
March 18, 2016

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

AS OF DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓**
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓**
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓**
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition			✓**

*****These are effective subsequent to December 31, 2015.
******Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓**
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			✓
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements (2012-2014 Cycle): Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal *		✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓**
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2012-2014 Cycle): Financial Instruments: Disclosure – Servicing Contracts*		✓	
	Annual Improvements (2012-2014 Cycle): Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*		✓	
PFRS 8	Operating Segments	✓		
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓**
	Amendments to PFRS 9: Financial Instruments – Classification and Measurement*		✓	

***These are effective subsequent to December 31, 2015.**
****Adopted but no significant impact.**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments for Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*		✓	
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations*		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments for Investment Entities*		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables	✓		
	Annual Improvements (2011-2013 Cycle): Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income (Annual Improvements 2009-2011 Cycle)	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative*		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓**
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization*		✓	
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants*		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions			✓**
	Annual Improvements (2012-2014 Cycle): Employee Benefits – Regional Market Issue Regarding Discount Rate*		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		

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****Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments in Investment Entities			✓
	Amendments to PAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements*		✓	
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendment to PAS 32: Classification of Rights Issues			✓**
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Interim Financial Reporting – Disclosure of information 'elsewhere in the Interim Financial Report'*		✓	
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset			✓**
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓**

*****These are effective subsequent to December 31, 2015.
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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓**
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓**
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting			✓**
PAS 40	Investment Property	✓		
	Amendments to PAS 40 (2011-2013): Investment Property	✓		
PAS 41	Agriculture	✓		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
IFRIC 10	Interim Financial Reporting and Impairment			✓**

*****These are effective subsequent to December 31, 2015.
******Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓**
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓**
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓**
IFRIC 15	Amendments to Philippine Interpretations IFRIC- 15, Agreements for Construction of Real Estate*	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓**
IFRIC 18	Transfers of Assets from Customers			✓**
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓**
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓**
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓**
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓**
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services		✓	
SIC-32	Intangible Assets - Web Site Costs			✓**

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiary
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and Subsidiaries as at December 31, 2015 and 2014, and for each of the three years ended December 31, 2015 included in this Form 17-A and have issued our report thereon dated March 18, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. These schedules listed in the Index to Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2016
SEC Accreditation No. (AN) 003-FR-3 (Group A), valid until November 10, 2017
TIN 000-451-068-000
BIR AN 08-001507-0-2014, valid until January 5, 2018

By:

ANNALYN B. ARTUZ
Partner
CPA License No. 88651
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Makati City, Philippines
March 18, 2016

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2015

TABLE OF CONTENTS

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS

AVAILABLE-FOR-SALE INVESTMENTS

Description	Beginning balance		Additions			Deductions		Ending Balance	
	Number of Shares	Amounts in Pesos	Number of Shares	Amounts in Pesos	Unrealized gain (loss) during the period	Adjustment due to deconsolidation of subsidiary	Adjustment Amounts in Peso	Number of Shares	Amounts in Pesos
APEX Mining Co., Inc.	–	–	388,694,698	388,694,698	310,955,758	–	–	388,694,698	699,650,456
Philippine Realty & Holdings Corporation	279,470,248	135,543,070	–	–	(11,178,810)	–	–	279,470,248	124,364,260
PLDT Communications and Energy Ventures, Inc.	2,700	11,853	–	–	–	–	–	2,700	11,853
Philippine Long Distance Telephone Company	121	351,625	–	–	(102,366)	–	–	121	249,259
Universal Travel Corporation	9,999	999,900	–	–	–	–	–	9,999	999,900
Xavier Sports and Country Club	586	279,719,601	–	–	(164,160,600)	1	480,000	585	115,079,001
Pueblo Golf and Country Club	2	900,000	–	–	–	–	–	2	900,000
Phigold Limited	29,376,430	208,970,095	–	–	(161,285,420)	–	–	29,376,430	47,684,675
		626,496,144		388,694,698	(25,771,437)		480,000		988,939,404

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

Intercompany Receivable and Payables

	Payables						
	ABBWCI	ABERDI	SHDC	BAC	PTCHC	NC	Total
Receivables:							
ABCI - Parent	7,971,853	1,535,235	167,941	–	21,094	–	9,696,123
ABERDI	–	–	403,938	423,095	–	874,419	1,701,452
MCPI	–	–	–	–	6,508,784	–	6,508,784
	7,971,853	1,535,235	571,879	423,095	6,529,878	874,419	17,906,359

Deposits for Future Subscription

	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	818,305,221	–	818,305,221
ABERDI	390,203,228	–	390,203,228
SHDC	9,600,000	–	9,600,000
PBI	–	–	–
HLPC	10,355,922	–	10,355,922
NC	–	247,085,103	247,085,103
Total	1,228,464,371	247,085,103	1,475,549,474

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

Description	Beginning balance	Additions at cost	Charged to Costs and expenses	Charged to other accounts	Ending balance
Leasehold rights	35,532,828	–	(1,288,221)	–	34,244,607

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE E – LONG-TERM DEBTS

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Availed	Outstanding balance	Short-term Debt	Long-term Debt: Current Portion of Long-term Debt	Noncurrent Portion of Long-term Debt: Maturity Date	Noncurrent Portion of Long-term Debt: Amount
In the books of the Parent Company							
Financial Institutions							
Union Bank of the Philippines	100,000,000	100,000,000	100,000,000	100,000,000	–	2016	–
China Banking Corporation	100,000,000	100,000,000	100,000,000	100,000,000	–	2016	–
United Coconut Planters Bank	20,000,000	20,000,000	20,000,000	20,000,000	–	2016	–
Philippine Bank of Communications	65,000,000	65,000,000	65,000,000	65,000,000	–	2015	–
Union Bank of the Philippines	200,000,000	200,000,000	170,833,333	–	50,000,000	2019	120,833,333
	100,000,000	100,000,000	83,750,475	–	21,847,950	2019	61,902,525
	75,000,000	75,000,000	75,000,000	–	–	2019	75,000,000
Asia United Bank	85,000,000	85,000,000	85,000,000	–	42,500,000	2017	42,500,000
	180,000,000	180,000,000	162,182,000	–	45,000,000	2019	117,182,000
	65,000,000	65,000,000	65,000,000	–	32,500,000	2017	32,500,000
	18,748,000	18,748,000	18,748,000	–	4,687,000	2019	14,061,000
Bank of the Philippine Island - Family	35,283,860	35,283,860	17,059,346	–	11,218,571	2017	5,840,774
	20,041,839	20,041,839	11,514,437	–	902,293	2019	10,612,143
	18,949,461	18,949,461	12,011,931	–	3,423,685	2019	8,588,247
	115,000,000	115,000,000	90,776,029	–	13,127,745	2021	77,648,284
	36,708,254	36,708,254	16,023,679	–	12,733,675	2017	3,290,004
	50,000,000	50,000,000	43,558,828	–	5,477,385	2022	38,081,442
Bank of the Philippine Island - Commercial	100,000,000	100,000,000	50,000,000	–	50,000,000	2016	–
	35,000,000	35,000,000	17,500,000	–	17,500,000	2016	–
United Coconut Planters Bank	300,000,000	300,000,000	173,752,364	–	37,500,000	2021	136,252,364
	100,000,000	100,000,000	75,000,000	–	12,500,000	2021	62,500,000
China Banking Corporation - Trust	50,000,000	50,000,000	50,000,000	–	50,000,000	2016	–
	20,000,000	20,000,000	20,000,000	–	20,000,000	2016	–
	50,000,000	50,000,000	50,000,000	–	50,000,000	2016	–
	50,000,000	50,000,000	50,000,000	–	50,000,000	2016	–
	30,000,000	30,000,000	30,000,000	–	30,000,000	2016	–
	25,000,000	25,000,000	25,000,000	–	25,000,000	2016	–
	25,000,000	25,000,000	25,000,000	–	25,000,000	2016	–
	25,000,000	25,000,000	25,000,000	–	25,000,000	2016	–
	25,000,000	25,000,000	25,000,000	–	25,000,000	2016	–
	–	1,734,400	1,562,538	–	473,505	2019	1,089,033
Maybank	60,000,000	60,000,000	53,333,333	–	20,000,000	2018	33,333,333
Shareholders	–	229,280,000	90,774,096	–	–	2025	90,774,096
Others	–	4,000,000	4,000,000	4,000,000	–		–
In the books of the Subsidiaries							
UCPB (ABERDI)	185,000,000	185,000,000	185,000,000	–	4,005,000	2021	180,995,000
	2,364,731,414	2,599,745,814	2,087,380,390	289,000,000	685,396,811		1,112,983,579

A BROWN COMPANY, INC. AND SUBSIDIARIES

SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Availed	Outstanding balance	Short-term Debt	Long-term Debt: Current Portion of Long-term Debt	Long-term Debt: Noncurrent Portion of Long-term Debt: Maturity Date	Long-term Debt: Noncurrent Portion of Long-term Debt: Amount
In the books of the Parent Company							
Shareholders	–	229,280,000	90,774,096	–	–	2025	90,774,096
Affiliate - XSCCI	–	1,000,000	1,000,000	1,000,000	–		–
	–	230,280,000	91,774,096	1,000,000	–		90,774,096

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK

Title of Issue	Number of Shares: Authorized	Number of Shares: Issued and Outstanding	No. of Shares Reserved for Options, etc.	Number of Shares Held by: Affiliates	Number of Shares Held by: Directors, Officers, and Employees	Number of Shares Held by: Others
Common share at P1 par value	2,000,000,000	1,732,865,522	–	361,220,491	510,410,286	861,234,745
	2,000,000,000	1,732,865,522	–	361,220,491	510,410,286	861,234,745

CG&Co

an independent member of BAKER TILLY INTERNATIONAL

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Certified Public Accountants

22nd Floor Citibank Tower
8741 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1051
Fax (+632) 728-1014
E-mail address:mail@cgco.com.ph

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and Subsidiaries as at December 31, 2015 and 2014, and for each of the three years ended December 31, 2015 and have issued our report thereon dated March 18, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Financial Soundness Indicators is the responsibility of the Group's management. This schedule is presented for purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respect the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2016
SEC Accreditation No. (AN) 003-FR-3 (Group A), valid until November 10, 2017
TIN 000-451-068-000
BIR AN 08-001507-0-2014, valid until January 5, 2018

By:

ANNALYN B. ARTUZ
Partner
CPA License No. 88651
PTR No. 5359250, issued on January 27, 2016, Makati City
SEC AN 0020-AR-3 (Group A), valid until December 16, 2017
TIN 153-978-171-000
BIR AN 08-001507-7-2014, valid until January 5, 2018

Makati City, Philippines
March 18, 2016

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FINANCIAL KEY PERFORMACE INDICATOR	DEFINITION	FOR THE YEAR ENDED 2015	2014
Current/Liquidity Ratio			
Current ratio	Current Assets / Current Liabilities	**103.5%**	104.0%
Quick ratio	Current Assets - Inventory - Prepayments / Current Liabilities	**34.4%**	35.5%
Solvency ratio / Debt to equity ratio	Total Liabilities / Equity	**95.9%**	107.8%
Asset to equity ratio	Total Assets / Equity	**195.9%**	207.8%
Interest rate coverage ratio	Income Before Tax / Finance Cost	**29.5%**	31.0%
Profitability Ratio			
Return on assets	Net Income / Average Total Assets	**0.2%**	0.0%
Return on equity	Net Income / Average Total Equity	**0.3%**	0.1%

A BROWN COMPANY, INC. AND SUBSIDIARIES
LIST OF TOP 20 STOCKHOLDERS OF RECORD

	Name of Stockholder	Subscribed	Outstanding
1	PCD NOMINEE CORPORATION	1,198,466,319	69.16%
2	ANNABELLE P. BROWN	188,829,288	10.90%
3	WALTER W. BROWN	136,200,000	7.86%
4	JIN NATURA RESOURCES CORPORATION	85,000,000	4.91%
5	PBJ CORPORATION	61,922,080	3.57%
6	PHILIPPINE REALTY & HOLDINGS CORP.	13,281,250	0.77%
7	BRIAN JUAT &/OR PATRICIA JUAT	3,960,937	0.23%
8	WALTER W. BROWN OR ANNABELLE BROWN	3,821,418	0.22%
9	A. BAYANI K. TAN	1,694,267	0.10%
10	ROBERTINO E. PIZARRO	1,060,613	0.06%
11	MA. GRACIA P. TAN	815,595	0.05%
12	WALTER BROWN (SPECIAL FUND)	797,895	0.05%
13	DAVID NICOLAS B. JUAT	782,207	0.05%
	JOHN WALTER B. JUAT	782,207	0.05%
	PAUL FRANCIS B. JUAT	782,207	0.05%
14	REGINA DAVILA	782,052	0.05%
15	PATRICIA B. JUAT &/OR MIGUEL VICTOR JUAT	781,273	0.05%
16	LUISITO FERNANDEZ	710,956	0.04%
	ANDREA L. GANDIONCO	710,956	0.04%
	DANILO E. PIZARRO	710,956	0.04%
	LOURDES PIZARRO	710,956	0.04%
17	PATRICIA B. JUAT &/OR ANDREW PATRICK JUAT	679,368	0.04%
18	ALICIA P. LORENZO	625,641	0.04%
19	CARIDAD SAY	540,325	0.03%
20	ERNESTO R. LAGDAMEO, JR.	502,242	0.03%
		1,704,951,008	98.39%

CG&Co

an independent member of BAKER TILLY INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants
22nd Floor Citibank Tower
8741 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1051
Fax (+632) 728-1014
E-mail address:mail@cgco.com.ph

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan de Oro City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and Subsidiaries as at December 31, 2015 and 2014, and for each of the three years ended December 31, 2015 and have issued our report thereon dated March 18, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management. This schedule is presented for the purpose of complying with SEC Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respect the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2016
SEC Accreditation No. (AN) 003-FR-3 (Group A), valid until November 10, 2017
TIN 000-451-068-000
BIR AN 08-001507-0-2014, valid until January 5, 2018

By:

Annalyn B. Artuz

ANNALYN B. ARTUZ
Partner
CPA License No. 88651
PTR No. 5359250, issued on January 27, 2016, Makati City
SEC AN 0020-AR-3 (Group A), valid until December 16, 2017
TIN 153-978-171-000
BIR AN 08-001507-7-2014, valid until January 5, 2018

Makati City, Philippines
March 18, 2016

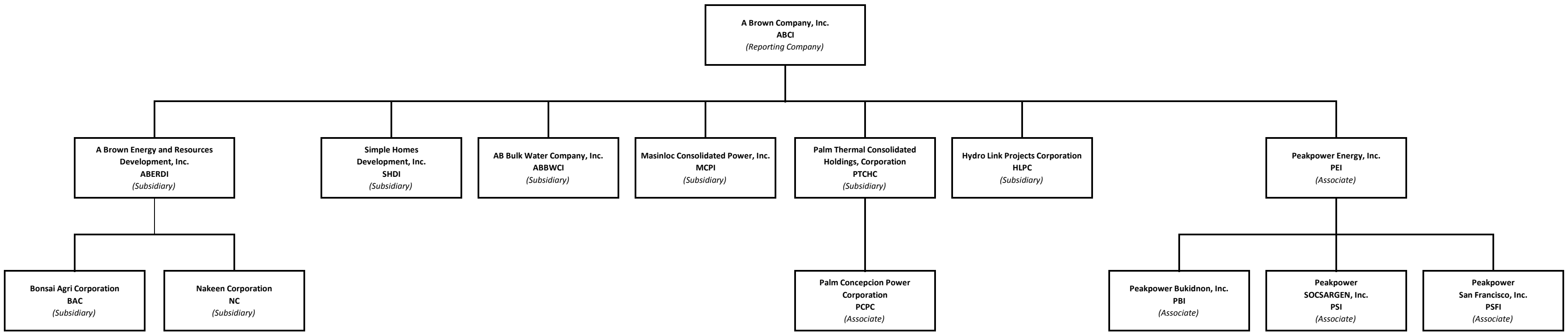
A BROWN COMPANY, INC. AND SUBSIDIARIES
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning	₱ 526,197,268
Reconciliation:	
Add (Less):	
Deferred tax assets, beginning	(15,568,064)
Discount on long-term debt (net of amortization)	(52,273,726)
Unappropriated parent company retained earnings, as adjusted, beginning	458,355,478
Add (Deduct): Non-actual losses (Net profit on the face of audited financial statements)	12,750,684
Less: Non-actual/unrealized income net of tax	
· Equity in net income of associate/joint venture	–
· Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents) unrealized actuarial gain	–
· Fair value adjustment (M2M gains)	–
· Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	–
· Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (Income tax benefit)	–
- Change in deferred tax assets (excluding net change in deferred tax asset in Other comprehensive income and loss)	180,715
- Discount on long-term debt (net of amortization)	(9,652,932)
· Depreciation on revaluation increment (after tax)	–
· Adjustment due to deviation from PFRS /GAAP - loss	–
· Loss on fair value adjustment of investment property (after tax)	–
Net Income Actual/Realized	22,222,901
Unappropriated Retained Earnings, as adjusted, ending	**₱ 480,578,379**

A BROWN COMPANY, INC. AND SUBSIDIARIES
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning	₱	497,390,581
Reconciliation:		
Add (Less):		
Deferred tax assets, beginning		(16,995,009)
Discount on long-term debt (net of amortization)		(40,188,232)
Unappropriated parent company retained earnings, as adjusted, beginning		440,207,340
Add (Deduct): Non-actual losses (Net profit on the face of audited financial statements)		28,806,687
Less: Non-actual/unrealized income net of tax		
· Equity in net income of associate/joint venture		–
· Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents) unrealized actuarial gain		–
· Fair value adjustment (M2M gains)		–
· Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP-gain		–
· Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (Income tax benefit)		–
- Change in deferred tax assets (excluding net change in deferred tax asset in Other comprehensive income and loss)		(1,426,945)
- Discount on long-term debt (net of amortization)		12,085,494
· Depreciation on revaluation increment (after tax)		–
· Adjustment due to deviation from PFRS /GAAP - loss		–
· Loss on fair value adjustment of investment property (after tax)		–
Net Income Actual/Realized		18,148,138
Unappropriated Retained Earnings, as adjusted, ending	**₱**	**458,355,478**

A BROWN COMPANY, INC. AND SUBSIDIARIES
GROUP CHART



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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	02-6386832
Contact Person	Company Telephone Number

Consolidated Changes in the ACGR for 2015

12/31	ACGR	06
Month Day Fiscal Year	FORM TYPE	Month Day Annual Meeting

Secondary License Type, if applicable

CGFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
		- 0 -

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY, METRO MANILA) S.S.

SECRETARY'S CERTIFICATE

ANNA FRANCESCA C. RESPICIO, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, being the duly elected and qualified Assistant Corporate Secretary of **A BROWN COMPANY, INC.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, under oath, does hereby certify that the attached report reflects the changes made in Annual Corporate Governance Report for the year 2015.

IN ATTESTATION OF THE ABOVE, this Certificate was signed this 6th day of January 2016 at Quezon City, Metro Manila.

ANNA FRANCESCA C. RESPICIO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 6th day of January 2016 at Quezon City, affiant exhibiting to me her Community Tax Certificate No. 12567208 issued on 8 January 2015 at Manila and TIN 419-191-112 as her competent evidence of identity.

Doc. No. 96;
Page No. 17;
Book No. II;
Series of 2016.

IAN ABELLE R. LAYNO
Notary Public for Quezon City
Adm. Matter No. NP-248 (2015-2016)
Commission Expires on December 31, 2016
No. 71 Scout Tuason Street
Brgy. South Triangle, Quezon City
PTR No. 0712237 / 01.21.15 / Quezon City
IBP LRN No. 012742 / 03.26.14 / Quezon Chapter
Roll of Attorneys No. 63260

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ABKT/JCN/ACR 273-2-00

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

2015 (As of December 31, 2015)

1. Report is Filed for the Year ....

A BROWN COMPANY, INC.

2. Exact Name of Registrant as Specified in its Charter ………………………………………………………

Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City **9000**

3. ……………………………………………………………………… ……………………………………….
Address of Principal Office Postal Code

31168

4. SEC Identification Number ……………………………………….. 5. ___________ (SEC Use Only)
Industry Classification Code

002-724-446-000

6. BIR Tax Identification No. ....

Principal Office – (088)-858-8784
Liaison Office - (02) 638-6832 / (02) 633-3135

7. ....
Issuer's Telephone Number, including area code

3304-C, 33rd Floor
West Tower, PSE Centre
Ortigas Center, Pasig City 1600 (Liaison Office)

8. ....
Former name or former address, if changed since last report

9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**1,732,865,522**

10. Indicate the item numbers reported herein:

TABLE OF CONTENTS

A. BOARD MATTERS

1. Board of Directors

Number of Directors per Articles of Incorporation	**Nine (9)***
Actual Number of Directors for the year	**Eight (8)******

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator	Date first elected	Date last elected (If ID, state the number of years served as ID)[1]	Elected when (Annual/ Special Meeting)	No. of years served as director
Walter W. Brown	*Executive (ED)*	*No*	*No*	*Dec. 1966*	***June 2015***	*Annual*	***49***
Annabelle P. Brown	*Non-executive (NED)*	*No*	***No***	*Dec. 1966*	***June 2015***	*Annual*	***49***
Robertino E. Pizarro	*Executive (ED)*	*Yes- majority shareholder*	***No***	*July 2001*	***June 2015***	*Annual*	***13*****
Antonio S. Soriano	*Non-executive (NED)*	*Yes- majority shareholder*	*No*	*Aug. 2007*	***June 2015***	*Annual*	***8***
Gerardo Domenico Antonio V. Lanuza	*Non-executive (NED)*	*Yes****	*No*	*Aug. 2009*	***June 2015***	*Annual*	***6***
Elpidio M. Paras	*Independent (ID)*	*No*	*No – no relationship*	*June 2002*	***June 2015 – less than 4 years[1]***	*Annual*	***13***
Thomas G. Aquino	*Independent (ID)*	*No*	*No – no relationship*	*March 2012*	***June 2015 – less than 4 years[1]***	*Annual*	***3***
Rosa Anna Trinidad Duavit-Santiago[2]	*Executive (ED)*	*Yes- majority shareholder*	***Yes***	*June 2012**	***June 2015***	*Annual*	***3****
Roel Z. Castro	*Executive (ED)*	*Yes- majority shareholder*	***Yes***	*June 2012**	***June 2015***	*Annual*	***3****

[1] Reckoned from the election immediately following January 2, 2012
Reckoned as of December 31, 2015. Directors elected on May 9, 2014 were re-elected as directors on June 19, 2015.
** - The SEC approved on December 28, 2012 the amendment to the Articles of Incorporation increasing the number of directors from seven (7) to nine (9). The election of two directors who were elected last June 1, 2012 only became effective as of December 28, 2012 and as such they were not be able to attend any Board Meeting for the year (2012) in their capacity as members of the Board.*
*** - Robertino E. Pizarro was elected as director on July 2001 and re-elected in August 2003.*
**** Phil Realty and Holdings Corporation is represented by Gerardo Domenico Antonio V. Lanuza. He has the right to vote or direct the voting or disposition of the PRHC's shares.*
***** -Rosa Anna Trinidad D. Santiago resigned as Director/VP Chief Finance Officer/Corporate Information Officer effective August 31, 2015. Her resignation reduced the total number of directors to eight (8) as of December 31, 2015.*

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors and Management including its officers and staff of A Brown Company, Inc. hereby commit themselves to the principles and best practices contained in the Revised Manual on Corporate Governance and acknowledge that the same may guide the attainment of its corporate goals. In pursuit of transparency, accountability, fairness and integrity, the Revised Manual on Corporate Governance shall institutionalize the principles of good corporate governance in the entire organization. The Board of Directors and Management also believe that corporate governance is an important and necessary component of sound business management and will therefore undertake to nurture and maintain awareness within the organization.

The Manual acknowledges that compliance with the principles of good corporate governance shall start with the Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and credibility in the discharge of its duties, functions and responsibilities. The Board shall also formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor management performance. To aid in complying with the principles of good corporate governance, the Board shall constitute the following committees: Nomination Committee, Compensation and Remuneration Committee, Audit and Risk Committee, Governance Committee, Executive Committee and Committee on Corporate Culture and Values Formation. The Board may form other committees, including an Advisory Board/Committee, as it may deemed appropriate.

With regard to the company's reportorial disclosure system, all material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, i.e. anything that could potentially affect share price, shall be publicly disclosed. The directors, officers and staff shall likewise observe the prohibition to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Exchange. The company shall establish and implement internal controls that will ensure that its officers, staff and any other person who is privy to the material no-public information shall comply with the rule.

The company recognizes that good corporate governance should be visible to its shareholders. The Manual provides the investor's rights and protection for the guidance of all internal and external parties concerned as governance covenant between the company and its shareholders. The Board shall be committed to respect the rights of the stockholders as provided for in the Corporation Code as well as the Articles of Incorporation, By-Laws and all resolutions adopted by the Board which include the voting right, pre-emptive right (if not denied in the articles of incorporation), power of inspection, right to information, right to dividends and appraisal right among others. It shall be the duty of the Board to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights as such in accordance with applicable laws.

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of the contents of the Manual to all employees and related third parties and to likewise enjoin continuing compliance.

(c) How often does the Board review and approve the vision and mission?

Each year, the Board, in one of its regular meetings, takes up the Corporation's plans and strategies as part of its review of the company's vision and mission.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]
Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	**Corporate name of the Group Company**	**Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman**
Walter W. Brown	*A Brown Company, Inc. (ABCI)*	*Executive Chairman*
	A Brown Energy Resources Development, Inc. (ABERDI)	*Chairman*

	Nakeen Corporation (NC)	*Chairman*
	Simple Homes Development, Inc. (SHDI)[c]	*Chairman*
	Bonsai Agri Corporation (BAC)	*Chairman*
	Brown Resources Corporation (BRC)[a]	*Chairman*
	Masinloc Consolidated Power, Inc. (MCPI)	*Chairman*
	Hydro Link Projects Corp. (HLPC)	*Chairman*
	Palm Thermal Consolidated Holdings Corporation (PTCHC)	*Chairman*
	Palm Concepcion Power Corporation (PCPC)	*Chairman*
	Peakpower Energy, Inc. (PEI)	*Chairman*
	Peakpower SOCCSARGEN,Inc. (PSI)	*Chairman*
	Peakpower San Francisco, Inc. (PSFI)	*Chairman*
	Peakpower Bukidnon, Inc. (PBI)[e]	*Chairman*
	AB Bulk Water Company, Inc. (ABWCI)[b]	*Chairman*
Annabelle P. Brown	*A Brown Company, Inc. (ABCI)*	*Director*
	A Brown Energy Resources Development, Inc. (ABERDI)	*Director*
	Nakeen Corporation (NC)	*Treasurer*
	Simple Homes Development, Inc. (SHDI) [c]	*Treasurer*
	Bonsai Agri Corporation (BAC)	*Treasurer*
	Brown Resources Corporation (BRC) [a]	*Treasurer*
Robertino E. Pizarro	*A Brown Company, Inc. (ABCI)*	*President*
	A Brown Energy Resources Development, Inc. (ABERDI)	*President*
	Nakeen Corporation (NC)	*President*
	Simple Homes Development, Inc. (SHDI) [c]	*President*
	Bonsai Agri Corporation (BAC)	*President*
	Brown Resources Corporation (BRC) [a]	*President*
	Masinloc Consolidated Power, Inc. (MCPI)	*President*
	Hydro Link Projects Corp. (HLPC)	*Vice-Chairman*
	Palm Thermal Consolidated Holdings Corporation (PTCHC)	*Vice-Chairman*
	AB Bulk Water Company, Inc. (ABWCI)[b]	*Director*
Antonio S. Soriano	*A Brown Company, Inc. (ABCI)*	*Director*
	Nakeen Corporation (NC)	*Director*
	Simple Homes Development, Inc. (SHDI) [c]	*Director*
	Bonsai Agri Corporation (BAC)	*Director*
Gerardo Domenico Antonio V. Lanuza	*A Brown Company, Inc. (ABCI)*	*Director*
Elpidio M. Paras	*A Brown Company, Inc. (ABCI)*	*Independent Director*
Thomas G. Aquino	*A Brown Company, Inc. (ABCI)*	*Independent Director*
Rosa Anna Duavit-Santiago [d]	*A Brown Company, Inc. (ABCI)*	*VP & CFO/Treasurer*
	Masinloc Consolidated Power, Inc. (MCPI)	*Director*
	Peakpower Bukidnon, Inc. (PBI)[e]	*Director/Treasurer/CFO*
	AB Bulk Water Company, Inc. (ABWCI)[b]	*Director/Treasurer/CFO*
Roel Z. Castro	*A Brown Company, Inc. (ABCI)*	*EVP-Business Development*
	Masinloc Consolidated Power, Inc. (MCPI)	*Treasurer*

	Hydro Link Projects Corp. (HLPC)	President
	Palm Thermal Consolidated Holdings Corporation (PTCHC)	President & CEO
	Palm Concepcion Power Corporation (PCPC)	President & CEO
	Peakpower Energy, Inc. (PEI)	President & CEO
	Peakpower SOCCSARGEN,Inc. (PSI)	President & CEO
	Peakpower San Francisco, Inc. (PSFI)	President & CEO
	Peakpower Bukidnon, Inc. (PBI)[e]	President & CEO
	AB Bulk Water Company, Inc. (ABWCI)[b]	President & CEO

[2]-The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.
[a]- Executed a Deed of Sale on January 30, 2015 on the sale of Brown Resources Corp. (BRC) shares.
[b]- Incorporated on March 31, 2015
[c]- Corporate name changed from Andesite Corporation to Simple Homes Development, Inc.
[d]- Rosa Anna Trinidad D. Santiago resigned as Director/VP Chief Finance Officer/Corporate Information Officer effective August 31, 2015
[e]- A Brown Company, Inc. sold all its shareholdings in Peakpower Bukidnon, Inc. to Peakpower Energy, Inc. on October 16, 2015

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	**Name of Listed Company**	**Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman**
Walter W. Brown	Atok- Big Wedge Co., Inc.	Non- Executive Director
	Apex Mining Co., Inc.	Executive Director [a] (CEO & President)
Gerardo Domenico Antonio V. Lanuza	Philippine Realty & Holdings Corp. (PRHC)	Executive Director
Thomas G. Aquino	Now Corporation [b]	Director and Chairman
	Alsons Consolidated Resources, Inc.	Independent Director

[a] - Elected as Director/Chairman of Apex Mining Co., Inc. on October 21, 2013.
[b]- On August 16, 2013, the SEC approved the change of corporate name to the present one from the previous Information Capital Technology Ventures, Inc. (ICTV).

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	**Name of the Significant Shareholder**	**Description of the relationship**
Walter W. Brown	Annabelle P. Brown	Family relationship
	PBJ Corporation	Chairman of PBJ Corporation
	Bendaña-Brown Holdings Corp.	Chairman & President of Bendaña-Brown Holdings Corp.
Annabelle P. Brown	Walter W. Brown	Family relationship
	PBJ Corporation	President of PBJ Corporation
	Bendaña-Brown Holdings Corp.	Treasurer of Bendaña-Brown Holdings Corp.

Robertino E. Pizarro	*Walter W. Brown*	*Family relationship*
	Annabelle P. Brown	*Family relationship*
Gerardo Domenico Antonio V. Lanuza	*Philippine Realty & Holdings Corp. (PRHC)*	*Director of Philippine Realty & Holdings Corp. (PRHC)*

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	**Maximum Number of Directorships in other companies**
Executive Director		
Non-Executive Director		
CEO		

The Nomination Committee was given authority in the Revised Manual on Corporate Governance that it may consider the following guidelines in the recommending to the Board for approval of the shareholders a maximum number of directorships for individual members of the Board:

- *The nature of the business of the Corporations which he is a director;*
- *Age, and physical capacity of the director,*

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

On the other hand, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

However, there was no explicit provision in the Revised Manual on Corporate Governance with regard to the number as limit for membership in other companies' board.

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: **(As of December 31, 2015)**

Name of Director	**Number of Direct Shares**	**Number of Indirect shares / Through (name of record owner)**	**% of Capital Stock**
Walter W. Brown	*311,903,537*	*Walter W. Brown and Annabelle P. Brown – 3,821,418*	*31.357%*
		Walter W. Brown (Special Fund) – 797,895	
		North Kitanglad Agri. Corp. – 13,937,344	
		Pine Mountain Properties, Inc. – 54,945,295	
		Bendaña- Brown Holdings Corp. – 102,626,710	
		Cogon Corp. – 55,342,500	
Annabelle P. Brown	*191,498,228*	*PBJ Corp. – 134,368,642*	*18.805%*
Robertino E. Pizarro	*1,060,613*	*Ma. Cristina P. Pizarro – 76,247*	*0.137%*
		Kevin Pizarro – 100,359	
		Kristina Pizarro – 66	
		Ma. Cristina &/or Juan Paolo Pizarro – 100,174	
		Ma. Cristina &/or Jonathan Robert Pizarro– 36,657	
		Marie Danielle Pizarro – 102,284	

		Ma. Isabel Pizarro – 102,284	
		Jonathan Robert Pizarro – 132,031	
		Kristina Pizarro – 132,031	
		Juan Paolo Pizarro – 132,031	
		Ma. Isabel Pizarro – 132,031	
		Kevin Pizarro – 132,031	
		Marie Danielle Pizarro – 132,031	
Antonio S. Soriano	*1,318*		*0.000%*
Gerardo Domenico Antonio V. Lanuza	*13,202*		*0.001%*
Elpidio M. Paras	*1,318*		*0.000%*
Thomas G. Aquino	*1,250*		*0.000%*
Rosa Anna Duavit-Santiago[a]			
Roel Z. Castro	*1,250*		*0.000%*
TOTAL	***504,480,716***	***367,150,061***	***50.300%***

[a] - Rosa Anna Trinidad D. Santiago resigned as Director/VP Chief Finance Officer/Corporate Information Officer effective August 31, 2015

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [ ] No [√]

Identify the Chair and CEO:

Executive Chairman	**Walter W. Brown**
President	**Robertino E. Pizarro**

Effective December 29, 2011, the Chairman is appointed as Executive Chairman and the CEO/President will stay as President. We have active Board Committees and regular Board Meetings to pass important corporate decisions. Checks and balances are provided to help ensure that independent, outside views, perspectives and judgments are given proper hearing in the Board.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	**Chief Executive Officer**
Role		
Accountabilities		
Deliverables		

Section 3 (Chairman) and Section 4 (President) of Article III of the Company's By-laws define the role and responsibilities of the Chairman and the President as amended by the Board of Directors on 12 March 2012 pursuant to the authority to amend the By-laws delegated by the shareholders on 27 June 2011 and approved by the Securities and Exchange Commission (SEC) on 13 June 2012.

Section 3. CHAIRMAN – The Chairman of the Board shall be the chief executive officer of the Corporation and shall have a general control and management of the business affairs of the Corporation. He shall preside at all meetings of the Board of Directors and Stockholders. He shall have such powers and duties as are usually incidental to the office of the chief executive officer and shall perform such other duties as may be *imposed on him by law, the Articles of Incorporation and these By-laws; or as may be assigned to him by the Board of Directors.*

Section 4. PRESIDENT – The President, subject to the control of the Board, shall have general supervision of the business and affairs of the Corporation. He shall, in the absence of the Chairman, preside at all meetings of the stockholders and of the Board of Directors. He may sign with the Secretary any or all certificates of stock of the Corporation; provide the stockholders and the Board of Directors such reports, memoranda, accounts and data which may be required of him; and in general, perform all duties incident to the office of the President and such others as may from time to time be assigned to him by the Board of Directors or as prescribed by these By-laws.

The Executive Chairman's deliverables are strategic visioning, meeting bottom line targets, financial viability and sustainability of the company.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Revised Manual on Corporate Governance provides:
"The Board of Directors has to implement a process for the selection of a mix and competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. It shall appoint competent, professional, honest and highly-motivated management officers. It shall adopt a professional development program for employees and effective succession planning program for senior management."

Part of succession plan of the President is the training of the Vice-President of the company who is also the President of other subsidiaries. For other key management positions, the list of the assessment of other senior managers and of their potential to succeed to the position is likewise provided. If there are no internal employees who meet the requirements of other key management positions, outside applications will be considered.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Revised Manual of Corporate Governance 3.2.1.2 (Specific Duties and Functions of the Board) –
To insure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall:

- *Install a process of selection to ensure a mix of competent directors and officers*

Based on Board of Directors' profile (as of December 31, 2015), there are three (3) Executive Directors, three (3) Non-executive Directors and two (2) Independent Directors.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) –
A director shall have the following duties and responsibilities:

- *To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.*

  A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

Based on Board Committees' profile, out of seven (7) Board Committees, there are five (5), namely, Audit Committee, Risk Committee, Remuneration, Governance and Corporate Culture and Values Formation which are comprised of one (1) Non-executive Director and two (2) Independent Directors.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role			
Accountabilities			
Deliverables			

The Executive Directors ensure that the mandate of the Board cascade down to operations. They bridge the oversight role of the Board and the execution of the policies by management as approved by the Board. Non-executive Directors give strategic directives for company's growth and check performance of the executives in terms of the output of the company. The Independent Directors represent the minority shareholders and do the "check and balances" of the actions of the majority shareholders and management.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independence comprises independence of mind (real independence) and independence in appearance (perceived independence). Independence of mind is the state of mind that permits the expression of opinion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that an individual's integrity, objectivity or professional skepticism has been compromised. Independence of mind and in appearance is necessary to express a conclusion or decision without bias, conflict of interest or undue influence of others. Together, both forms are essential to achieve the goal of independence. Briefly, independence refers to that environment which allows the person to carry out his work freely and objectively.

"Independent Director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business, or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director and includes, among others, any person who:

a.) is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

b.) does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;

c.) is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

d.) is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

e.) has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

f.) is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;

g.) has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial;

h.) *is not a securities broker-dealer or a person holding office of trust and responsibility in broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman and an authorized clerk of the broker or dealer;*
i.) *was not a regular director of the Company who resigned or whose term ended within the last two (2) years;*
j.) *was not the Chairman "Emeritus", "Ex-Officio' Directors/Officers or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within one (1) year.*

When used in relation to a company, "related company" means another company which is: (1) its holding company; (b) its subsidiary; or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten (10) percent of any class of its equity security.

The Nomination Committee has determined that the company's independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code. The nominated independent directors are in no way related to the stockholders who nominated them.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years. Please explain.

In compliance to SEC Memorandum Circular No. 9, Series of 2011 which took effect on January 2, 2012; the Company adopted the following rules on the election of the independent directors:

1.) *There shall be no limit in the number of covered companies that a person may be elected as Independent Directors (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e. parent company, subsidiary or affiliate.*
2.) *ID can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated.*
3.) *After completion of the five-year service period, an ID shall be ineligible as such in the same company unless the ID has undergone a "cooling off" period of two (2) years, provided that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company.*
4.) *An ID re-elected as such in the same company after the "cooling-off" period can serve for another five (5) consecutive years under the conditions mentioned in paragraph 2 above.*
5.) *After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions provided in the said SEC Circular.*

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal
Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	**Position**	**Date of Cessation**	**Reason**
Rosa Anna Trinidad D. Santiago	*Director/VP-Chief Finance Officer/Corporate Information Officer*	*8/31/2015*	*Resignation due to personal reasons*

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension
Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement

and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
b. Re-appointment		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
e. Removal		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
f. Re-instatement		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		
g. Suspension		
(i) Executive Directors		
(ii) Non-Executive Directors		
(i) Independent Directors		

Section1 (ANNUAL MEETING) of Article I (MEETING OF STOCKHOLDERS) of the Company's Amended By-Laws:
"The Annual meeting of stockholders shall be held during the month of June of each year, at the place where the principal office of the company is located, and on such date and time as the Board of Directors may determine."

The Board of Directors shall hold office for one (1) year and until their successors are elected and qualified (Section 23 of the Corporation Code of the Philippines). Since the members of the board are required to be elected annually, the election of the same must be held in each year.

Written notice, stating the date, time and place of the annual meeting shall be sent to all stockholders of record at least two (2) weeks prior to the scheduled annual stockholders' meeting, unless a different period is required by the by-laws. The distribution to stockholders of information statement (SEC Form 20-IS) at least fifteen (15) business days from the date of the stockholders' meeting shall be sufficient compliance with the notice requirement. Unless otherwise provided by the by-laws, the stock and transfer book shall be closed at least twenty (20) days before the scheduled date of the annual stockholders' meeting to enable the corporation to prepare the list of stockholders entitled to vote.

Other procedural requirements as embodied in SRC Rule 20 if applicable are to be followed. Article 1 (MEETING OF STOCKHOLDERS) and Article II (BOARD OF DIRECTORS) of the Company's Amended By-Laws provide guidelines on the election of Directors during the Annual Stockholders' Meeting or Special Meeting duly called for a specific purpose and the process of filling vacancies if any shall occur.

After the requirements of Notice are complied with, the following are the process in the selection, re-appointment, disqualification, removal, reinstatement and suspension of directors:

Process Adopted:
a. Selection/Appointment (Executive Directors, Non-executive Directors and Independent Directors)

Section 10 (NOMINATION COMMITTEE), Article II of the Amended By-laws stated that the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the board of director.

The nominees are presented to the Nomination Committee by the Corporate Secretary based on the letter-nominations received. The Nomination Committee then considers if the nominees have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee nominate, approve and recommend said nomination to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the nomination. The Nomination Committee then makes a relevant recommendation to the Board of Directors.

1.) *The election of directors is done annually during the annual meeting of shareholders.*
2.) *The elections are done usually by a show of hands (viva voce) but election through secret balloting may be done if requested by any voting stockholder.*
3.) *Cumulative voting is allowed in the election of directors.*
4.) *No delinquent stock is allowed to be voted.*
5.) *Candidates receiving the highest number of votes shall be declared elected.*

Manner of Voting: In the annual meetings of stockholders, stockholders are entitled to elect such number of directors as shall be provided in the Articles of Incorporation to the Board of Directors. Each stockholder may vote such number of shares for as many as such number of persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by such number of directors required shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by such number of directors required.

The Board shall be composed of such number of directors as shall be provided in the Articles of Incorporation, duly elected by the stockholders entitled to vote in accordance with the By-Laws, the Corporation Code and Securities Regulation Code. The directors shall be elected annually by the stockholders at the annual meeting and shall hold office until their successors are elected and qualified unless removed from office as provided by law. If any vacancy shall occur among the directors by death or from any other cause, such vacancy may be filled by vote of the majority of the directors constituting a quorum at any directors meeting. The remaining directors shall continue to act, but if at any time their number be reduced to less than a majority, the vacancies shall be filled by the stockholders at a special meeting called for the purpose. When there is an increase in the number of directors, the filling up of new positions shall be in accordance with Section 24 of the Corporation Code of the Philippines, (i.e. by an election at a regular or at *a special meeting of stockholders duly called for the purpose or in the same meeting authorizing the increase of directors if so stated in the notice of the meeting.)*

Directors may be removed and the vacancies so caused shall be filled in a manner as prescribed by law. Any vacancy occurring in the board of directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least majority of the remaining directors, if still constituting quorum, otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose.

The Board shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The membership of the Board may be a combination of executives and non-executives (which include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

b. Re-appointment (Executive Directors, Non-executive Directors and Independent Directors)
After serving as director of the preceding year, a director may be re-elected following the procedures in the selection/appointment of directors.

c. Permanent Disqualification (Executive Directors, Non-executive Directors and Independent Directors)
In cases of disqualification by operation of law, a mere declaration of such disqualification is sufficient to remove the director from office. The procedure in the removal of the directors need not be followed.

d. Temporary Disqualification (Executive Directors, Non-executive Directors and Independent Directors)

The directors who are proposed to be temporarily disqualified are presented to the Nomination Committee by the Corporate Secretary based on the letter-nomination/proposal received. The Nomination Committee then considers if the nominee/directors have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee approve and recommend said proposal to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the proposal. If there is a ground for temporary disqualification, the Nomination Committee then makes a relevant recommendation (for temporary disqualification) to the Board of Directors.

e. Removal (Executive Directors, Non-executive Directors and Independent Director)

A director or directors may also be removed with or without cause and irrespective of the tenure of office. He could be removed by a vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock. However, removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled.

The procedure for the removal of directors:
1.) *The removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose*
2.) *The removal must be by a vote of the stockholders holding 2/3 of the outstanding capital stock.*
3.) *Previous notice must be given to the stockholders of the intention to propose such removal at the meeting.*
4.) *Notice of time and place of such meeting, as well as the intention to propose such removal must be given by written notice as prescribed in the Corporation Code.*

f. Re-instatement (Executive Directors, Non-executive Directors and Independent Directors)

The directors who are proposed to be re-instated are presented to the Nomination Committee by the Corporate Secretary based on the letter-nomination/proposal received. The Nomination Committee then *considers if the nominee/directors have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee approve and recommend said proposal to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the proposal. If there is a ground for re-instatement, the Nomination Committee then makes a relevant recommendation (for re-instatement) to the Board of Directors.*

g. Suspension (Executive Directors, Non-executive Directors and Independent Directors)

The directors who are proposed to be under preventive suspension are presented to the Nomination Committee by the Corporate Secretary based on the letter-nomination/proposal received. The Nomination Committee then considers if the nominee/directors have all the qualifications and none of the disqualifications for them to be a director. A member of the Nomination Committee then moves that the Committee approve and recommend said proposal to the Board for Board approval. After the discussion and on motion duly made and seconded, the Nomination Committee then considers whether to accept or deny (as the case maybe) the proposal. If there is a ground for preventive suspension, the Nomination Committee then makes a relevant recommendation (for preventive suspension) to the Board of Directors.

Criteria:

a. Selection/Appointment (Executive Directors, Non-executive Directors and Independent Directors)

Qualifications

Annex H (Qualifications and Disqualifications of Directors) of the Revised Manual on Corporate Governance

I. In addition to the qualifications for directorship in the Company provided for in the Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations and such other qualifications approved by the Board and incorporated in amendments to the By-laws, the Board may provide for additional qualifications which include, among others, the following:

(i) Holder of at least one (1) share of stock of the Corporation;
(ii) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
(iii) He shall be at least twenty one (21) years old;
(iv) He shall have proven to possess integrity and probity; (and)
(v) He should have sufficient interest in the business of the corporation to be willing as well as able to make a positive contribution to its undertakings.
(vi) He must have a practical understanding of the business of the corporation or previous business experience;
(vii) He must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must have issued an undertaking to attend such a seminar as soon as practicable.

a. Selection/Appointment (Independent Directors)

Additional Qualification

III. "Independent Director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business, or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director of the Company and includes, among others, any person who:

a.) is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
b.) does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;
c.) is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
d.) is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

e.) *has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;*

f.) *is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;*

g.) *has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial;*

h.) *is not a securities broker-dealer or a person holding office of trust and responsibility in broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman and an authorized clerk of the broker or dealer;*

i.) *was not a regular director of the Company who resigned or whose term ended within the last two (2) years;*

j.) *was not the Chairman "Emeritus", "Ex-Officio' Directors/Officers or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within one (1) year.*

When used in relation to a company, "related company" means another company which is: (1) its holding company; (b) its subsidiary; or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten (10) percent of any class of its equity security.

a. Selection/Appointment (Independent Directors)

Additional Qualification

There shall be no limit in the number of covered companies that a person may be elected as Independent Directors (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e. parent company, subsidiary or affiliate.

Given the qualifications for selection/appointment, the Nomination Committee has to determine that the company's nominees for directors (either executive or non-executive) and independent directors possess all the qualifications and have none of the disqualifications for directors and independent directors, respectively as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code.

b. Re-appointment (Executive Directors, Non-executive Directors and Independent Directors)

After serving as director of the preceding year, a director may be re-elected as long as the director still possesses all the qualifications and none of the disqualifications for directors and independent directors.

c. Permanent Disqualification (Executive Directors, Non-executive Directors and Independent Directors)

Annex H (Qualifications and Disqualifications of Directors) of the Revised Manual on Corporate Governance

II. The following shall be grounds for the permanent disqualification of a director:

(i) *Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;*

(ii) *Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b)*

above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- *(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;*
- *(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;*
- *(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;*
- *(vi) Any person judicially declared to be insolvent;*
- *(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) above;*
- *(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.*

c. Permanent Disqualification (Independent Directors)

Additional Permanent Disqualification

After serving as Independent Director for ten (10) years after the January 2, 2012 effectivity, the Independent Director shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as Independent Director in other companies outside of the business conglomerate, where applicable, under the same conditions provided in the SEC Memorandum Circular No. 9, Series of 2011.

d. Temporary Disqualification (Executive Directors, Non-executive Directors and Independent Directors)

Annex H (Qualifications and Disqualifications of Directors) of the Revised Manual on Corporate Governance

IV. Any of the following shall be a ground for the temporary disqualification of a director:

(i) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;

(iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

(iv) Being under preventive suspension by the Corporation;

(v) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

(vi) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

d. Temporary Disqualification (Independent Directors)

Additional Temporary Disqualification

After completion of the five-year service period, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated, an Independent Director shall be ineligible as such in the same company unless the Independent Director has undergone a "cooling off" period of two (2) years, provided that during such period, the Independent Director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as Independent Director in the same company.

e. Removal (Executive Directors, Non-executive Directors and Independent Director)

Section 28 of the Corporation Code provides that directors may be removed with or without cause but removal without cause may not be used to deprive minority shareholders of the right of representation to which they are entitled.

The director may be removed on the ground of mismanagement of the corporation's affairs, neglect or in case of fraud or refusal to act in accordance with their authorities. Violations of the articles of incorporation and by-laws may also be a ground for removal from office.

f. Re-instatement (Executive Directors, Non-executive Directors and Independent Directors)

In a disqualification that can be cured, a director can be re-instated if thereafter acquires the qualification.

Under the grounds for temporary disqualification, a temporarily disqualified director who takes the appropriate action to remedy or correct the disqualification within sixty (60) business days from such disqualification can be re-instated.

g. Suspension (Executive Directors, Non-executive Directors and Independent Directors)

A director may be under preventive suspension to give way for the authorities to conduct ongoing investigation to which the director may be involved.

Voting Result of the last Annual General Meeting **(June 19, 2015)**

Name of Director	Votes Received
Walter W. Brown	*1,386,268,008*
Annabelle P. Brown	*1,386,268,008*
Robertino E. Pizarro	*1,386,268,008*
Antonio S. Soriano	*1,386,268,008*
Gerardo Domenico Antonio V. Lanuza	*1,386,268,008*
Elpidio M. Paras	*1,386,268,008*
Thomas G. Aquino	*1,386,268,008*
Rosa Anna Duavit-Santiago	*1,386,268,008*
Roel Z. Castro	*1,386,268,008*

Since there are as many nominees duly prescreen and short listed by the Nomination Committee as there are seats to be filled, the Corporate Secretary casted all votes in favor of those nominated who are therefore deemed elected. The votes received by each director were 1,386,268,008 and 1,368,987,675 for the June 19, 2015 and May 9, 2014 Annual General Meeting, respectively.

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The incoming directors are oriented about the company's business including those of the subsidiaries. They are provided with basic information concerning the Corporation and with briefings by senior management to acquaint them with the Corporation's financial profile, strategic plans, management organization, compliance programs and corporate policies. Annual Reports are given to provide them an understanding about the financial condition and performance of the company for the past years. A copy of the Revised Manual of Corporate Governance is furnished to ensure thorough dissemination of its contents and to enjoin continuing compliance. Executive Directors are also provided a copy of the Employee Code of Conduct and Manual on Operating Procedures. Available formal training opportunities in areas relevant to the discharge of a director's duties will be considered by the Board.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years: *(prior to the year ending December 31, 2015)*

Name of Director/Officer	Date of Training	Training/External Courses	Name of Training Institution
Walter W. Brown (Director/Officer)	*Jan. 7-8, 2014*	*MOREI-PMHI-APEX In-House Technical Seminar*	*UP National Institute of Geological Sciences*
	July 7, 2014	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
	Dec. 11-12, 2014	*MOREI-APEX In-House Technical Seminar*	*UP National Institute of Geological Sciences*
Annabelle P. Brown (Director)	*July 7, 2014*	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
Robertino E. Pizarro (Director/Officer)	*July 7, 2014*	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
Antonio S. Soriano (Director)	*July 7, 2014*	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
Rosa Anna Trinidad Duavit-Santiago (Director/Officer) [a]	*February 19, 2014*	*1st Economic Briefing*	*Financial Executive of the Phils. (FINEX)*
	March 6-7, 2014	*Orientation Course on Corporate Governance*	*Institute of Corporate Directors (ICD)*
	October 9, 2014	*Investor Relation Seminar*	*Philippine Stock Exchange*
	November 13, 2014	*2015 SEC Updates*	*Financial Executive of the Phils. (FINEX)*
	November 20, 2014	*3rd Asia Pacific Real Estate Investment Summit*	*APREA*
	December 14, 2011	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
	February 15, 2012	*SEC Forum*	*Financial Executive of the Phils. (FINEX)*
	June 18, 2012	*Philippine Financial Asset Forum*	*Financial Executive of the Phils. (FINEX)*
	July 17-18, 2012	*Mid-year Economic Briefing*	*Financial Executive of the Phils. (FINEX)*
	August 3,10,17,24, 2012	*Mandatory Continuing Legal Education (MCLE)*	*Integrated Bar of the Phils. (IBP) Legal Council of the Philippines Supreme Court*

	October 5, 2012	*FINEX National Conference*	*Financial Executive of the Phils. (FINEX)*
	February 1, 2013	*Economic Briefing Seminar*	*Financial Executive of the Phils. (FINEX)*
	March 20, 2013	*Tax Update Seminar*	*Financial Executive of the Phils. (FINEX)*
	June 26, 2013	*The Asset Forum*	*Financial Executive of the Phils. (FINEX)*
	October 3, 2013	*Economic Briefing: Macro Outlook*	*Financial Executive of the Phils. (FINEX)*
	October 4, 2013	*FINEX National Conference*	*Financial Executive of the Phils. (FINEX)*
	December 10, 2013	*Accounting & Tax Update*	*PricewaterhouseCoopers (PwC)-Isla Lipana*
Elpidio M. Paras (Director)	*August 15, 2014*	*Corporate Governance*	*Sycip, Gorres, Velayo & Co. (SGV)*
Thomas G. Aquino (Director)	*March 6-7, 2014*	*Orientation Course on Corporate Governance*	*Institute of Corporate Directors (ICD)*
	May 18-19, 2012	*Corporate Governance for the Common Good Seminar*	*Center for Professional Development in Business and Economics - De La Salle University*
	July 3-4, 2013	*Corporate Governance Best Practices: Board Directors' Guide for Audit Committees*	*Center for Global Best Practices, Foundation, Inc.*
Roel Z. Castro (Director/Officer)	*July 7, 2014*	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
	June 22, 2012	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
Gerardo Domenico AntonioV. Lanuza (Director)	*November 29, 2014*	*Corporate Governance & Risk Management*	*Ateneo de Manila University – Center for Continuing Education (ADMU-CCE)*
Arturo A. Perlas (Officer) [b]	*April 25, 2012*	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
John L. Batac (Officer)	*July 7, 2014*	*Corporate Governance Seminar*	*Philippine Securities Consultancy Corporation (PhilSECC)*
Renne P. Subido (Officer) [c]	*December 16, 2014*	*Orientation Course on Corporate Governance*	*Institute of Corporate Directors (ICD)*
Jason C. Nalupta (Officer)	*May 26, 2014*	*Orientation Course on Corporate Governance*	*Institute of Corporate Directors (ICD)*
Anna Francesca C. Respicio (Officer)	*November 20, 2014*	*Orientation Course on Corporate Governance*	*Institute of Corporate Directors (ICD)*

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company

[a]- Rosa Anna Trinidad D. Santiago resigned as Director/VP Chief Finance Officer/Corporate Information Officer effective Aug. 31, 2015.

[b]- The Board of Directors authorized the dissolution of the position of "Vice President – External Affairs" effective June 16, 2015.

[c]- Renne P. Subido resigned as VP for Administration effective October 31, 2015.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	**Date of Training**	**Program**	**Name of Training Institution**
Walter W. Brown (Director/Officer)	*August 27, 2015*	*Corporate Governance Orientation Program*	*Institute of Corporate Directors (ICD)*

Annabelle P. Brown (Director)	August 27, 2015	Corporate Governance Orientation Program	Institute of Corporate Directors (ICD)
Robertino E. Pizarro (Director/Officer)	July 21, 2015	Corporate Governance Seminar	Philippine Corporate Enhancement and Governance, Inc. (formerly Philippine Securities Consultancy Corporation)
	October 22, 2015	4th Asia Pacific Real Estate Investment Summit Philippines, on	The Philippine Stock Exchange
Antonio S. Soriano (Director)	July 21, 2015	Corporate Governance Seminar	Philippine Corporate Enhancement and Governance, Inc. (formerly Philippine Securities Consultancy Corporation)
Roel Z. Castro (Director/Officer)	November 12, 2015	Corporate Governance Orientation Program	Institute of Corporate Directors (ICD)
Rosa Anna Duavit-Santiago (Director/Officer) [a]	February 18, 2015	The Economic Outlook Amidst the Euro Crisis and Global Deflation	Financial Executive of the Philippines. (FINEX)
	May 19, 2015	Finex Learning Series – Building Competencies in Finance	Financial Executive of the Philippines. (FINEX)
	June 17, 2015	Outlook of the Banking Industry: Near Term Prospects & Meeting the Challenges of ASEAN Integration	Financial Executive of the Philippines. (FINEX)
	July 10, 2015	2015 Asia Tax Symposium	World Tax Alliance Services
	August 4, 2015	7th Annual Corporate Treasury & CFO Summit Philippines	Hay Market Asia
Thomas G. Aquino (Director)	November 6 , 2015	Corporate Governance	Risk, Opportunities, Assessment and Management (ROAM) Inc.
Elpidio M. Paras (Director)	July 21, 2015	Corporate Governance Seminar	Philippine Corporate Enhancement and Governance, Inc. (formerly Philippine Securities Consultancy Corporation)
Gerardo Domenico AntonioV. Lanuza (Director)	November 17, 2015	Corporate Governance	Center for Global Best Practices
John L. Batac (Officer)	July 21, 2015	Corporate Governance Seminar	Philippine Corporate Enhancement and Governance, Inc. (formerly Philippine Securities Consultancy Corporation)
Renne P. Subido (Officer)	July 21, 2015	Corporate Governance Seminar	Philippine Corporate Enhancement and Governance, Inc. (formerly Philippine Securities Consultancy Corporation)
Jason C. Nalupta (Officer)	July 21, 2015	Corporate Governance Seminar	Philippine Corporate Enhancement and Governance, Inc. (formerly Philippine Securities Consultancy Corporation)
	October 19, 2015	4th Annual GGAPP Forum on Corporate Governance Board Independence: Reality or Myth?	Good Governance Advocates and Practitioners of the Philippines (GGAPP)

Renato Migriño (Officer) [b]	November 12, 2015	Corporate Governance Orientation Program	Institute of Corporate Directors (ICD)
Marie Antonette U. Quinito (Officer) [c]	November 12, 2015	Corporate Governance Orientation Program	Institute of Corporate Directors (ICD)
	October 22, 2015	4th Asia Pacific Real Estate Investment Summit Philippines	The Philippine Stock Exchange
Anna Francesca C. Respicio (Officer)	July 31, 2015	Annual Corporate Governance Training Program	Institute of Corporate Directors (ICD)

[a]- Rosa Anna Trinidad D. Santiago resigned as Director/VP Chief Finance Officer/Corporate Information Officer effective Aug. 31, 2015.
[b]- Renato Migriño was appointed as Treasurer effective September 1, 2015.
[c]- Antonette U. Quinito was appointed as Chief Finance Officer effective September 1, 2015.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	*Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) -* • *To conduct fair business transactions with the Corporation and to ensure that personal interest does not (bias Board decisions) conflict with the interests of the corporation;* *The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.* *A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.*	*Section 7 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Directly or indirectly having financial or pecuniary interest in any business, contract, or transaction in connection with which he intervenes or takes part in his official capacity. (Type E offense)*	

(b) Conduct of Business and Fair Dealings	*Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director) -* • *To conduct fair business transactions with the Corporation and to ensure that personal interest does not (bias Board decisions) conflict with the interests of the corporation;* *The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.* *A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.*	*Section 8 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Unauthorized actions clearly in excess of one's authority such as but not limited to, acts of disbursing, releasing or authorizing disbursement of company funds without written authority by one's superior or similar acts that go beyond or outside his authority or responsibility, where the interest of the company is prejudiced. (Type D offense)*
(c) Receipt of gifts from third parties		*Section 5 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Offering or accepting anything of value in exchange for a job, work assignment, work location, or favorable condition of employment. (Type E offense)*
		Section 6 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Directly or indirectly requesting or receiving gift, present, share, percentage or any form of benefit or favor, for himself or for any other person in connection with any business, contract, application or transaction between the company and any other party, wherein the employee in his official capacity has to intervene. (Type E offense)
		In addition to the offense mentioned in the Employee Code of Conduct, a memorandum has been disseminated to the employees with regards to Corporate Gifts which states that, "all gift packs received by any officer or employee of the company related to business transactions shall be considered corporate gifts. These gifts whether

		received in the office or at home or whether received before or after a function shall be turned over to the custodian for raffle purposes. If only one such personal gift is received, the staff can keep the gift. If more than one gift is received, the excess shall be turned over to the custodian or to the HR Dept. For perishable items - those liable to spoil or deteriorate (such as food items) if not immediately consumed or used: Because of their nature, these gifts must be immediately given to the employee concerned. However, items which can be preserved or refrigerated (e.g. fruit cake, candies, chocolates, cookies and ham) shall be classified as raffle items. During Christmas party, all gifts will be raffled off to all qualified employees.
(d) Compliance with Laws & Regulations	*Revised Manual of Corporate Governance 3.2.1.2 (Specific Duties and Functions of the Board) – To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders:* • *Ensure to the best of its ability that that the Corporation complies with all relevant laws, regulations and codes of best business practice.* *Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director)* – • *To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.* *A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.*	
(e) Respect for Trade Secrets/Use of Non-public Information	*Revised Manual of Corporate Governance 3.2.1.3 (Duties and Responsibilities of a Director)* - • *To observe confidentiality;* *A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not*	*Section 11 of Article III (Offenses Against Company Interest and Policy) of the Employee Code of Conduct: Giving away or disclosing without permission company trade secrets and/or trade practices or trade processes or any valuable information acquired by his office, or by him on account of his position, to unauthorized persons, or*

	reveal confidential information to unauthorized persons without the authority of the Board.	*making available such information in advance of its authorized release date and where in the process, the interest of the company is prejudiced. (Type E offense)*
	Revised Manual of Corporate Governance 6.4 (Reportorial Disclosure System of Company's Corporate Governance Policies) - *6.4. In compliance with Section 4.2 of the Revised Disclosure Rules of the Philippine Stock Exchange (PSE) entitled "Selective Disclosure of Material Information", directors, officers and staff shall likewise observe the following:* *"An Issuer is prohibited to communicate material information non-public information about the Issuer to any person, unless the Issuer is ready to simultaneously disclose the material non-public information to the Exchange. This rule does not apply if the disclosure is made to:* *A person who is bound by duty to maintain trust and confidence to the Issuer such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and* *A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.* *The issuer shall establish and implement internal controls that will ensure that its officers, staff and any other person who is privy to the material non-public information shall comply with the requirement of this rule.* *The company being a listed company, if selectively disclosing material non-public information to securities analysts, institutional investors or other third parties who do not fall under letters a and b above, ahead of the general public, shall be considered as violating this exchange rule.*	
(f) Use of Company Funds, Assets and Information	*Revised Manual of Corporate Governance 6.4 (Reportorial Disclosure System of Company's Corporate Governance Policies) -*	*Section 1 to Section 8, Article II (Offenses Against Property) of the Employee Code of Conduct: Our responsible dominion over material*

	6.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer; *6.2. All material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, if the amount of such acquisition or disposal shall involve a significant effect on the financial structure of the company or is not be in the normal course of business. Board changes, related party transactions, material changes in the share holdings of directors such as to affect management and or ownership control of the business must be disclosed.* *6.3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management. Major changes in corporate strategy, and off balance sheet transactions, the size of which has a significant effect on the business should always be disclosed.* *6.5. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.*	*goods requires us to always practice honesty in its highest sense. This also asks us to practice justice by respecting the rightful property of our fellow workers and that of the companies we work with.*
(g) Employment & Labor Laws & Policies		*POLICY STATEMENT that "We adhere at all times the employment and labor laws of the Philippines. The company ensures the compliance to the basic rights of workers like:* *(1) Security of Tenure* ** workers cannot be dismissed without just and authorized caused and due process* **workers shall be made regular after six (6) months of probation* *(2) Hours of work* *(3) Weekly Rest Day* *(4) Payment of Required Wage & Wage Related Benefits* ** minimum wage in the region; payment of holiday pay & premium pay as the labor law require* **payment of night differential, paternity*

		leave, maternity leave, 13th Month Pay, retirement pay and the like *(5) Safe and Healthful Conditions of Work and Welfare Services*
(h) Disciplinary action	*Revised Manual of Corporate Governance 8.2 (Monitoring and Assessment) –* *The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation shall be subject officer or employee to the penalty provided under Part 9 of this Manual.* *Revised Manual of Corporate Governance 9 (Penalties for Noncompliance with the Manual) –* *To strictly observe and implement the provisions of this Manual, the ……. penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors officers and staff in case of violation of any of the provision of this Manual.* *The commission of a third violation of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship.*	*General Policies: ABCI policies including those described in the Code of Conduct, apply to ALL employees at all levels of the organization, regardless of their position. Failure of any employee to comply with the Code of Conduct, ABCI policies, or the legal and regulatory requirements applicable to their role with the company will subject them to disciplinary action up to and including termination from employment.* *1. Any and all acts violating, thus, and/or constituting a violation of the comprehensive policies detailed in the CODE of Conduct will be considered a violation, and liable to disciplinary action.* *2. Ignorance of the policies declared in the Code as well as notices or memoranda that may be promulgated in the future shall not justify an employee from non-observance nor from the disciplinary action to be imposed thereon.* *3. All disciplinary actions shall be imposed following the process enumerated in the Code.* *4. All actions to resolve or settle grievances shall abide by the relevant provisions of any mechanism installed for such purpose.* *5. Administration of disciplinary action on erring employees shall not hinder the company from filing criminal and/or civil charges in accordance with the applicable laws of the State.* *6. In cases where the infractions or offenses committed violate more than one provision of this Code, these shall be dealt with separately.*
(i) Whistle Blower	*The Board of Directors with the recommendation of the Governance Committee approved the Whistle-blower Policy that provides guidelines on handling employee as well as third party disclosures or complaints of violation of the corporate governance rules, protection of the whistle-blower from retaliation and ensuring confidentiality and fairness in the handling of a disclosure or complaint.*	*The Board of Directors with the recommendation of the Governance Committee approved the Whistle-blower Policy that provides guidelines on handling employee as well as third party disclosures or complaints of violation of the corporate governance rules, protection of the whistle-blower from retaliation and ensuring confidentiality and fairness in the handling of a disclosure or complaint.*
(j) Conflict Resolution		*When conflict arises, the procedure that*

		applies is as follows: As stated in the Employee Code of Conduct: *1. All administrative cases must be reported formally to the employee's immediate superior* *2. The immediate superior of the reported employee shall review, study, and validate the report submitted to him within forty-eight (48) hours.* *NOTE: In checking the validity of the report submitted, the 5Ws (Who, What, Where, When, Why) and 1 H (How) fact finding method is a proven effective guide.* *3. After establishing the validity of the submitted report, the immediate superior must determine whether or not the case merits preventive suspension. If so, the immediate superior must issue the same preventive suspension which must not exceed thirty (30) working days. However should the company decide to extend beyond 30 working days because more time is needed for investigation, extension can be made but with pay.* *4. The immediate superior must issue a Notice to Explain (NTE) to the reported employee stating clearly the charges, purpose, reason and basis of such.* *5. The employee must receive and submit his response to his immediate superior within the allowable time provided as stated in the NTE.* *NOTE: An employee who fails to submit a written report as mandated in the NTE without any valid reason will lead to the waiving of his right to explain and be heard. This, therefore, would eventually mean IMPLIED ADMISSION on his part of the commission of acts constituting the charge brought against him.* *6. Upon receipt of the employee's explanation, the immediate superior studies it and makes his recommendation to the department manager either to excuse or impose Disciplinary Action (DA) on the reported employee. The basis of his recommendation must always be in consonance with the Code and the Philippine Labor Laws.* *7. Where the immediate superior recommends the imposition of the DA and such recommendation is approved by the department manager, the decision will be issued to the reported employee, and explained to him or her.* *8. Where the immediate superior makes recommendations to excuse the imposition of the DA and the same is approved by the department manager, the employee will*

		receive a copy of the decision. *9. In cases where the recommendation of the immediate superior is disapproved, the decision of the department manager shall prevail.* *10. The employee, after receiving the copy of the decision approving the imposition of disciplinary action imposed upon him, must review his or her stand about the matter. Should she or he feel aggrieved about the decision, he or she may appeal and elevate the matter to the Division Head. The Division Head may opt to consult the HRD in reviewing the case. The decision of the Division head will be final and executory. Offenses that will impose dismissal however may be appealed to the President.*

Under the Employee Code of Conduct, the following are the levels of offenses;

Type A – light
Type B – minor
Type C – serious
Type D – grave
Type E – capital

The Board of Directors and Management (i.e. officers and staff) hereby commit themselves to the principles and best practices contained in the Manual. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of the contents of this Manual to all employees and related parties and to likewise enjoin continuing compliance. An adequate number of printed copies of the Manual must be reproduced with a minimum of at least one (1) hard copy per operating division. A director shall, before assuming as such, be required to attend seminar on corporate governance which shall be conducted by a duly recognized private or government institute. The Revised Manual of Corporate Governance covers the corporate actions of the Board, directors, officers and employees of the company. It also includes dealings with shareholders, creditors and other stakeholders.

The Company is committed to the highest standards of ethics and business conduct. The Company conducts its business as a good corporate citizen and complies with all laws, rules and regulations applicable to it or the conduct of its business. This commitment and standard of conduct governs our relationships with customers, suppliers, shareholders, competitors, the communities in which we operate, and with each other as Employees at every organizational level.

The Code of Business Conduct and Ethics applies to all officers, directors and employees (collectively referred to as Employees) of ABCI and its subsidiaries. Entities that ABCI may have an interest in but does not have control should be encouraged, as far as possible, to adopt policies and guidelines that are consistent with the principles and values set out in this Code. Outside consultants, contractors and temporary employees engaged by ABCI are required to abide by the policies, principles and values set out in this Code when performing services for, or on behalf of, ABCI. The Code is an expression of the Company's core values and represents a framework for decision-making. To this end, Employees are responsible for understanding the Code and acting in accordance with it.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

The Employee Code of Conduct has been disseminated to senior management and employees. Likewise, the Revised Manual on Corporate Governance has been communicated to all directors, executives and employees and related third parties.

The Employee Code of Conduct and the Revised Manual on Corporate Governance are posted to the company's website for easy reference by the directors, officers, employees, stockholders and other interested stakeholders.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The task of insuring that the Employee Code of Conduct will be understood and religiously complied with is collectively entrusted to the Human Resource Division and the Department or Division where the employee is affiliated. Human Resource Division is responsible to make sure that suitable measures are continuously taken to educate all employees on the policies of this Code of Conduct, to insure that the policies are updated and consistent with the requirements of all operating units, to established a control measures to assist in the progress of the implementation of corrective actions, to assist erring employees and to continuously forewarn department heads on the negative standing, if any, of employees under them and to prepare all documents and reports as may be needed to efficiently implement the provisions of this Code of Conduct. All line managers and supervisors of each department or division are also responsible to administer the policies including the enforcement of disciplinary actions to erring employees, to facilitate in the resolution or settlement of any grievance that may come to light relating to this Code and to prepare and submit to HRD the required reports and documentations on cases investigated and/or disciplinary actions meted out for proper recording and control.

The insure adherence to the Revised Manual on Corporate Governance, the Board of Directors shall appoint a Compliance Officer who shall monitor compliance with the provisions and requirements of the Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation; appear before the Securities and Exchange Commission upon summons on matters relative to corporate governance that need to be clarified; issue a certification or attest in a specific period as prescribed by the regulatory authorities on the extent of the Corporation's compliance with the Manual for the completed year, explaining the reasons for the deviation and identify, monitor and control compliance risks.

The Company's Board of Directors shall likewise adopt the best practices on corporate governance and create different committees such as Audit and Risk, Nomination, Compensation and Governance. The Committee on Corporate Culture and Values Formation was also organized to promote, foster and institutionalize the corporate vision, mission and core values, good corporate governance and ethical conduct among the members of the Board, officers and employees of the company. The different board and management committees also perform oversight functions over compliance with the Manual and other corporate policies of the Company.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	

(6) Officers including spouse/children/ siblings/pa rents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

Related party relationships 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 the 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 independent directors and/or audit committee play an important role in reviewing significant related party transactions. The Audit Committee has prior-approval authority for related party transactions.

The related party transactions are disclosed in the notes to the financial statements and SEC Form 17-A (Annual Report). The practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management is enjoined.

The Company and its subsidiaries and certain affiliates, in the ordinary course of business have entered into transactions with each other principally consisting of reimbursement of expenses and management agreements. All transactions were done on commercial terms and arms-length basis.

All material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, i.e., anything that could potentially affect share price, shall be publicly disclosed such information including related party transactions.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	*None*
Name of Officer/s	*None*
Name of Significant Shareholders	*None*

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	
Group	

It is one of the general principles of directors' duties to avoid conflicts between personal interests and the interests of the company. Likewise, it is the duty of the director to act in good faith for the benefit of the *company as a whole and must not use his position to gain (directly or indirectly) and advantage for himself or someone else or which causes detriment to the company. Officers are also prohibited to directly or indirectly to be involved having financial or pecuniary interest in any business, contract, or transaction in connection with which he intervenes or takes part in his official capacity. The Revised Manual of Corporate Governance and Employee Code of Conduct to be ethical by avoiding dealings that conflict of interest would arise.*

The Compensation and Remuneration Committee requires to submit Full Business Interest Disclosure as part of the pre-employment requirements for all officers and directors, which should require all officers and directors to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties to the Corporation. Such Disclosures should be updated at least every year. It is mandatory for officers and directors even within the yearly reporting period to declare prior to actually investing in or acquiring an interest, being employed or retained in any manner by a competitor or potential competitor.

Directors, officers and significant shareholders shall promptly notify the company's Compliance Officer of any interest such person or an immediate family member of such person had, has or may have in a related party transaction.

The Audit Committee in discharging its oversight role is empowered to investigate any matter brought to its attention will full access to all books, records, facilities and personnel of the Company. It is the Committee's mandate to review and have prior-approval authority for related party transactions. The external auditor is engaged to review the related party transactions and compliance to disclosure as required in the reporting standards. The internal auditor may unveil any conflict of interest as he conducts independent audit function.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Walter W. Brown and Annabelle P. Brown	*Family Relationship*	*Walter W. Brown, the Chairman of ABCI is married to Annabelle P. Brown.*
Walter W. Brown and PBJ Corporation	*Business Interest*	*Walter W. Brown is also the Chairman of PBJ Corporation.*
Annabelle P. Brown and PBJ Corporation	*Business Interest*	*Annabelle P. Brown is the President of PBJ Corporation.*
Walter W. Brown and Bendaña-Brown Holdings Corporation	*Business Interest*	*Walter W. Brown is also the Chairman & President of Bendaña-Brown Holdings Corporation*
Annabelle P. Brown and Bendaña-Brown Holdings Corporation	*Business Interest*	*Annabelle P. Brown is the Treasurer of Bendaña-Brown Holdings Corporation*

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Walter W. Brown and Annabelle P. Brown and ABCI	*Contractual Relationship*	*Walter W. Brown/Annabelle P. Brown/Patricia B. Juat/ Victor P. Juat granted loan to ABCI duly supported by promissory notes.*

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: *NONE*

Names Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
none	*none*	*none*

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	
Corporation & Third Parties	
Corporation & Regulatory Authorities	

Consistent with policy of the State to encourage and actively promote the use of Alternative Dispute Resolution systems as effective tool in settlement of business disputes, A Brown Company, Inc., has adopted use of alternative dispute resolution (ADR) techniques e.g. arbitration, mediation, and the like to resolve appropriate disputes in a fair, timely, and cost efficient manner.

The Company, through its stock transfer agent, investor relations office and the Corporate Secretary attends to the needs of the stockholders.

The Company engaged on regular consultations with regulatory and government agencies to any regulations and compliance requirements.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Board of Directors' meetings are conducted throughout the year. In 2013, the schedule is determined at least two-weeks before the meeting. For 2014 and the years thereafter, the Board of Directors' meetings are scheduled before the beginning of the year. However, the schedule is subject to change if need be with the consensus of the members of the Board and the notice to be sent on time.

2) Attendance of Directors (*January 1 to December 31, 2015*)

Board	Name	Date of Election**	No. of Meetings Held during the year*	No. of Meetings Attended	%
Chairman	*Walter W. Brown*	*June 19, 2015*	*Nine (9)*	*Nine (9)*	*100%*
Member	*Annabelle P. Brown*	*June 19, 2015*		*Nine (9)*	*100%*
Member	*Robertino E. Pizarro*	*June 19, 2015*		*Nine (9)*	*100%*
Member	*Antonio S. Soriano*	*June 19, 2015*		*Seven (7)*	*77.78%*
Member	*Gerardo Domenico Antonio V. Lanuza*	*June 19, 2015*		*Five (5)*	*55.56%*

Member	*Rosa Anna Duavit-Santiago ****	*June 19, 2015*		*Seven (7) ****	*100%*
Member	*Roel Z. Castro*	*June 19, 2015*		*Nine (9)*	*100%*
Independent	*Elpidio M. Paras*	*June 19, 2015*		*Seven (7)*	*77.78%*
Independent	*Thomas G. Aquino*	*June 19, 2015*		*Nine (9)*	*100%*

** - The number of meetings counted covers from January 2015 to December 2015. The Directors are elected annually by the shareholders during the Annual Meeting held every June of each year and shall hold office until their successors are elected and qualified unless removed from office as provided by law. The same set of directors were re-elected on June 19, 2015.*
*** - The same set of directors were re-elected on June 19, 2015.*
****- Rosa Anna Trinidad D. Santiago resigned as Director/VP-Chief Finance Officer/Corporate Information Officer effective August 31, 2015*

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

After a Committee Meeting (especially Audit Committee Meeting), if it deems necessary, an executive session is held without the presence of any executive/key officers/senior management. An executive session is usually conducted at least once per year for the review the report of the external auditor including the deficiencies noted in the application of financial accounting standards and another executive session for the third-party internal auditor's presentation of internal audit findings.

The Audit Committee is composed of one (1) non-executive director and two (2) independent directors.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Section 3 (Powers and Quorum) of Article II of the Company's By-Laws:

> *"The directors shall act only as a board and individual directors shall have no power as such.*
>
> *A majority of the whole number of directors shall constitute a quorum for the transaction of business and every decision of a majority of a quorum assembled as a board shall be valid as a corporate act.*
>
> *In the absence of a quorum, one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present."*

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

The board papers are given during the meeting. Directors who have expressed desire to participate in the meeting through teleconference, the materials are given in advance in accordance with existing SEC regulations. Advance soft copies of the board papers were sent through email for their initial reading at least two (2) days prior to the day of the meeting.

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(b) Do board members have independent access to Management and the Corporate Secretary?

The Directors have all access to information and should they require explanation on any transactions, the management and the Corporate Secretary are welcome to answer.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Revised Manual on Corporate Governance provides the role of the corporate secretary as follows:

The Corporate Secretary is an officer of the company. As such, a high level of competence and dedication to duty is expected of him. He must be loyal to the mission, vision and objectives of the Company.

The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.

Considering his varied functions and duties, he must possess some level of competence not only in legal matters but also in other areas deemed necessary for him to perform the tasks assigned to him. He must possess appropriate administrative, interpersonal and legal skills, be aware of the laws, rules and regulations necessary in the performance of their duties or responsibilities. He must also have a working knowledge of the operations of the company.

Duties and Responsibilities:

- *Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation.*
- *As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.*
- *Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations. Work fairly and objectively with the Board, management, stockholders and other stakeholders.*
- *Attend all Board meetings except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so and maintain record of the same,*
- *Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.*
- *Ensure that all Board procedures, rules and regulations are strictly followed by the members.*
- *If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided in this Manual.*

To insure adherence to corporate principles and best practices, the Board of Directors shall appoint a Compliance Officer.

Duties and Responsibilities:
The Compliance Officer shall perform the following duties:

- *Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;*
- *Appear before the Securities and Exchange Commission upon summons on matters relative to corporate governance that need to be clarified.*
- *Determine violations of the Manual and recommend the appropriate penalty for violation thereof for further review and approval of the Board;*
- *Issue a certification or attest on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reasons for the deviation from the same; and*
- *Identify, monitor and control compliance risks.*

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The company's corporate secretary is one of the partners of Tan Venturanza Valdez law office. He has extensive experience in corporate housekeeping having handled local and multinational firms including those listed in the Philippine Stock Exchange. He earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [ ] No [ ]

Committee	Details of the procedures
Executive	
Audit	
Nomination	
Remuneration	
Others (specify)	

The Directors are notified of the agenda a week before the meeting but the board materials are provided on the day of the meeting. Advance soft copies of the board materials were sent through email for their initial reading. Any information that the directors asked to the Management is answered by the concerned officer.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details

The members, either individually or as a Board, and in furtherance of their duties and responsibilities should have access to independent professional advice at the corporation's expense.
Part of every Board Committee's Charter is the provision of the Committee's authority to retain outside advisors.

Nomination Committee Charter (Annex A of the Revised Manual on Corporate Governance)
Part V-Outside Advisor: "The Committee shall have the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, including the sole authority to retain and terminate search firms used to identify Director candidates, and to approve any such search firm's fees and other retention terms."

Compensation Committee Charter (Annex B of the Revised Manual on Corporate Governance)
Part V-Outside Advisor: "The Committee shall have the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, including the sole authority to retain and terminate compensation consultants to assist in the evaluation of Director, Chief Executive Officer or other senior executive compensation and to approve any such compensation consultant's fees and other retention terms."

Audit Committee and Risk Committee Charter (Annex C and D of the Revised Manual on Corporate Governance)

Part V-Outside Advisor: "The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it deems appropriate to assist the Committee in the performance of its functions. The Committee shall have the sole authority to approve related fees and retention items. The Company will provide appropriate funding, as determined by the Committee, for Compensation to any such advisors engaged by the Committee."

Governance Committee Charter (Annex E of the Revised Manual on Corporate Governance)

Part V-Outside Advisor: "The Committee shall have the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions and to approve their fees and other retention terms."

Executive Committee Charter (Annex F of the Revised Manual on Corporate Governance)

Part V-Outside Advisor: "The Committee shall have the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions and to approve their fees and other retention terms."

Outside advisors who meet the minimum requirements of the Board Committees based on the terms of references and who has the relatively best offer price and competency will be chosen. Outside advisors that will be sought should be well—known expert on the field the advisory is called for.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
none	*none*	*none*

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration		
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

Annex B – Compensation and Remuneration Committee Charter:
"The Compensation Committee assists the Board and the Company's management in defining the Company's executive compensation policy and in carrying out various responsibilities relating to compensation of the Company's executive officers and directors, including: evaluating and approving the compensation of the Chief Executive Officer and evaluating and recommending to the Board compensation to all other executive Officers; reviewing and recommending to the Board compensation to non-employee directors and overseeing the development and administration of the Company's equity compensation and benefit plans.

The determination of the remuneration of senior management and other key personnel is the responsibility of the chief executive officer and/or the Executive Committee. The Compensation and Remuneration committee should however ensure that compensation levels are consistent with the Corporation's financial capability as well as reasonable industry standards."

Although compensation of division heads and below is based on a schedule of pay scale with category per level and pay range per level, the remuneration of the Executive Chairman and other key personnel (Assistant Vice President and up) is open for negotiation with consideration of the executive's academic qualifications, length of experience, previous compensation package, field of expertise, etc.

Since the Executive Chairman is an executive and director, apart from his compensation (e.g. basic salary, 13th month pay and other benefits) as an executive, he shall receive per diem as a director for every Board and Committee Meeting attended. If bonus will be paid as, the Executive Chairman shall receive bonus both as an executive and as a director.

If other key management officers are not directors, they shall receive compensation which includes basic salary, 13th month pay and other benefits and if recommended by the Compensation Committee and subsequently approved by the Board of Directors, bonus shall also be paid.

Other than the Executive Chairman and the President, officers who are also directors receive only compensation and bonus as an executive officer. No per diem and bonus is paid for their attendance during the Board and Committee Meetings.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	**Structure of Compensation Packages**	**How Compensation is Calculated**
Executive Directors			
Non-Executive Directors			

Remuneration Policy:
The Compensation and Remuneration Committee shall review and if necessary establish a formal and transparent policy on executive remuneration and recommend to the shareholders the remuneration of directors.

The determination of the remuneration of senior management and other key personnel is the responsibility of the chief executive officer and/or the Executive Committee. The Compensation and Remuneration committee should however ensure that compensation levels are consistent with the Corporation's financial capability as well as reasonable industry standards.

Structure of Compensation Packages:
Executive Directors (director who is also the head of a department or unit of the corporation or performs any work related to its operation) receive compensation (e.g. basic salary, 13th month pay and other benefits) as

an executive and per diem as a director for every Board and Committee Meeting attended. If bonus will be paid, the executive directors receive bonus both as an executive and as a director.

Non-executive Directors (director who is not the head of a department or unit of the corporation nor performs any work related to its operation) receive per diem for every Board and Committee Meeting attended. If bonus will be paid, the non-executive directors receive bonus which is pro-rated based on director's attendance.

Other than the Executive Chairman and the President, officers who are also directors receive only compensation and bonus as an executive officer. No per diem and bonus is paid for their attendance during the Board and Committee Meetings.

<u>How Compensation is Calculated:</u>
The regular directors receive Php 10,000 while the Independent Directors and Chairman of the Board receive Php 15,000 as per diem for every board and committee meeting. As provided in Section 1, Article V of the company Amended By-Laws, a bonus may be distributed to the members of the Board of Directors, officers and employees. The said bonus is to be pro-rated with respect to Director's attendance and for those who have served for less than one year.

Section 7 of Article II (BOARD OF DIRECTORS) of the company's Amended By-Laws:
COMPENSATION:
Directors as such shall receive such compensation for their services as may be from time to time fixed by the stockholders.

Section 2 of Article III (OFFICERS, AGENTS AND EMPLOYEES) of the company's Amended By-Laws:
COMPENSATION:
The Compensation of all officers elected or appointed by the Board of Directors shall be fixed by the Board.

Section 1 of Article V (COMPENSATION) of the company's Amended By-Laws:
BONUS:
The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. Twenty-five (25%) per centum of the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits in- kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Section 1 of Article V (COMPENSATION) of the company's Amended By-Laws: *BONUS:* *The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. Twenty-five (25%) per centum of*	*As amended by the Board of Directors on March 12, 2012 pursuant to the authority to amend the By-laws delegated by the shareholders on June 27, 2011. The Securities and Exchange Commission (SEC) approved the Amended By-Laws on June 13, 2012.*

the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors. INCREASE OF PER DIEM: *The Board of Directors approved the increase of per diem as recommended by the Compensation Committee. The regular directors receive Php 10,000 while the Independent Directors and Chairman of the Board receive Php 15,000 as per diem for every board and committee meeting.*	*All acts of the Board of Directors and Officers will be confirmed, ratified and approved in the succeeding Annual Stockholders' Meeting.*

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php 17,188,538.52	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance*	162,000.00	Php 180,000.00	Php 395,000.00
(d) Bonuses	862,808.61	850,741.51	213,028.15
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)			
Total	**Php 18,213,347.13**	**Php 1,030,741.51**	**Php 608,028.15**

** includes travel allowance*

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	3,171.08	-	-
(f) Hospitalization Plan	92,964.48	-	-
(g) Car Plan	1,662,049.04	-	-
(h) Others (Specify)			
Total	**Php 1,758,184.60**	-	-

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
none	n/a	n/a	n/a	n/a

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
Compensation (Bonus)	*Section 1 of Article V (COMPENSATION) of the company's Amended By-Laws:* *BONUS:* *The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. Twenty-five (25%) per centum of the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors.*	*As amended by the Board of Directors on March 12, 2012 pursuant to the authority to amend the By-laws delegated by the shareholders on June 27, 2011. The Securities and Exchange Commission (SEC) approved the Amended By-Laws on June 13, 2012.*
Vacation and Sick Leave Benefits	*1.) Uniform fifteen (15) vacation leaves and fifteen (15) sick leaves for all regular employees with at least one (1) year of service with the Corporation.* **Clarified on September 18, 2013 Compensation Committee Meeting the following schedule of vacation and sick leave credits:* *<u>Years In Service</u> — <u>Vacation Leave Credits</u> — <u>Sick Leave Credits</u>* *0<1 year — 5 days/year — 5 days/year* *1<3 years — 7.5 days/year — 7.5 days/year* *3<7 years — 10 days/year — 10 days/year* *7 years & up — 15days/year — 15days/year*	*All acts of the Board of Directors and Officers will be confirmed, ratified and approved in the succeeding Annual Stockholders' Meeting on May 9, 2014.*

	2.) None of the leave credits shall be convertible to cash. *3.) Sick leaves may be cumulated. Vacation leaves may not be cumulated.*	

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year: (2014)

Name of Officer/Position	Total Remuneration
John L. Batac/Vice President – Construction & Development	***Php 10,617,742.06***
Marie Antonette U. Quinito/Chief Finance Officer	
Renne P. Subido/Vice President - Administration	
Ma. Theresa M. Alcantar/Senior Sales and Marketing Manager	
Ma. Milagros M. Yu/Credit & Collection Manager	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	*Two (2)*	*One (1)*		*Yes*			
Audit		*One (1)*	*Two (2)*	*Yes*			
Nomination	*One (1)*		*Two (2)*	*Yes*			
Remuneration		*One (1)*	*Two (2)*	*Yes*			
Others (specify)							
Governance		*One (1)*	*Two (2)*	*Yes*			
Risk	-	*One (1)*	*Two (2)*	*Yes*			
Corporate Culture and Values Formation		*One (1)*	*Two (2)*	*Yes*			

Functions, Key Responsibilities and Power

EXECUTIVE COMMITTEE (Annex F of the Revised Manual on Corporate Governance)

Purpose: *The purpose of the Executive Committee (the "Committee) is to act on behalf of the Board of Directors (the "Board") between Board meetings.*

The Executive Committee may exercise all of the powers of the Board (except those power expressly reserved by the applicable law to the Board) in the management and direction of the business and conduct of the affairs of the Company, subject to any specific directions given by the Board.

Key Responsibilities: *The Committee shall have all the authority of the Board, except that it shall not have authority to:*

1.) *Approve any action for which shareholders' approval is also required;*
2.) *Fill vacancies in the Board or in any committee thereof;*
3.) *Amend or repeal the By-laws, or adopt new By-laws;*
4.) *Amend or repeal any resolution of the Board that which, by its express terms, is not so amenable or repealable;*
5.) *Distribute cash dividends to the shareholders;*
6.) *Fix the compensation of Directors for serving on the Board or any committee thereof;*
7.) *Fix or amend the compensation, benefits or perquisites of the Chief Executive Officer;*
8.) *Take any action that the Corporation Code of the Philippines or the Company's By-Laws prohibit the Board from delegating to a committee; or*
9.) *Take any action required by the rules or regulations of the Securities and Exchange Commission or the Philippine Stock Exchange to be approved by the full Board or by another committee of the Board.*

AUDIT COMMITTEE (Annex C of the Revised Manual on Corporate Governance)

Purpose: *The purpose of the* ***Audit Committee*** *(the 'Committee") of the* ***Board of Directors*** *(the "Board") of* ***A Brown Company, Inc.*** *(the "Company") is to represent and assist the Board in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions. Management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing those financial statements.*

Key Responsibilities: *The primary responsibility of the Committee is to oversee the Company's financial controls and reporting processes on behalf of the Board and report the results of its activities to the Board. The Committee may perform such other duties and responsibilities as are consistent with its purpose and as the Board or the Committee deems appropriate:*

1.) ***Independent auditors.*** *The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company.*
2.) ***Audit services.*** *The Committee shall discuss with the independent auditors the overall scope and plans for their respective audits including their respective responsibilities and the adequacy of staffing and compensation. The Committee shall approve in advance all audit engagement fees and the terms of all audit services to be provided by the independent auditors.*
3.) ***Permissible non-audit services.*** *The Committee shall establish policies and procedures for the engagement of the independent auditors to provide permissible non-audit services, which shall include pre-approval of permissible non-audit services to be provided by the independent auditors. The Committee may, from time to time, delegate its authority to pre-approve non-audit services to one or more Committee members, provided that such delegate(s) present any such approvals to the full Committee at its next scheduled meeting.*

4.) ***Review of interim financial statements; earnings releases.*** *The Committee shall review the interim financial statements, and the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management prior to the filing of the Company's Quarterly Report on SEC Form 17-Q.*
5.) ***Review of annual audited financial statements.*** *The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on SEC Form 17-A (or the annual report to shareholders), including (a) their judgment about quality, not just acceptability, of the Company's accounting principles, including significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (b) the clarity of the disclosures in the financial statements; and (c) the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, including critical accounting policies.*
6.) ***Internal controls, disclosure controls and procedures.*** *The Committee will review and discuss with management and the independent auditors the Company's internal controls. The Committee will review and discuss the Company's disclosure controls and procedures, and the periodic assessments of such controls and procedures by the President and Treasurer.*
7.) ***Complaint procedures.*** *The Committee will establish procedures for receipt, retention and treatment of complaints regarding accounting, internal accounting controls, and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.*
8.) ***Risk Assessment.*** *The Committee will review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.*
9.) ***Related-Party Transactions.*** *The Committee will review and have prior-approval authority for related-party transactions (as defined in the applicable Philippine Stock Exchange listing standards).*
10.) ***Hiring of auditor personnel.*** *The Committee shall set clear hiring policies with regard to employees and former employees of the independent auditors.*
11.) ***Charter.*** *The Committee shall periodically (but no less than annually) review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.*
12.) ***Annual performance evaluation.*** *The Committee shall annually review its own performance.*
13.) ***Investigative authority.*** *In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.*
14.) ***Training and Education.*** *As part of their continuing education, each member shall attend seminar on corporate governance conducted by a duly recognized private or government institute and accredited by the Securities and Exchange Commission. Each member is also encouraged to attend seminars and trainings relevant to their performance as members of the Audit Committee, e.g. financial reporting and audit, internal control, risk management and others.*

RISK COMMITTEE (Annex D of the Revised Manual on Corporate Governance)

Purpose: *The Risk Committee is established for the purpose of assisting the Board in overseeing the company's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls. The Risk Committee will assist the board in providing framework to identify, assess, monitor and manage the risks associated with the company's business. It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with company's risk profile.*

Key Responsibilities: *The Committee shall have the authority of the Board to:*
1.) *Oversee the company's risk management function*
2.) *Develop a formal risk management policy that guides the company's risk management and compliance processes and procedures*
3.) *Design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks*

4.) Discuss and review policies with respect to risk assessment and risk management including the company's major financial and business risk exposures and the actions the management has undertaken to control them
5.) Set the tone and influence the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue; determining what types of risk are acceptable and which are not
6.) Monitor the management of significant risk to reduce the likelihood of unwelcome surprises
7.) Satisfy itself that less significant risks are being actively managed with the appropriate controls in place and working effectively
8.) Annually review the company's approaches to risk management and recommends to the Board changes or improvements to key elements of its processes and procedures.
9.) Perform other activities consistent with this charter, the company's by-laws and governing law as the Committee or the Board deems necessary or appropriate

NOMINATION COMMITTEE (Annex A of the Revised Manual on Corporate Governance)

***Purpose:** The purposes of the Nomination Committee (the "Committee") is to identify individuals qualified to become members of the Board of Directors (the "Board") and, consistent with criteria approved by the Board, recommend that the Board select the Director nominees for the next annual meeting of stockholders.*

It shall prescreen and short list all candidates nominated to become a member of the board of directors in accordance with the qualifications criteria and grounds for disqualification provided in Annex "H" hereof.

In consultation with the executive or management committees, review at regular intervals and if so necessary redefine the role, duties and responsibilities of the Chief Executive Officer with the aim of maintaining at all times acceptable standards of good governance.

Key Responsibilities:
1.) Develop and recommend for approval by the Board a set of criteria for Board membership. Identify, evaluate and attract qualified individuals to become Directors who satisfy such criteria. Make recommendations to the Board regarding Director candidates for membership on the Board, including the slate of Director nominees to be proposed by the Board for election by the stockholders at the annual meeting of stockholders and any director nominees to be elected by the Board to fill interim director vacancies. Establish and follow procedures for the recommendation of Director candidates by the Company's stockholders and the consideration by the Governance Committee of Director candidates so recommended.
2.) Assess the contributions and independence of incumbent Directors in determining whether to recommend them for re-election to the Board at the annual meeting of stockholders.
3.) Make recommendations to the Board on such matters as the retirement age, tenure and removal of Directors.
4.) Manage the Board performance review process and review the results with the Board on an annual basis.
5.) Recommend to the Board candidates for appointment to Board committees and consider periodically rotating Directors among the committees.
6.) Review directorships in other public or private companies (excluding charitable or non-profit organizations) held by or offered to Directors and executive officers of the Company.
7.) Review and assess the channels through which the Board receives information and the quality and timeliness of information received.
8.) Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.

COMPENSATION AND REMUNERATION COMMITTEE
(Annex B of the Revised Manual on Corporate Governance)

The Compensation Committee assists the Board and the Company's management in defining the Company's executive compensation policy and in carrying out various responsibilities relating to compensation of the Company's executive officers and directors, including: evaluating and approving compensation of the Chief

Executive Officer and evaluating and recommending to the Board compensation to all other executive officers; reviewing and recommending to the Board compensation to non-employee directors; and overseeing the development and administration of the Company's equity compensation and benefit plans.

Purposes: *The Committee shall review and if necessary establish a formal and transparent policy on executive remuneration and recommend to the shareholders the remuneration of directors.*

The determination of the remuneration of senior management and other key personnel is the responsibility of the chief executive officer and/or the Executive Committee. The compensation and remuneration committee should however ensure that compensation levels are consistent with the Corporation's financial capability as well as reasonable industry standards.
Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all officers and directors , which should require all officers and directors to declare under the penalty of perjury all their existing business interests or share holdings that may directly or indirectly conflict with their performance of duties to the Corporation. Such Disclosures should be updated at least every year. It should be clear that it is mandatory for officers and directors even within the yearly reporting period to declare prior to actually investing in or acquiring an interest, being employed or retained in any manner by a competitor or potential competitor.

Key Responsibilities:

1.) Assist management and the Board in defining an executive compensation policy that (a) attracts, retains and appropriately rewards key executives of the Company, (b) links compensation with achievement of the Company's business objectives and (c) aligns the interests of key executives with the long-term interests of the Company's stockholders.
2.) Annually (or bi-annually in the case of bonus amounts) review and approve corporate goals and objectives relevant to the base salary, bonus amount and other compensation of the Chief Executive Officer/President and the Company's other officers.
3.) Evaluate the performance of each of the Chief Executive Officer/President and the Company's other officers in light of those goals and objectives and determine and approve the compensation level, including base salary, bonus amount and other compensation, if any, of each such officer based on this evaluation and other relevant factors. Evaluation of the Chief Executive Officer/President's performance shall be made in consultation with the Governance Committee.
4.) Make recommendations to the Board with respect to incentive compensation plans and equity-based plans, including overseeing the development of new compensation plans and the revision of old plans.
5.) Administer the Company's incentive compensation and equity-based plans, and approve restricted stock awards, stock option grants and other equity-based or incentive awards under these plans, including any performance criteria relating to these plans or any awards.
6.) Review the Company's employee benefit plans and either recommend plan changes to the Board or amend such plans, subject where required by shareholder approval.
7.) Recommend to the Board retainer, other compensation, and attendance fees, including Board committee attendance fees, for non-employee Directors.
8.) Annually review and discuss with the Company's management the Compensation Disclosure to be included in the Company's annual report and SEC Form 17-A and 17-IS.
9.) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
10.) Evaluate annually the performance of the Committee and the adequacy of this Charter.
11.) Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.

GOVERNANCE COMMITTEE (Annex E of the Revised Manual on Corporate Governance)

Purposes: *The Governance Committee shall oversee the formulation or review and implementation of the corporate governance structure and policies of the company; and assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and the individual Board members in carrying out their functions as set out in this manual and the respective charters of the Board Committees.*

Key Responsibilities:

1.) *Develop and recommend to the Board a set of corporate governance principles and review and recommend changes to these principles, as necessary.*
2.) *Review and make recommendations to the Board regarding proposals of stockholders that relate to corporate governance.*
3.) *Take such steps as the Committee deems necessary or appropriate with respect to assessments of the performance of the Board, each other Board committee, and itself, at least annually. Review and reassess the adequacy of this Charter at least annually.*
4.) *Oversee the evaluation of the Chief Executive Officer/President by the Board and the Compensation Committee.*
5.) *Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.*

COMMITTEE ON CORPORATE CULTURE AND VALUES FORMATION
(Annex G of the Revised Manual on Corporate Governance)

Purposes: *The purpose of forming this committee is to promote, foster & institutionalize the corporate vision, mission, core values, good corporate governance & ethical conduct among the board of directors, officers & employees of the company.*

Key Responsibilities: *The Committee shall have the authority of the Board as follows:*

1.) *Formulate strategies that will foster, imbibe, translate & institutionalize into action plans the corporate vision, mission & core values, such that the policies, decision and lifestyle of the Brown Group, individually & collectively, are founded on them.*
2.) *Provide policy guidance and facilitate compliance with the good corporate governance, code of ethics & business practices.*
3.) *Look into ways to continuously enhance high standard of business conduct & ethics in the company.*
4.) *Adopt a process to insure the Committee members revisit/review the vision, mission & core values statements periodically.*
5.) *Such other functions that are necessary, implied and incidental to the exercise of the authority/responsibility so conferred.*

2) Committee Members

(a) **Executive Committee** *(From January 1 to December 31, 2015) – Election was held on June 19, 2015 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	*Annabelle P. Brown*	*July 2003 to present*	*One (1)*	*One (1)*	*100%*	*Twelve years & Six months*
Member (ED)	*Walter W. Brown*	*August 2007 to present*		*One (1)*	*100%*	*Eight years & Five months*
Member (ED)	*Robertino E. Pizarro*	*July 2003 to present*		*One (1)*	*100%*	*Twelve years & Six months*
Member (NED)						
Member (ID)						

(b) **Audit Committee** [a] *(From January 1 to December 31, 2015) – Election was held on June 19, 2015 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	*Elpidio M. Paras*	*June 2002 to present*	*Four (4)*	*Four (4)*	100%	*Thirteen years & Six months*
Member (ED)						
Member (NED)	*Gerardo Domenico Antonio V. Lanuza**	*August 2010 to June 19, 2015*		*Zero (0)*	0%	*Four years & Ten months*
Member (NED)	*Antonio S. Soriano***	*June 2015*		*Two (2)***	100%	*Six months*
Member (ID)	*Thomas G. Aquino*	*March 2012 to present*		*Four (4)*	100%	*Three years & Ten months*
Member						

[a] - *On June 19, 2015, the Audit and Risk Committee was separated into two different committees.*

***** - *Elected as member of the Audit and Risk Committee until June 19, 2015.*

****** - *Elected as member of the Audit Committee on June 19, 2015.*

Disclose the profile or qualifications of the Audit Committee members.

The Audit Committee members profile or qualifications are as follows:

ELPIDIO M. PARAS, Independent Director –

Engr. Elpidio M. Paras, Filipino, 63, Independent Director, June 28, 2002 to present. He obtained his Bachelor of Science major in Mechanical Engineering from the De La Salle University (1974). He is the President and CEO of Parasat Cable TV, Inc. (1991 to present), UC-1 Corporation (2002 to present), Arriba Telecontact, Inc. (2005 - present). , Trustee - Promote CDO Foundation, Inc. (2005 to present), President – Cagayan de Oro Chamber (2007), Chairman of the Board of Trustees – Xavier University (2007 to present) and independent director of Southbank. He is a founding member of the Philippine Society for Orphan Disorders (PSOD). He was also a Board member of the Cagayan de Oro International Trade and Convention Center Foundation, Inc. (2005) and Hagdan sa Pag-uswag Foundation, Inc. He is also a member of PhilAAPA (Philippine Association of Amusement Parks& Attractions), and member of the Board of Trustees of Maria Reyna-Xavier University Hospital, Inc. (MRXUH).He was also three time Pres. and Chairman of the Philippine Cable TV Association..

THOMAS G. AQUINO, Independent Director -

Dr. Thomas G. Aquino, Filipino, 66, March 12, 2012 to present. He has professional expertise in several fields namely business strategy, trade, investments and technology promotions, industrial policy and international trade negotiations.

He is Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He specializes in economic policy related to reinvigorating manufacturing for regional and global competition. He is Chairman of NOW Corporation, a publicly listed firm engaged in telecommunications, media and technology, and an Independent Director of Alsons Consolidated Resources Inc., also a publicly listed firm involved in property development and power generation in Mindanao. He is Vice-Chairman of Knowledge Professionals Service Cooperative Inc., a cooperative among knowledge professionals committed to advance Philippine IT competencies in various fields of endeavor.

Dr. Aquino was formerly Senior Undersecretary of the Philippine Department of Trade and Industry. He managed international trade promotions by assisting exporters to the country's trade *partners and led the country's trade negotiations work in the World Trade Organization and Asean Free Trade Agreement and representation in Asia Pacific Economic Cooperation. He was the lead negotiator for the Philippines-Japan Economic Partnership Agreement, the first bilateral free trade agreement for the Philippines. He was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country at home and abroad by the President of the Republic of the Philippines.*

He obtained a Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from the Graduate School of CRC (now UA&P) in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

GERARDO DOMENICO ANTONIO V. LANUZA, Director -

Mr. Gerardo Domenico V. Lanuza, Filipino, 32, Director, August 3, 2009 to present. He is a Director and Vice-President- Special Projects of Philippine Realty and Holdings Corp.; Director and Vice President of Campos, Lanuza & Co., Inc. and Director of Greenhills Properties, Inc., British United Automotive Corp. and Klassik Motors Corp. He finished his Legal Management course from the De La Salle University (2006).

ANTONIO S. SORIANO, Director-

Atty. Antonio S. Soriano, Filipino, 66, Director from Aug 2007 to present and Corporate Secretary (June 2002 to Nov. 2008). He obtained his Bachelor of Laws Degree from the University of the East in 1974 and was admitted to the Bar in 1975. He is the Senior Managing Partner of Soriano, Saarenas & Llido Law Office. He acts as the Corporate Secretary of the following: RISE Foundation, Inc. (1994 to present), ICS Development Corporation (1980 to present), PACEMAN General Services (1993 to present), Kagayhaan-Davao Resources Management Corporation (1994 to present), Kagayhaan - Cagayan de Oro City Resources Management Corporation (1993 to present), Chairman of Xavier Sports and Country Club (2000 to present), and Roadside Shops, Inc. (2000 to present). He is the Chairman of Cagayan de Oro Medical Centre and First Industrial Plastic Ventures, Inc. (present). Chairman of the Philippine National Red Cross-Misamis Oriental and Governor nationwide as well. He is also active in civic and professional organizations like Integrated Bar of the Phils. – Misamis Oriental Chapter (Vice- President 1984-1986), Rotary Club of Cagayan de Oro City (IPP & SAG), Philippine Association of Voluntary Arbitrators (member - 1994) and Court of Appeals Mediation-Mindanao Station (member -2007). He was also elected as Vice Mayor of Cagayan de Oro City from 1992-1995 and member of the City Council of the same city from 1988-1992. During his tenure, he was able to pass several ordinances and resolutions that contributed to the development of the City. He has no directorship in other listed companies.

Describe the Audit Committee's responsibility relative to the external auditor.

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") is to represent and assist the Board in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements and internal control and audit functions. Management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing those financial statements.

Appointment, Compensation, Retention, Rotation and Oversight of Independent Auditors

Independent auditors. *The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company. The Company shall provide the appropriate funding, as determined by the Committee, for payment of compensation to the public accounting firm so engaged.*

The independent auditor (external auditor) shall be selected and appointed by the stockholders upon the recommendation of the Audit Committee from the pool of duly accredited independent auditor by the regulatory authorities, e.g. Securities and Exchange Commission (SEC). The external auditor or the lead partner thereof primarily responsible for the audit of the company or the review thereof shall be rotated or changed at least once every five (5) years or as determined by the regulatory authorities.

The Committee shall also be responsible for: (a) ensuring its receipt from the independent auditors of a formal written statement delineating all relationships between the auditor and the Company, consistent with Philippine Standards on Auditing and Philippine Financial Reporting Standards, (b) actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor, and (c) taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditor. In connection with these responsibilities, the Committee shall discuss the auditor's independence from management and the Company, including whether the auditors' performance of permissible non-audit services is compatible with their independence. This process will include, at least annually, the Committee's review of the independent auditors' internal control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent directors and the Company. The Company shall review the use of auditors other than the independent auditor in cases such as management's request for second opinions.

Approval of Audit Engagement and the Related Audit Scope and Audit Plans

The Committee shall pre-approve all audit plans, scope and frequency before the conduct of the external and internal audit.

Audit services. *The Committee shall discuss with the independent external and internal auditors the overall scope and plans for their respective audits including their respective responsibilities and the adequacy of staffing and compensation. The Committee shall approve in advance all audit engagement fees and the terms of all audit services to be provided by the independent auditors.*

Permissible non-audit services. *The Committee shall establish policies and procedures for the engagement of the independent external auditors to provide permissible non-audit services, which shall include pre-approval of permissible non-audit services to be provided by the independent external auditors. The Committee may, from time to time, delegate its authority to pre-approve non-audit services to one or more Committee members, provided that such delegate(s) present any such approvals to the full Committee at its next scheduled meeting.*

Review of Financial Reports

The Committee shall check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. It shall review the reports submitted by the internal and external auditors. It shall review interim and annual financial statements before the submission to the Board with particular focus on the following matters: any change/s in accounting policies and practices; major judgmental areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards and compliance with tax, legal and regulatory requirements.

Review of annual audited financial statements. *The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on SEC Form 17-A (or the annual report to shareholders), including (a) their judgment about quality, not just acceptability, of the Company's accounting principles, including significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (b) the clarity of the disclosures in the* *financial statements; and (c) the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, including critical accounting policies.*

(c) **Nomination Committee** *(From January 1 to December 31, 2015) – Election was held on June 19, 2015 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	*Thomas G. Aquino*	*March 2012 to present*	*One (1)*	*One (1)*	*100%*	*Three years & Ten months*
Member (ED)	*Walter W. Brown*	*August 2010 to present*		*One (1)*	*100%*	*Five years& Four months*
Member (NED)						
Member (ID)	*Elpidio M. Paras*	*December 2002 to August 2010; July 2011 to present*		*One (1)*	*100%*	*Twelve years & Three months*
Member						

(d) **Remuneration Committee** *(From January 1 to December 31, 2015) – Election was held on June 19, 2015 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	*Thomas G. Aquino*	*March 2012 to present*	*One (1)*	*One (1)*	100%	*Three years & Ten months*
Member (ED)						
Member (NED)	*Annabelle P. Brown*	*July 2002 to present*		*One (1)*	100%	*Thirteen years & Five months*
Member (ID)	*Elpidio M. Paras*	*July 2002 to present*		*One (1)*	100%	*Thirteen years & Five months*
Member						

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Governance Committee *(From January 1 to December 31, 2015) – Election was held on June 19, 2015 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	*Elpidio M. Paras*	*July 2008 to present*	*One (1)*	*One (1)*	*100%*	*Seven years & Six months*
Member (ED)						

Member (NED)	*Antonio S. Soriano*	*July 2008 to present*		*One (1)*	*100%*	*Seven years & Six months*
Member (ID)	*Thomas G. Aquino*	*March 2012 to present*		*One (1)*	*100%*	*Three years & Ten months*
Member						

Corporate Culture and Values Formation Committee *(From January 1 to December 31, 2015) – Election was held on June 19, 2015and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	*Annabelle P. Brown*	*July 2011 to present*	*Two (2)*	*Two (2)*	*100%*	*Four years & Six months*
Member (ED)						
Member (NED)						
Member (ID)	*Thomas G. Aquino*	*March 2012 to present*		*Two (2)*	*100%*	*Three years & Ten months*
Member (ID)	*Elpidio M. Paras*	*July 2011 to present*		*One (1)*	*50%*	*Four years & Six months*

Risk Committee [a] *(From January 1 to December 31, 2015) – Election was held on June 19, 2015 and shall hold office until their successors are elected and qualified unless removed from office as provided by law.*

Office	Name	Date of Appointment (as members)	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	*Elpidio M. Paras*	*June 2015 to present*	*One (1)*	*One (1)*	100%	*Six months*
Member (ED)						
Member (NED)	*Antonio S. Soriano**	*June 2015 to present*		*One (1)*	100%	*Six months*
Member (ID)	*Thomas G. Aquino*	*June 2015 to present*		*One (1)*	100%	*Six months*
Member						

[a] *- On June 19, 2015, the Audit and Risk Committee was segregated into two different committees.*

*** - *Elected as member of the Risk Committee on June 19, 2015.*

3) Changes in Committee Members *(From January 1 to June 19, 2015)*

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	*none*	
Audit	*Atty. Antonio S. Soriano replaced Mr. Gerardo Domenico Antonio V. Lanuza*	
Risk	*Atty. Antonio S. Soriano replaced Mr. Gerardo Domenico Antonio V. Lanuza*	

Nomination	*none*	
Remuneration	*none*	
Others (specify)		
Governance	*none*	
Corporate Culture and Values Formation	*none*	

All members of the Committees are the same in the Organizational Meeting held on June 19, 2015 and May 9, 2014 except the membership of Atty. Antonio S. Soriano who replaced Mr. Gerardo Domenico Antonio V. Lanuza in Audit Committee and Risk Committee.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Audit	*a.) In relation to the external audit findings discussed by the External Auditors, the "action points" was presented to the Audit Committee noted by the respective responsible officers of the Company and the subsidiaries. The Committee noted the action points presented.*	*a.) External audit findings for Audit of Financial Statements*
	b.) The Audit Committee approved the Draft Audited Parent and Consolidated Financial Statements and endorsed the same for approval by the Board of Directors.	*b.) Approval of Audited Financial Statements of the Parent Company as well as the Consolidated Financial Statements.*
	c.) The representative of the Company's Internal Auditor, Baconga Patriana & Co., presented and discussed their findings on certain issues of Construction Materials Inventory, Receivables – ABERDI, Revenues, Plant, Property and Equipment(PPE)- BRC and the corresponding actions taken by the Management toward the issues.	*c.) Internal Audit Report for a specific period*
	d.) The Audit Committee noted and approved the related party transactions.	*d.) Related Party Transactions- Sale ABCI's BRC shares to Angelus Agri Corp., the entity designated by Sps. Walter W. Brown and Annabelle P. Brown; sale of several parcel of lands located in Xavier Estates in Cagayan de Oro City including the land where the chalets of BRC stand to Brown Resources Corp., the entity designated by Spouses Walter W. Brown and Annabelle P. Brown*
	e.) The Audit Committee approved the 2015 Internal Audit Fees.	*e.) Approval of the internal audit fees*
	f.) The Audit Committee approved the 2016 Internal Audit Plan and 2015 External Audit Plan	*f.) Approval of Internal and External Audit Plan*
	g.) The representative of the Company's Internal Auditor, Baconga Patriana & Co., presented and discussed their findings on certain issues of	*g.) Internal Audit Findings*

	Inventory and monitoring of land titles, audit on cash counts and cash handling, inventory count observation on Talakag Crushing plant, construction materials inventory, fuel usage & inventory, PPE insurance & registration, Sales Documentation, Audit on Payroll Transactions and Information Technology Controls. The Committee noted the issues discussed.	
Nomination	***a.)*** *The Nomination Committee endorsed the nominations given in favor of Messrs. Elpidio M. Paras (by Mr. Roel Z. Castro) and Thomas G. Aquino (by Atty. Rosa Anna Duavit-Santiago) as nominees for independent directors and determined that these nominees possess all the qualifications and have none of the disqualifications of independent directors.*	*a.) The nomination of independent directors for the ensuing year*
Remuneration	***a.)*** *The Compensation Committee noted the report on personnel and benefits comparing actual from budget for 2015; and budget proposal for 2016; manpower headcount for 2015 and manpower need for 2016;investment performance of the retirement plan and update on application of the retirement plan for tax exemption.*	*a.) The Committee is aware of the status of the number of personnel and the benefits paid with the comparison as to the actual incurred from the budget; the outsourcing initiatives to address employee turnover; the investment performance of the retirement plan and the update of the retirement plan's application for tax exemption.*
Others (specify)		
Governance	*a) The Governance Committee approved the formation of different management committees, its function/purpose and its composition. The following committees were established:* • *Bidding Committee* • *Hiring Committee* • *Uniform Committee* • *Steering Committee* • *GMP, HACCP & Food Safety Committee* • *Internal Quality Audit Committee* *b.) Directed the proper implementation of Whistle Blower Policy & Insider Trading Policy by conducting a general briefing to all employees. This is to make sure that each employee understands the new policies.*	*a.) Approval of Management Committees* *b.) Discussed the feedback of employees after the orientation was done.*
Corporate Culture and Values Formation	*a.) The Committee noted the discussion on the corporate value formation program conducted for 2015 and the total cost of CCVF programs.* *b). Approval of corporate value formation plan for 2016.*	*a.) Company program on value formation conducted in 2015* *b.) Company program on value formation to be conducted in 2016*

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	*Strategic Planning*	*To revisit and assess tactical and operating plans from previous year and prepare both plans for the incoming year in alignment to the strategic plans*
Audit	*External and Internal Audit Plan*	*To continuously monitor compliance to the company's internal control and processes, establish an overall strategy for the external audit so as to perform the engagement in an effective manner.*
Nomination	*Nomination List*	*To pre-qualify and shortlist nominees for election of directors including independent directors and to fill in possible vacancy in the Board.*
Remuneration	*Revisit the Appraisal System vis-à-vis the Grant of Bonus*	*To reward exemplary performance of employees meeting their key result areas (KRA)/deliverables and encourage employees to do better in their daily tasks.*
Others (specify)		
Governance	*Monitor compliance to new policies and draft new policies to strengthen Corporate Governance*	*To monitor compliance of new approved policies and to draft new policies to further strengthen Corporate Governance.*
Risk	*Risk Assessment*	*Review and discuss with management the Company's major financial risk exposures and the steps management should take to monitor and control such exposures*
Corporate Culture and Values Formation	*Reassess existing programs on value formation* .	*To strengthen the corporate culture the company imbibes and live with by the directors, officers and employees*

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's philosophy of risk management has its foundation in the concept that taking risks is required in order to seek rewards and to fulfill the company's multi-faceted mission. However, these risks should be assessed in order to insure that effective mitigation strategies are employed to the greatest extent possible. Mitigation strategies should consider transferring or insuring risk, reducing the likelihood of the risk occurring, reducing the severity of the risk should it occur, avoiding the risk altogether, or accepting the risk, while continuing to monitor it to ensure it stays within the company's risk appetite. Risk management will effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

Key Responsibilities stated on the Risk Committee Charter:

The Committee shall have the authority of the Board to:

1. Oversee the company's risk management function.
2. Develop a formal risk management policy that guides the company's risk management and compliance processes and procedures
3. Design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks
4. Discuss and review policies with respect to risk assessment and risk management including the company's major financial and business risk exposures and the actions the management has undertaken to control them
5. Set the tone and influence the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue; determining what types of risk are acceptable and which are not
6. Monitor the management of significant risk to reduce the likelihood of unwelcome surprises
7. Satisfy itself that less significant risks are being actively managed with the appropriate controls in place and working effectively
8. Annually review the company's approaches to risk management and recommends to the Board changes or improvements to key elements of its processes and procedures.
9. Perform other activities consistent with this charter, the company's by-laws and governing law as the Committee or the Board deems necessary or appropriate

(b) Period covered by the review; -- *every fiscal year*

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; And

The risk management system is reviewed by the Directors on a per annual basis every end of the year. This year, the Company outsourced experts to review, upgrade and update the risk management framework and processes based on the changes of business environment.

(e) Where no review was conducted during the year, an explanation why not.

This year, the Company outsourced experts to review, upgrade and update the risk management framework and processes based on the changes of business environment.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Company is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Company's principal financial instruments comprise of cash and cash equivalents, 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 Company's operations. The Company has various other financial assets and liabilities such as trade receivables, trade payables and accrued liabilities, which arise directly from operations. The Company'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 Company's results and financial position. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.*

The main risks arising from the use of financial instruments that have material effect on the company's position and performance are credit risk, liquidity risk, interest rate risk and equity price risk. The Company's Board of Director reviews and agrees with policies for managing each of these risks.

Aside from liquidity risk, credit risk and market risk (interest rate risk and equity price risk), the Company is also exposed to operational risks.

Risk Exposure	Risk Management policy	Objective
Interest rate risk	*In a trade-off between risk and return, the exposure to changes in interest rate need not necessarily be the completely eliminated but rather it should be to manage the impact of interest rate changes within self-imposed reasonable limits set after careful consideration of a range of possible interest rate environments with a balanced mix of fixed and variable rate.*	*The objective of interest rate risk management is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level by shaping the structure of balance and off-balance sheet items.*
Credit risk	*Sound credit risk management involves prudently managing the risk/reward relationship and controlling and minimizing credit risks across a variety of dimensions, such as quality, concentration, maturity, security and type of credit facility.* *Credit risk management includes identifying existing or potential credit risks to which the company is exposed in conducting its business activities and developing and implementing sound and prudent credit policies to effectively manage and control these risks;* *• developing and implementing effective credit granting, documentation and collection processes; and* *• developing and implementing comprehensive procedures to effectively monitor and control the nature, characteristics, and quality of the credit portfolio.*	*The objective of credit risk management is to mitigate the risk of incurring losses arising from counterparty defaults and/or failure to honor its financial or contractual obligations through credit analysis and review.* *While managing for the reduction of credit risk, other objective is customer retention to keep customers loyal to insure current and future sales.* *By researching and investigating an applicant's financial background, credit risk management is able to gauge the risk involved in doing business with prospective customer. For established customers, a credit review process should be employed to stay familiar with the credit situation of clients thereby allowing for credit limit adjustments and restructuring to reduce the company's credit risk.*
Liquidity risk	*The company's policy concerning liquidity is based on keeping a portfolio of liquid securities (e.g. money market instruments) and increasing stable sources of financing from deposits of*	*The objective of liquidity risk management is to pay present and future debts (also potential) on time (or meeting financial obligations as they fall due), taking into account the*

	customers.	*nature of performed activities and requirements which may occur due to changes in market environment, by shaping the structure of statement of financial position and contingent liabilities and commitments.*
Equity price risk	*The company should plan and strategize to reduce equity price risk in a two-pronged approach: protect stock value from high volatility and enhance returns.*	*The objective of equity price risk management is to reduce portfolio volatility and limit portfolio's equity exposure from market decline by providing downside protection and controlling volatility without curtailing the upside.*
Operational risk – *1.) People risk –* **internal fraud,* *external fraud,* *incompetency,* *work force interruption,* *wrongful termination* *2.)Process risk-* **valuation/model risk,* *failure of internal process,* *exceeding limits,* *project overruns,* *inadequate project plan,* *failure to adhere internal & external compliance procedure,* *security risk* *3.) systems and technology risk –* *network failure,* *external security breaches,* *failure to integrate or migrate with/from existing systems,* *4.)external risk –* *legal risk,* *regulatory risk,* *political risk*	*Management should evaluate the adequacy of tools and techniques both in terms of its efficiency and effectiveness. Steps should be taken to design and implement cost- effective solutions to reduce the operational risk to an acceptable level.*	*The objectives of operational risk management is to monitor assessment of the exposure to all types of operational risk faced by the company by assessing the quality and appropriateness of mitigating actions, including the extent to which identifiable risks can be transferred outside the company; and ensuring that adequate controls and systems are in place to identify and address problems before they become major concerns.*

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. 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 principle.*

The main risks arising from the use of financial instruments that have material effect on the company's position and performance are credit risk, liquidity risk, interest rate risk and equity price risk. The Group's Board of Director reviews and agrees with policies for managing each of these risks.

Aside from credit risk, liquidity risk and market risk (interest rate risk and equity price risk), the Group is also exposed to operational risks.

Risk Exposure	Risk Management policy	Objective
Interest rate risk	*In a trade-off between risk and return, the exposure to changes in interest rate need not necessarily be the completely eliminated but rather it should be to manage the impact of interest rate changes within self-imposed reasonable limits set after careful consideration of a range of possible interest rate environments with a balanced mix of fixed and variable rate*	*The objective of interest rate risk management is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level by shaping the structure of balance and off-balance sheet items.*
Credit risk	*Sound credit risk management involves prudently managing the risk/reward relationship and controlling and minimizing credit risks across a variety of dimensions, such as quality, concentration, maturity, security and type of credit facility.* *Credit risk management includes identifying existing or potential credit risks to which the company is exposed in conducting its business activities and developing and implementing sound and prudent credit policies to effectively manage and control these risks;* • *developing and implementing effective credit granting, documentation and collection processes; and* • *developing and implementing comprehensive procedures to effectively monitor and control the nature, characteristics, and quality of the credit portfolio.*	*The objective of credit risk management is to mitigate the risk of incurring losses arising from counterparty defaults and/or failure to honor its financial or contractual obligations through credit analysis and review.* *While managing for the reduction of credit risk, other objective is customer retention to keep customers loyal to insure current and future sales.* *By researching and investigating an applicant's financial background, credit risk management is able to gauge the risk involved in doing business with prospective customer. For established customers, a credit review process should be employed to stay familiar with the credit situation of clients thereby allowing for credit limit adjustments and restructuring to reduce the company's credit risk.*
Liquidity risk	*The Group's policy concerning liquidity is based on keeping a portfolio of liquid securities (e.g. money market instruments) and increasing stable*	*The objective of liquidity risk management is to pay present and future debts (also potential) on time (or meeting financial obligations as*

	sources of financing from deposits of customers.	*they fall due), taking into account the nature of performed activities and requirements which may occur due to changes in market environment, by shaping the structure of statement of financial position and contingent liabilities and commitments.*
Equity price risk	*The Group should plan and strategize to reduce equity price risk in a two-pronged approach: protect stock value from high volatility and enhance returns.*	*The objective of equity price risk management is to reduce portfolio volatility and limit portfolio's equity exposure from market decline by providing downside protection and controlling volatility without curtailing the upside.*
Operational risk – *1.) People risk –* **internal fraud,* *external fraud,* *incompetency,* *work force interruption,* *wrongful termination* *2.)Process risk-* **valuation/model risk,* *failure of internal process,* *exceeding limits,* *project overruns,* *inadequate project plan,* *failure to adhere internal & external compliance procedure,* *security risk* *3.) systems and technology risk –* *network failure,* *external security breaches,* *failure to integrate or migrate with/from existing systems,* *4.)external risk –* *legal risk,* *regulatory risk,* *political risk*	*Management should evaluate the adequacy of tools and techniques both in terms of its efficiency and effectiveness. Steps should be taken to design and implement cost- effective solutions to reduce the operational risk to an acceptable level.*	*The objectives of operational risk management is to monitor assessment of the exposure to all types of operational risk faced by the company by assessing the quality and appropriateness of mitigating actions, including the extent to which identifiable risks can be transferred outside the company; and ensuring that adequate controls and systems are in place to identify and address problems before they become major concerns.*

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to minority Shareholder
The principal risk of the exercise of controlling shareholder's voting power is the minority shareholders' inability to be represented in the Board of Directors.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit risk	*Credit risk refers to the risk that a counter-party will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the company. The credit risk exposure of the financial assets includes: cash & cash equivalents, accounts receivable, notes receivable and refundable deposits.* *The credit risk measurement methods make it possible to reflect the credit risk in the price of products, determine the optimum cut-off levels and determine impairment allowances.* *Impairment allowances are based on the classification of credit quality as past due but not impaired and those impaired.* *Credit risk is measured using the five "Cs" of credit expert system; and internal rating system.*	*The company assesses the credit risk of clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment involves scoring and evaluating the client's credit history obtained from external sources during credit investigation.* *The company reviews the methods used credit risk assessment, recognizing provisions and allowances, controlling and monitoring credit risk during the lending process and determining the quality and efficiency of restructuring and enforcement of the amounts receivable from clients.* *The company only transacts with recognized and creditworthy counterparties, 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 Company likewise monitors exposures through continuing assessment of creditworthiness of customers and monitoring of the aged schedules of receivables. Real estate buyers are subjected to standard credit check procedures which are calibrated based on payment scheme offered prior to sale.*

		Transfer of ownership or title of real estate sold can only be done upon full payment of the agreed total contract price. The credit risk arising from counterparty defaults are monitored by classifying the quality per class as neither past due nor impaired, past due but not impaired and impaired.
Interest rate risk	*Interest rate risk is the significant movements in interest rates that expose the firm to high borrowing costs, lower investment yields or decreased asset values. Cash in bank and cash equivalents, contract receivables for the financial assets and short-term and long-term debt for the financial liabilities are exposed to interest rate fluctuations.* *The impact of changing interest rates on a portfolio consisting of various assets and liabilities can be measured by gap analysis and duration analysis.*	*The Company established limits and thresholds for interest rate risk comprising the following: price sensitivity, interest income sensitivity, limits and threshold for losses and limits on instruments sensitive to interest rate fluctuations.* *To manage the interest rate risks on its interest income, the Company places the cash balances reputable banks and financial institutions on varying maturities and interest rate terms.*
Liquidity risk	*Liquidity risk refers to the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity risk can be measured by using liquidity gap analysis by comparing the company's liquid assets from its volatile liabilities.*	*The Company ensures that investments have ample liquidity to finance operations and capital requirements and yield good returns. The Company manages liquidity by maintaining adequate reserve and invests in short- term money market instruments. Moreover, banking facilities and reserve bank lines and facilities are secured to fill in temporary mismatch of funds for new investments or projects. 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.*
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. The change in equity indices will likely change the fair value of the Available-for-sale equity instruments.* *The measure of risk used in the equity markets is typically the standard deviation of a security's price over a*	*Price risk associated with equities could be systematic or unsystematic. The former refers to sensitivity of portfolio's value to changes in overall level of equity prices, while the latter is associated with price volatility that is determined by firm specific characteristics. The general market risk of equity cannot be eliminated through portfolio*

	number of periods. The standard deviation will delineate the normal fluctuations one can expect in that particular security above and below the mean, or average.	*diversification but the specific risk/unsystematic can be diversified away.*
*Operational risk – 1.) People risk – *internal fraud, external fraud, incompetency, work force interruption, wrongful termination 2.)Process risk- *valuation/model risk, failure of internal process, exceeding limits, project overruns, inadequate project plan, failure to adhere internal & external compliance procedure, security risk 3.) systems and technology risk – network failure, external security breaches, failure to integrate or migrate with/from existing systems, 4.)external risk – legal risk, regulatory risk, political risk*	*Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.* *Measurement of operational risk could be done by systematically tracking and recording frequency, severity and other information on individual loss events.* *Assessment of the feasibility of alternative risk limitation and control strategies as well as adjustment to operational risk profile using appropriate strategies, in light of the company's overall risk appetite and profile.*	*The extent and nature of the controls adopted by the company encompasses such measures like orientation about Code of Conduct, proper delegation of authority, segregation of duties, audit coverage, compliance, succession planning, mandatory leave, staff compensation, recruitment and training, dealing with customers, complaint handling, record keeping, MIS, physical controls, others.* *Appropriate controls should be in place to avoid misappropriation of assets: Defalcation can be avoided through cash counts and bank reconciliation of accounts. Past due accounts receivable can be reviewed through aging of accounts, Conduct periodic inventory counts and use computerized system. Independent checking should be done to check accurateness of the computation and use of passwords and firewalls as well as anti-virus and anti-malwares for any unauthorized access of data and the threat of loss of data due to viruses and malwares. Likewise, the company is enjoined to comply to employment or labor laws, regular monitoring of changes or updates to relevant laws and regulations and close coordination with regulatory agencies. The company prepares disaster recovery and business continuity plans to ensure its ability to operate as a going concern and minimize losses in the event of severe business disruption.*

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	**Risk Assessment (Monitoring and Measurement Process)**	**Risk Management and Control (Structures, Procedures, Actions Taken)**
Credit risk	*Credit risk refers to the risk that a counter-party will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The credit risk exposure of the financial assets includes: cash & cash equivalents, accounts receivable, notes receivable and refundable deposits.* *The credit risk measurement methods make it possible to reflect the credit risk in the price of products, determine the optimum cut-off levels and determine impairment allowances.* *Impairment allowances are based on the classification of credit quality as past due but not impaired and those impaired.* *Credit risk is measured using the five "Cs" of credit expert system; and internal rating system.*	*The Group assesses the credit risk of clients on two levels: the client's borrowing capacity and his creditworthiness. The assessment of borrowing capacity involves an examination of the client's financial situation, whereas the creditworthiness assessment involves scoring and evaluating the client's credit history obtained from external sources during credit investigation.* *The Group reviews the methods used credit risk assessment, recognizing provisions and allowances, controlling and monitoring credit risk during the lending process and determining the quality and efficiency of restructuring and enforcement of the amounts receivable from clients.* *The Group only transacts with recognized and creditworthy counterparties, 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 subjected to standard credit check procedures which are calibrated based on payment scheme offered prior to sale. Transfer of ownership or title of real estate sold can only be*

		done upon full payment of the agreed total contract price. The credit risk arising from counterparty defaults are monitored by classifying the quality per class as neither past due nor impaired, past due but not impaired and impaired.
Interest rate risk	*Interest rate risk is the significant movements in interest rates that expose the firm to high borrowing costs, lower investment yields or decreased asset values. Cash in bank and cash equivalents, contract receivables for the financial assets and short-term and long-term debt for the financial liabilities are exposed to interest rate fluctuations.* *The impact of changing interest rates on a portfolio consisting of various assets and liabilities can be measured by gap analysis and duration analysis.*	*The Group established limits and thresholds for interest rate risk comprising the following: price sensitivity, interest income sensitivity, limits and threshold for losses and limits on instruments sensitive to interest rate fluctuations.* *To manage the interest rate risks on its interest income, the Group places the cash balances reputable banks and financial institutions on varying maturities and interest rate terms.*
Liquidity risk	*Liquidity risk refers to the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity risk can be measured by using liquidity gap analysis by comparing the company's liquid assets from its volatile liabilities.*	*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 reserve and invests in short- term money market instruments. Moreover, banking facilities and reserve bank lines and facilities are secured to fill in temporary mismatch of funds for new investments or projects. 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.*
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. The change in equity indices will likely change the fair value of the Available-for-sale equity instruments.* *The measure of risk used in the equity markets is typically the standard deviation of a security's price over a*	*Price risk associated with equities could be systematic or unsystematic. The former refers to sensitivity of portfolio's value to changes in overall level of equity prices, while the latter is associated with price volatility that is determined by firm specific characteristics. The general market risk of equity cannot be eliminated through*

	number of periods. The standard deviation will delineate the normal fluctuations one can expect in that particular security above and below the mean, or average.	*portfolio diversification but the specific risk/unsystematic can be diversified away.*
*Operational risk – 1.) People risk – *internal fraud, external fraud, incompetency, work force interruption, wrongful termination 2.)Process risk- *valuation/model risk, failure of internal process, exceeding limits, project overruns, inadequate project plan, failure to adhere internal & external compliance procedure, security risk 3.) systems and technology risk – network failure, external security breaches, failure to integrate or migrate with/from existing systems, 4.)external risk – legal risk, regulatory risk, political risk*	*Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Measurement of operational risk could be done by systematically tracking and recording frequency, severity and other information on individual loss events. Assessment of the feasibility of alternative risk limitation and control strategies as well as adjustment to operational risk profile using appropriate strategies, in light of the company's overall risk appetite and profile.*	*The extent and nature of the controls adopted by the Group encompasses such measures like orientation about Code of Conduct, proper delegation of authority, segregation of duties, audit coverage, compliance, succession planning, mandatory leave, staff compensation, recruitment and training, dealing with customers, complaint handling, record keeping, MIS, physical controls, others. Appropriate controls should be in place to avoid misappropriation of assets: Defalcation can be avoided through cash counts and bank reconciliation of accounts. Past due accounts receivable can be reviewed through aging of accounts, Conduct periodic inventory counts and use computerized system. Independent checking should be done to check accurateness of the computation and use of passwords and firewalls as well as anti-virus and anti-malwares for any unauthorized access of data and the threat of loss of data due to viruses and malwares. Likewise, the Group is enjoined to comply to employment or labor laws, regular monitoring of changes or updates to relevant laws and regulations and close coordination with regulatory agencies. The company prepares disaster recovery and business continuity plans to ensure its ability to operate as a going concern and minimize losses in the event of severe business disruption.*

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Internal Audit	*Provide objective assurance that major business risks are being managed appropriately and that risk management and internal control framework is operating effectively.*	*The internal audit functions include examination and evaluation of the adequacy and effectiveness of internal control; provide assurances that the risk management processes both their design and how well they are working; management of those risks classified as "key" and reliable and appropriate assessment of risks and reporting of risk and control status. Internal audit function is expected to provide value to the organization through improved operational effectiveness in addition to traditional responsibilities such as reviewing the reliability and integrity of information, ensuring compliance with policies and regulations and safeguarding assets.*
Audit Committee	*The Audit Committee has general oversight of the company's accounting and financial reporting processes, audits of the financial statements and internal and audit functions. The Committee takes the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behaviour.*	*The Audit Committee shall review with management and the independent directors (a) major issues regarding the adequacy of internal controls and steps taken in light of material deficiencies and (c) the effects of alternative accounting methods and regulatory and accounting initiatives on the financial statements. The Audit Committee will review and discuss with management the Company's major financial risk exposures and the steps taken management has taken to monitor and control such exposures.*
Risk Committee	*The Risk Committee is in-charge of overseeing the company's practices and processes relating to enterprise-wide risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and*	*The Risk Committee are tasked to develop formal risk management policy that guides the company's risk management and compliance processes and procedures; design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks; discuss*

	associated internal controls. The Risk Committee will assist in providing framework to identify, assess, monitor and manage the risks associated with the company's business.	*and review policies with respect to enterprise-wide risk assessment and risk management including the company's major financial and business risk exposures and actions that management has undertaken to control them; set the tone and influence the culture of risk management which includes determining the appropriate risk appetite or level of exposure as a whole or on any relevant individual issue and determining that type of risk are acceptable and which are not; monitor the management of significant risk to reduce the likelihood of unwelcome surprises.*

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control is defined as a process, effected by an entity's board of directors, management, and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations.
The Company's internal control system is defined and communicated through its policies and procedures manual and inter-office memoranda. These are also tackled during exit conference meetings with the internal auditors and in-house seminars.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The directors through the audit committee have reviewed the effectiveness of the internal control and consider it effective and adequate. The issues discussed during the audit committee meetings are being addressed and corrective action plans are formulated.

(c) Period covered by the review;
The period covered by the review covered is on a quarter and annual basis.

(f) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed regularly through the Company's internal auditors. Risk areas are being identified at the beginning of the year where an audit plan is formulated and approved by the Audit Committee. The audit timetable is based on the approved audit plan and the findings/issues are brought up to the Audit Committee's attention for corrective actions. In assessing the effectiveness of the internal control system, the following factors/criteria are considered: level of risk involved, materiality, compliance with existing policies and procedures, industry best practices, Company strategic plans and objectives, and other factors that may affect the Company's control environment.

(e) Where no review was conducted during the year, an explanation why not.
Internal audit activities are conducted regularly.

2) Internal Audit

(a) Role, Scope and Internal Audit Function
Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	**Scope**	**Indicate whether In-house or Outsource Internal Audit Function**	**Name of Chief Internal Auditor/Auditing Firm**	**Reporting process**
Internal auditors	*Conducts audit on a regular basis and performs risk assessments and internal control reviews.*	*Outsourced*	*Ms. Lindy C. Patriana/ Baconga Patriana & Company, Certified Public Accountant*	*Audit findings are discussed with the concerned department heads and staff. The final audit reports with the actions taken by the department are forwarded to the Audit Committee, Chief Executive Officer, Chief Finance Officer and Controller. Meeting with the audit committee are done on a quarterly basis.*

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, the appointment and/or removal of the accounting firm to which the internal audit function is outsourced require the approval of the audit committee.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The internal auditors are reporting to the audit committee on a quarterly basis or as frequent as the circumstances requires. Moreover, they have unfettered access to all the records, properties and personnel.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	**Reason**
Maristel Z. Salvalosa	*Voluntary Resignation – Change of Employer*

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	*The areas under audit are based on the plan and as requested. All areas in the audit plan were covered during the plan period. In some areas, however, audit work was extended to the following period when an item requires further analysis and examination.*
Issues[6]	*Issues and findings are summarized at the end of the year together with the appropriate action plans. Outstanding issues and findings are subject to follow-up in the next audit year.*
Findings[7]	*Issues and findings are summarized at the end of the year together with the appropriate action plans. Outstanding issues and findings are subject to follow-up in the next audit year.*
Examination Trends	*Audit findings are grouped based on the areas under audit. Past examinations are used as reference for the current year examinations.*

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:
1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

[6] *"Issues" are compliance matters that arise from adopting different interpretations.*
[7] *"Findings" are those with concrete basis under the company's policies and rules.*

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	**Implementation**
Procurement of materials, supplies, etc.	*Implemented*
Bidding process	*Implemented*
Warehousing of materials, supplies, etc.	*Implemented*
Capital Assets	*Implemented*
Property control	*Implemented*
Vehicle control	*Implemented*
Safekeeping of TCTs	*Implemented*

Petty cash fund transactions	*Implemented*
Cash handling	*Implemented*
Check requests and disbursements	*Implemented*
Cash advances and other receivables	*Implemented*
Sales documentations	*Implemented*
Broker's commission	*Implemented*
Credit and collections	*Implemented*
Payroll transactions	*Implemented*
HR related transactions	*Implemented*

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	**Financial Analysts**	**Investment Banks**	**Rating Agencies**
Internal audit function is outsourced. The internal audit team institutes controls and policies which includes the following: *Review of related parties (auditor and auditee relationships)* *Direct reporting of circumstances where based on the internal auditor's judgment might impair his/her independence.* *Rotation of internal audit staffs.*	*The Company will not engage any activities that would put pressure on financial analysts, investment banks and rating agencies or anything that would impair their independence.*		
The independence of the external audit function is safeguarded by limiting the non-audit services that an external auditor may provide to the company.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The company's Corporate Governance Compliance Officer (duly countersigned by the President) submitted the Certification of Compliance with its Revised Manual on Corporate Governance for Year 2012 to the SEC on January 29, 2013 and to the PSE on February 4, 2013 confirming that ABCI together with its directors, officer and employees has conformed to and substantially complied all the provisions and leading practices *and principles on good corporate governance as set forth in the Corporation's Manual and SEC Code of Corporate Governance, as amended. The submission of the Certification of Compliance has been discontinued pursuant to SEC Memorandum Circular No. 5, Series of 2013.*

In the preparation of this SEC Form – Annual Corporate Governance Report, the Executive Chairman, President, Independent Directors and Compliance Officer will have to attest to the company's substantial compliance with the SEC Code of Corporate Governance. Such attestation includes that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	**Activities**
Customers' welfare	*We are dedicated to satisfying our customers, listening to their requests and understanding their expectations. We strive to meet their expectations in affordability, quality and on-time delivery.* *We expect our customers to select our products because of quality, service and price. We conduct our business in an open and above-board manner and we do not seek any improper influence.* *All products must be exactly as specified by the customer in the contract and all quality assurance steps must be followed. Any change to a contract must have prior written approval of the parties involved and company's authorized sales personnel.* *As a general rule, business courtesies such as gifts, entertainment, services must demonstrate good business judgment and be reasonable (not frequent and lavish), legal and offered in a manner that could not hurt the company's reputation for impartiality and fair dealing.* *The company adheres also to the laws protecting our lot buyers in settlement of their obligations especially under installment terms.*	*The customers have undergone briefing/orientation about the business of the company and its subsidiaries, its products and services -- the real estate projects, oil palm milling, and energy projects; discussion on available payment scheme for financing, tripping or site visits, grant of requests for extension of payments or restructuring of the accounts.*
Supplier/contractor selection practice	*We regard our suppliers as essential team members and we owe our suppliers the same respect that we show to our customers. Our suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance and delivery. We consider our suppliers' needs in conducting all aspects of our business.* *Helpful, friendly, professional*	*Step 1 - The Technical Group prepares the Agency Estimates and proforma Cost Estimates and forwards the same to the Assistant to the President and Construction Department Head for recommendation of approval by the President.* *Step 2 - The Bidding Committee sends out invitation to bid and schedules a pre-bid conference.*

	relationships are essential to any business. While cultivating such relationships with our suppliers, we must also maintain an honest, objective and efficient procurement process. The purchase of materials and services must be in accordance with the company's procurement policies and procedures. *The company's officers and employees may not solicit or accept gifts, payment or gratuities from our suppliers. (Promotional items of nominal value may be accepted.) Any financial interests in a company's supplier or someone seeking to become a supplier must be reported to the company.* *The company's policies in this area go beyond the law of prohibiting kickbacks. We must avoid even the appearance of improper conduct in all our business dealings.* *The Policies and Procedure Manual on procurement especially the bidding process are the following:* *1) All personnel involved in the bidding process including the Bidding Committee, Technical Group, and the Contractors shall observe the highest standard of ethics during the procurement and execution of contracts. Thus, corrupt, fraudulent, collusive and coercive practices are strictly not followed.* *2) ABCI will have the right to reject a proposal for award or even if the contract has already been awarded if it determines than the awarded Bidder or Bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the Contract. ABCI may then take out such firm in the list of accredited contractors either indefinitely or for a stated period of time. Further, ABCI may seek to impose the maximum penalties for civil and criminal liability available under the applicable law on individuals and organizations deemed to be involved with corrupt, fraudulent, collusive or coercive practices.* *3) Late bidders who arrived or submitted their bid at least 30 minutes from the scheduled time shall be disqualified to bid.*	*Step 3 - The Technical Group conducts Pre-bid conference with the bidders and explains details of the project. At this point, the scope of the work is discussed and each bidder is given a plan of the project and the cost estimate form which they will fill-up and submit together with their bid during the dropping of bids.* *On-site inspection is conducted when necessary.* *Step 4 - Bidders will drop their sealed bids on designated dropping area. Bids after the official cut-off time will not be received.* *Step 5-Bidding Committee will conduct the opening of bid (without the bidders) during the scheduled time and evaluates the following as to:* - *Specifications and agreement with the detailed cost estimates prepared by the Technical Group.* - *Responsiveness of bid amount based on the predetermined agency estimates.* - *Background and historical performance of the bidder taking into consideration the quality of work, timeliness of completion, etc.* - *Other factors that the Committee will foresee that might affect the performance of the bidders and the project.* *Step 6 - After evaluating the bids, the qualified bidders are segregated and again evaluated by the Bidding Committee to determine which among qualified bidders has the highest bid.* *Step 7 - After thorough evaluation, the Bidding Committee will finalize their findings and recommendations by completing the Dropping and Opening of Bids form.* *Step 8 - The President evaluates the results of bidding and if approved, signs in the dropping and opening of bid form.* *Step 9 - Preparation of letter of award signed by the President.* *Step 10 - Contract signing.*

Environmentally friendly value-chain	*The company has been long committed to minimizing our environmental impact by complying with all the laws and regulations relating to environmental protection in the communities we operate: developing land into residential communities, from planting to milling of the agricultural produce and building essential energy infrastructure.* *Facilities must have policies and procedures in place to ensure environmental impacts are minimized with respect to energy, air emission, water, waste, hazardous materials and other significant environmental risks. Facilities should make sustainable improvements in environmental performance.* *The company is committed to managing environmental matters as an integral part of our business. It is our policy to assure the environmental integrity of our processes and facilities at all times and in places where the milling and refining operate. We will strive that our goals to be aligned in the philosophy of legal compliance, product stewardship, on-going improvement and involvement and communication to environmental responsibility.*	*The company will conduct its business consistent with its environmental policy by: complying with relevant legislative requirements and regulations through securing Environmental Compliance Certificate (ECC) for all its real estate projects, agri-business manufacturing products of oil palm and energy infrastructure projects as well as continued compliance to ECC provisions; striving to prevent the release of substances that cause environmental harm to the air, water and land; conserving natural resources through careful planning and efficient use; minimizing waste through source reduction and recycling; handling and disposing of wastes through safe, environmentally responsible methods and conserving energy through the efficiency of its use in our operations.*
Community interaction	*In the communities where we operate, the company works to make a positive and lasting difference in people's lives. We do so by building homes for happier families, by producing basic products sustainably for the world, by energizing the country's development and by providing financial support on improving its road networks, rehabilitation of its utility systems, promoting and preserving the cultural beliefs, customs and education of indigenous people and by protecting the environment.* *To ensure that our philanthropic activities are strategic and impactful, the Company identifies partner organizations whose skills and contributions complement our strengths and expertise, and then we carefully measure the impact of our programs and share what we learn with others.*	*While we produce products and provide services to the communities we serve, we recognize that the company has social responsibility in giving back to the communities their constituents need.* *Acting to the request of community and initiatives that the company perceived, the company activities for the year include:* **collaborated with PMAP and Habitat for Humanity the building homes for the victims of typhoon Sendong* **initiated mass wedding for couples belonged to the manpower services and service providers of the company* **participated in the blood-letting activity in partnership with the Philippine Red Cross* **scholarship program to the students belonging to Higaonon tribes*

Anti-corruption programmes and procedures?	*Under the Employee Code of Conduct Article III - Offenses Against Company Interest and Policy, seeks a behaviour that manifests Love for Truth. This includes the practice of such virtues as honesty, concern and loyalty towards our company which should go beyond self-interest. This hopes to instill a true spirit of service with a high sense of responsibility.*	*In order for the company to promote its corporate values to its officers and employees, the human resource department conducts re-orientation seminar for the employees discussing the company's vision, mission and core value, the employee code of conduct and manual on corporate governance. The HRD initiates the seminar on AVID I to VI with topics about Attitude, Values, Insights and Development; virtues talk every Monday during flag ceremony, and monthly talk with religious flavour.* *The company also sponsors employees' who need retreat and recollection for them to have time for renewal and regeneration of spirit, mind and body, looking closely and reflect on their thoughts, feelings, beliefs, and motivations.*
Safeguarding creditors' rights	*The company acknowledges the creditors' rights to transparency or full disclosure of financial and key performance information, compliance to the loan covenants and their rights of possession of the collateral and reorganization and liquidation rights. Their rights shall be protected and shall hold appropriate means of redress for infringement of right. The corporation shall notify beforehand the creditors concerned for matters that may bring changes in the creditors' priority or may have material influence on the possibility of collecting credit.*	*The company discloses information about the credit availed by the company from financing institutions in the quarterly and annual report, seeks clearance from the creditors as required by loan covenants like dividend declaration and notifies the creditors concerning matters as provided for in the covenant.*

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

ABCI believes in the fundamental principle of loving and caring. Corporate Social Responsibility (CSR) is basically part of ABCI's corporate culture by practicing responsibility and accountability. As a socially responsible corporate citizen, ABCI follows these four pillars of CSR:

1. Promotes responsible leadership – *one that exemplifies integrity, values, spirituality and genuine concern of all the company's business partners and stakeholders.*
2. Heralds stewardship*—one that improves the condition of not only the company but also of the community it serves.*
3. Improves industrial peace in the work place– *one that ensures employees decent work environment, and provides customers with quality products and services.*
4. Builds relevance to society – *one that understands the force that is driving the society or the community by being relevant to issues and concerns of general interest.*

There is a report about the company's corporate social responsibility (CSR) activities in SEC Form 17-A (Annual Report); SEC Form 20-IS (Information Statement) and hard-bound Annual Report.

3) Performance-enhancing mechanisms for employee participation.

Quality is important to our business because we value our customers. We strive to provide our customers with products and services which meet and even exceed their expectations.

We are committed to continuous improvement and have established a Quality Circle and Productivity Programs to improve quality:

We have the following systems and procedures in place to support us in our aim of total customer satisfaction, productivity & continuous improvement throughout our business:

1. *Regular Quality Circle Meetings*
2. *Regular gathering and monitoring of customer feedback*
3. *A customer complaints procedure*
4. *Selection and performance monitoring of suppliers against set criteria*
5. *Training and development for our employees*
6. *Regular audit of our internal processes*
7. *Measurable quality objectives which reflect our business aims*
8. *Management reviews of audit results, customer feedback and complaints*

Our internal procedures are reviewed regularly and are held in a Manual which is made available to all employees.

Though the Management has ultimate responsibility for Quality, all employees are empowered through these Quality Circle and Productivity programs mechanism to have a responsibility within their own areas of work so helping to ensure that Quality is embedded within the whole of the company.

(a) What are the company's policy for its employees' safety, health, and welfare?

Occupational safety, health and welfare are top priority at the Company. We will strive to ensure safe working conditions, equipment and work sites. The Company promotes Employee involvement and accountability in identifying, preventing and eliminating hazardous conditions and the risks of Employee injury.

Safety, Health and Welfare in the working environment, product quality and operating efficiency are inseparable.

The Company will ensure continuous improvement in health and safety performance through close cooperation among management, Employees and unions, which will contribute to the health and safety of Employees and the success of the organization.

The Company is committed to:

- *make Employee health and safety a priority in all aspects of management practices;*
- *establish, communicate and enforce, with the Employees' involvement, work site-specific rules and safe work methods;*
- *promote and develop the awareness, leadership and accountability of Employees in health and safety through their involvement in continuous improvement processes;*
- *measure its health and safety performance in accordance with established standards, and communicate the results to the Employees; and*
- *conduct health and safety seminars and audits to confirm that its management practices meet policy objectives, legislation and the principles of sound management.*

(b) Show data relating to health, safety and welfare of its employees.

The following programs were organized and were conducted for employees' health, safety and welfare:
1. Safety Re-Orientation for Construction Workers, Plantation, and Mill Employees
2. Wellness Seminar
3. Basic Training Course for Pollution Control
4. Basic Occupational Safety and Health Seminar
5. Seminar on Pollution Control & Hazardous Waste Management
6. Employees' Re-Orientation Seminar

A health and safety program is also given to each company. The safety manual contains the health and safety elements of the organization, objectives which make it possible for the company to achieve its goal in the protection of its workers at the work place. Each company has its own separate safety manual that corresponds to safety and health needs of the workers.

A Safety and Health Committee is also organized in each project and for the whole company in order to protect every working man against the dangers of injury, sickness or death through safe and healthful working conditions. The committee also assures the conservation of valuable manpower resources and the prevention of loss or damage to lives and properties.

(c) State the company's training and development programmes for its employees. Show the data.

The training and development program implemented by the company and its subsidiaries are identified through the Seminar/ Training Need form, which is accomplished by the department heads and through interview. The trainings and seminars are then classified based on the following criteria: Knowledge, Skills, Behavioral/Attitude and Safety & Health.

DATE	TITLE	CLASSIFICATION	NUMBER OF PARTICIPANTS
January 13, 2015	Insider Trading & Whistle Blowing Policy	Knowledge	**8**
January 26, 2015	Insider Trading & Whistle Blowing Policy	Knowledge	37
January 26, 2015	1st Quarter Employee Re-Orientation Seminar	Knowledge	24
January 29, 2015	1st Aid Training for Butuan Construction Workers	Knowledge, Skills , Safety & Health	15
January 30, 2015	Value Formation for Agency Workers - CDO Based	Attitude	35
February 4, 2015	Insider Trading & Whistle Blowing Policy	Knowledge	**4**
February 20, 2015	Intellicare Orientation - CDO Based	Knowledge	35
February 23, 2015	Intellicare Orientation - Butuan Based	Knowledge	10
March 3, 2015	Intellicare Orientation - Bukidnon Based	Knowledge	38
March 6-7, 2015	1st Quarter Manager's Forum: *"Defining Brown Group of Companies' Enterprise Resource Planning (ERP) System"*	Skills	31
March 10, 2015	Orientation on Philippines Currency Familiarization	Knowledge	19
March 11, 2015	Intellicare Orientation - Manila	Knowledge	**12**
March 12, 2015	Orientaton on PAG-IBIG Employee Housing Loan	Knowledge	27
March 25-27, 2015	Training Workshop on Project Management In the Construction Industry	Knowledge	3
March 26, 2015	2015 Orientation For Manila Based Employees	Knowledge	9
March 26, 2015	Women's Talk	Attitude	29
April 10, 2015	Fire Safety Lecture & Fire Drill Seminar - CDO Based Employees	Safety & Health	28
April 14-15, 2015	Fire Safety Lecture & Fire Drill Seminar - Opol Based Employees	Safety & Health	100
April 14, 2015	Finanacial Wellness Orientation-SUNLIFE	Knowledge	27
April 15, 2015	Financial Wellness Orientation- BENEFICIAL LIFE	Knowledge	27

DATE	TITLE	CLASSIFICATION	NUMBER OF PARTICIPANTS
April 21, 2015	Learning Session on *"Credit & Collection Management Challenges and Solution"*	Knowledge	4
April 29-30, 2015	Fire Safety Lecture & Fire Drill Seminar - Kalabugao Based Employees	Safety & Health	108
May 7, 2015	Learning Session on *"Drug Free, HIV-Aids, TB & Hepa B"*	Knowledge/ Safety & Health	21
May 14, 2015	2nd Quarter Employee Re-Orientation Seminar	Knowledge	24
May 15, 2015	1st Aid Training For Opol Plantation Workers	Knowledge,Skills, Safety & Health	20
May 18, 2015	Training Workshop on Unleashing Your Facilitating Skills	Knowledge	4
May 26, 2015	1st Aid Training For Opol Plantation Workers	Skill/ Safety & Health	24
June 2-4, 2015	Strategic Marketing Seminar	Knowledge	1
June 9, 2015	Value Formation Seminar For Agency Workers- Opol Based	Attitude	58
June 10, 2015	Value Formation Seminar For Agency Workers - Impasug-ong Based	Attitude	65
June 11, 2015	Value Formation Seminar For Agency Workers - Kalabugao Based	Attitude	61
June 17, 2015	Disaster & Risk Preparedness Seminar - Manila Based	Knowledge, Skills/Safety	**12**
June 23-24, 2015	Breast Cancer Awareness Campaign Seminar	Safety & Health	105
June 25, 2015	Seminar on Submersible Pump	Knowledge	9
June 27, 2015	UNDERSTANDING & IMPLEMENTING DO13: *"Occupational Safety and Health in the Construction Industry"* Seminar	Safety & Health	3
June 25, 2015	1st PMAP Learning Session: *"Challenging Traditional Culture to Retain Young Talent"*	Knowledge	3
July 15-16, 2015	Training Workshop on Events Management	Knowledge/ Skills	1
July 22, 2015	MIND Diet Orientation for Manila-Based EE's	Safety & Health	10
July 24, 2015	3rd Quarter Employee Re-orientation	Knowledge	34
July 25, 2015	Competency Based Performance Managment System Seminar Workshop	Knowledge	5
July 29-30, 2015	1st Series of the Construction Management Seminar	Knowledge & Skills	2
August 1, 2015	1st Session for Supervisory & Management Developmental Series : *"What is a Supervisor/ Handling Administrative Case"*	Knowledge & Skills	31
August 6-7, 2015	POTS Malaysia – Philippines Palm Oil Trade Fair And Seminar 2015	Knowledge & Skills	2
August 20, 2015	Health & Wellness Learning Session *"Let,s Talk About Breakfast"* - CDO Based	Knowledge	26
August 26, 2015	Health & Wellness Learning Session *"Let's Talk About Breakfast"* - Impasug-ong Based Employees	Knowledge	20
August 25-26, 2016	Attitude, Values & Insights Development Seminar (AVID I & II)	Attitude	68
September 11, 2015	5th Tax Update Seminar	Knowledge	32
September 12, 2015	2nd Session for Supervisory & Management Developmental Series *"What is a Manager, Role &*	Knowledge & Skills	31
September 18, 2015	Seminar on Basic Road Rules & Regulations	Knowledge, Skills & Safety & Health	42
September 24, 2015	2nd PMAP Learning Session: *"Effective Management of HR Files Using ISO Guidelines"*	Knowledge & Skills	4
October 9, 2015	Seminar Workshop on *"Employee Relations and Labor Standards"*	Knowledge & Skills	6
October 24, 2015	3rd Session for Supervisory & Management Developmental Series: *"Problem Solving & Decision Making"*	Knowledge & Skills	14
November 12, 2015	3rd PMAP Learning Sesison *"Targeted Selection - A Behavioral Approach to Improve Hiring Decisions"*	Knowledge & Skills	1
November 13, 2015	4th Quarter Employee Re-Orientation Seminar	Knowledge	26
November 14, 2015	Values Formation Seminar for Kalabugao Workers	Attitude	75
November 21, 2015	4th Session for Supervisory & Management Developmental Series :*"Basic Risk Management"*	Knowledge & Skills	41
November 23-26, 2015	First Aid Training for Kalabugao Plantation Workers - Emergency Action Plan	Knowledge,Skills & Safety & Health	20

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

BONUS- The bonus of the members of the Board of Directors, the officers and employees of the corporation will be given upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis. Twenty-five (25%) per centum of the entire bonus shall be distributed to the Directors and the balance thereof shall be distributed to the Officers and Employees in such amounts and manner as may be recommended by the Compensation and Remuneration Committee and as may be approved by the Board of Directors.

A performance evaluation is given twice a year, every semester. The allowable increase given to an employee will be based on the Adjectival Rating of the direct supervisor or head. The following are the corresponding allowable increase for each adjectival rating:

Excellent-	*15 %*
Above Average-	*12%*
Average-	*10%*

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Employee Code of Conduct provides the procedures for handling complaints by employees concerning illegal and unethical behavior.

Procedure in Handling Administrative Cases

1. *All administrative cases must be reported formally to the employee's immediate superior*
2. *The immediate superior of the reported employee will review, study and validate the report submitted to him within forty eight (48) hours.*

NOTE: In checking the validity of the report submitted, the 5 Ws (Who, What, Where, When, Why) and 1 H (How) fact finding method is a proven effective guide.

3. *After establishing the validity of the submitted report, the immediate superior must determine whether or not the case merits preventive suspension. If so, the immediate superior must issue the same. Preventive suspension must not exceed 30 working days. However, should the company decide to extend beyond 30 working days because more time is needed for investigation, extension can be made but with pay.*
4. *Immediate superior must issue a Notice to Explain (NTE) to the reported employee stating clearly the charges, purpose, reason and basis of such.*
5. *The employee must receive and submit his response to his immediate superior within the allowable time provided as stated in NTE.*
6. *Upon receipt of the employee's explanation, the immediate superior studies it and makes his recommendation to the department manager either to excuse or impose Disciplinary Action (DA) on the reported employee. The basis of his recommendation must always be in consonance with the Code and the Philippine Labor Laws.*
7. *Where the immediate superior recommends the imposition of the DA and such recommendation is approved by the department manager, the decision will be issued to the reported employee, and explained to him or her.*
8. *Where the immediate superior recommends to excuse the impositions of the DA and the same is approved by the department manager, the employee will receive a copy of the decision.*
9. *In case where the recommendation of the immediate superior is disapproved, the decision of the department manager shall prevail.*
10. *The employee, after receiving the copy of the decision approving the imposition of disciplinary action imposed upon him must review his or her stand about the matter. Should he or she feel aggrieved about the*

decision, he or she may appeal and elevate the matter to the Division head. The Division head may opt to consult the HRD in reviewing the case. The decision of the Division head will be final and executor. However, offenses that will impose dismissal may be appealed to the President.

Reporting of any Illegal or Unethical Behavior

Any Employee who is aware of any illegal or unethical behavior or who believes that an applicable law, rule or regulation or the Code has been violated, must promptly report the matter as follows:

- *To the Chief Compliance Officer of the Company, or*
- *In accordance with the Company's Policy and Procedures for the Submission of Complaints Pertaining to Accounting, Internal Accounting Controls, Auditing and Other Matters (Whistleblower Protection Policy).*

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure (As of December 31, 2015)

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
*PCD Nominee Corp.**	*610,363,879*	*35.22%*	*Various shareholders*
Walter W. Brown	*543,374,699*	*31.36%*	*Direct and Indirect*
Annabelle P. Brown	*325,866,870*	*18.81%*	*Direct and Indirect*
Philippine Realty & Holdings Corp. (PRHC)	*123,715,000*	*7.14%*	*Direct*
TOTAL	***1,603,320,448***	***92.52%***	
** PCD Nominee Corporation has a total shares of 1,198,466,319 or 69.16% of the outstanding capital stock including clients – beneficial owners owning 5% or more as enumerated below:* **The following are the PCD participants with shareholdings of 5% or more:*			
COL Financial Group, Inc.	***297,329,314***	***17.16%***	
Campos, Lanuza & Company, Inc.	***463,601,299***	***26.75%***	
Maybank ATR Kim Eng Securities	***129,893,128***	***7.50%***	
**The following are the clients- beneficial owners owning 5% or more under PCD Nominee Corp.:*			
Walter W. Brown (direct & indirect)	***402,553,188***	***23.23%***	
Annabelle P. Brown (direct & indirect)	***75,115,502***	***4.33%***	
Philippine Realty & Holdings Corp. (PRHC)	***110,433,750***	***6.37%***	
** PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants who hold shares on their behalf or in behalf of their clients. PCD is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines.*			

The following is the shareholdings (direct and indirect) of Senior Management Officers:

Name of Senior Management	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Walter W. Brown	*311,903,537*	*Walter W. Brown and Annabelle P. Brown – 3,821,418*	*31.357%*
		Walter W. Brown (Special Fund) – 797,895	
		North Kitanglad Agri. Corp. – 13,937,344	
		Pine Mountain Properties, Inc. – 54,945,295	
		Bendaña Brown Holdings Corp. – 102,626,710	
		Cogon Corp. – 55,342,500	
Robertino E. Pizarro	*1,060,613*	*Ma. Cristina P. Pizarro – 76,247*	*0.137%*
		Kevin Pizarro – 100,359	

		Kristina Pizarro – 66	
		Ma. Cristina &/or Juan Paolo Pizarro – 100,174	
		Ma. Cristina &/or Jonathan Robert Pizarro– 36,657	
		Marie Danielle Pizarro – 102,284	
		Ma. Isabel Pizarro – 102,284	
		Jonathan Robert Pizarro – 132,031	
		Kristina Pizarro – 132,031	
		Juan Paolo Pizarro – 132,031	
		Ma. Isabel Pizarro – 132,031	
		Kevin Pizarro – 132,031	
		Marie Danielle Pizarro – 132,031	
*Rosa Anna Duavit-Santiago**			
Roel Z. Castro	*1,250*		*0.000%*
TOTAL	**312,965,400**	**232,781,419**	

**Rosa Anna Trinidad D. Santiago resigned as Director/VP Chief Finance Officer/Corporate Information Officer effective August 31, 2015*

2) Does the Annual Report disclose the following:

Key risks	*Yes*
Corporate objectives	*Yes*
Financial performance indicators	*Yes*
Non-financial performance indicators	*Yes*
Dividend policy	*Yes*
Details of whistle-blowing policy	*Yes*
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	*Yes*
Training and/or continuing education programme attended by each director/commissioner	*Yes*
Number of board of directors/commissioners meetings held during the year	*Yes*
Attendance details of each director/commissioner in respect of meetings held	*Yes*
Details of remuneration of the CEO and each member of the board of directors/commissioners	*Yes*

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The Board of Directors with the recommendation of the Governance Committee approved the Whistle-blower Policy that provides guidelines on handling employee as well as third party disclosures or complaints of violation of the corporate governance rules, protection of the whistle-blower from retaliation and ensuring confidentiality and fairness in the handling of a disclosure or complaint.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Constantino Guadalquiver & Co.	*2015 – Php 470,400*	*2015 - None*
	2014 – Php 414,400	*2014 - None*

The external auditor's fee on the independent examination of the parent company's financial statements amounted to Php 470,400 and Php 414,400 for 2015 and 2014, respectively. There was no payment for non-audit engagement covering 2015 and 2014.

ABCI has six (6) and nine (9) subsidiaries for 2015 and 2014, respectively. The audit fees are Php 313,600 for the year 2015 and Php 337,120 for 2014.

All payments of external auditor's fees are inclusive of VAT.

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Aside from submitting the disclosures to the Philippine Stock Exchange through its Online Disclosure System (ODiSy) and to the Securities and Exchange Commission, the company disseminates information through posting to the company's website, printing of annual report (hard copy) and press releases. Starting December 27, 2013, all company disclosures are submitted through PSE EDGE, the new online disclosure system of PSE.

5) Date of release of audited financial report:

The SEC Form 17-A (Annual Report) for the year ended December 31, 2014 which included the audited financial report was received by the Securities and Exchange Commission (SEC) on April 17, 2015 and approved for posting on PSE website on April 17, 2015.

The SEC Form 17-A (Annual Report) for the year ended December 31, 2013 which included the audited financial report was received by the Securities and Exchange Commission (SEC) on April 2, 2014 and approved for posting on PSE website on April 2, 2014.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	*Yes*
Financial statements/reports (current and prior years)	*Yes*
Materials provided in briefings to analysts and media	*Yes*
Shareholding structure	*Yes*
Group corporate structure	*Yes*
Downloadable annual report	*Yes*
Notice of AGM and/or EGM	*Yes*
Company's constitution (company's by-laws, memorandum and articles of association)	*Yes*

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

For the year 2015, there were no analysts briefing conducted and press releases to the media, although we have clarified news articles as requested by the Philippine Stock Exchange and the Securities and Exchange Commission.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Receipt of loan from the family of Dr. Walter W. Brown for ABCI and ABCI's subsidiary, BRC duly supported by promissory notes.	*Contractual Interest*	*Receipt of loan from the family of Dr. Walter W. Brown for ABCI and ABCI's subsidiary, BRC**	*ABCI obtained Php 107,280,000 and ABCI's subsidiary, BRC received Php 22,000,000**.

Receipt of loan from the family of Dr. Walter W. Brown for ABCI duly supported by promissory notes.	*Contractual Interest*	*Receipt of loan from the family of Dr. Walter W. Brown for ABCI*	*ABCI obtained a total of Php 60,000,000 loan in 2014*
Receipt of loan from the family of Dr. Walter W. Brown for ABCI duly supported by promissory notes.	*Contractual Interest*	*Receipt of loan from the family of Dr. Walter W. Brown for ABCI*	*In 2015, ABCI obtained additional Php 12,000,000 loan*

[a] *The company's 100% equity in Brown Resources Corporation (BRC) was sold to Angelus Agri Corp. on January 30, 2015.*

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

When related party transactions are involved, directors who have direct or indirect material interest will inhibit themselves in the approval of the transaction. The two independent directors should be present together with other directors who have no direct or indirect interest to approve the related party transaction. The Audit Committee will review and have prior-approval authority for related party transactions.

The Revised Manual on Corporate Governance provides that one of the duties and responsibilities of the director is to conduct fair business transactions with the Corporation and to ensure that personal interest does not (bias Board decisions) conflict with the interests of the Corporation. The director should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of the director, he should fully and immediately disclose it and should not participate in the decision-making process.

The company, being a parent company, in its course if trade or business, enters into transactions with its subsidiaries consisting of reimbursement of expenses, purchase of other assets, construction and development contracts, management, marketing and service agreements. Sales and purchases of goods and services to and from related parties are made at arms-length transaction.

All related party transactions are disclosed to the public through SEC Form 17-C and SEC Form 17-A as well as in the notes to the financial statements.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	*A quorum for any meeting of stockholders shall consist of a majority of the voting stock of the Corporation, and a majority of such quorum shall decide any question at the meeting save and except in those matters where the Corporation Code of the Philippines requires the affirmative vote of a greater proportion. In the presence of a quorum, the stockholders attending or represented at the time and*

	place at which it may have been adjourned, or any officer entitled to preside at such meeting or to act as Secretary thereof, may adjourn such meeting for any period.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	
Description	

Vote Required: *The vote of stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote is required except in those matters where the Corporation Code of the Philippines requires the affirmative vote of a greater proportion.*

Method of Voting*: Straight and Cumulative Voting*

The procedure to be followed will be in accordance with the By-Laws (Article 1, Section 5) VOTING:
"At every meeting of stockholders, every stockholder with voting privileges shall be entitled to one vote for each share of stock standing in his name on the books of the Company, provided, however, that in case of the election of directors, every stockholder with voting privileges shall be entitled to accumulate his votes in the manner provided by law……."

For motions on other corporate matters that will be submitted for approval and for such other matters as may properly come before the Meeting, a vote of the majority of the shares present or represented by proxy at the meeting is necessary for their approval. Voting shall be done viva voce or by raising of hands and the votes for or against the matter submitted shall be tallied by the Corporate Secretary."

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

The following are the stockholders' rights concerning Annual/Special Stockholders' Meeting:

Stockholders' Rights under The Corporation Code	**Stockholders' Rights not in The Corporation Code**
Right to attend and vote in person or by proxy	
Right to elect and remove directors	
Right to adopt and amend or repeal the by-laws or adopt new by-laws	
Right to approve certain corporate acts	
Right to compel the calling of meetings of stockholders when for any cause there is no person authorized to call a meeting	
Right to be furnished the most recent financial statement and to receive a financial report of corporation's operations	

The company's Revised Manual on Corporate Governance listed the following shareholders' rights: Voting Right, Pre-emptive Right, Power of Inspection, Right to Information, Right to Dividends and Appraisal Right among others.

The Seventh Article of the Amended Articles of Incorporation provided that, "shareholders have no preemptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors as provided for in Section 39 of the Corporation Code of the Philippines.

Dividends

Declaration Date	Record Date	Payment Date
25% Stock Dividend – June 7, 2013	*September 12, 2013*	*On or before October 8, 2013*

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

2. Measures Adopted	**3. Communication Procedure**
4.	5.
6.	7.

To promote stockholders participation in the Annual/Special Stockholders' Meeting, SEC Form 20-IS (Information Statement) was sent out to shareholders of record. During the Annual Stockholders' Meeting, shareholders are given the chance to ask questions to the Executive Chairman and the President as well as the members of the Board of Directors. Should there be any queries outside the stockholders' meeting the Investor Relations Office is welcome to answer. They can email their questions through the "Contact Us" portion of the company's website.

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The corporate governance framework should protect and facilitate the exercise of shareholders' rights. Shareholder should have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorization of additional shares and 3.) extraordinary transactions including the transfer of all or substantially all assets, that in effect result in the sale of the company.

The company's Revised Manual on Corporate Governance provides that:
"It shall be the duty of the Board (directors) to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights as such in accordance with applicable laws.
The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the company. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. Stockholders should be encouraged to personally attend such meetings and they should be apprised ahead of time of their right to appoint a proxy in case they could not personally attend such meeting. The exercise of that right should not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor, subject to the requirements of applicable laws, regulations and the By-laws.

The Board shall be instrumental in removing excessive or unnecessary costs and other administrative or practical impediments to shareholders' participation in meetings and/or voting in person or by proxy. Relevant and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The directors shall pave the *way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints, and subject to the financial capability of the corporation."*

During the May 9, 2014 Annual Stockholders' Meeting, the amendment of the Articles of Incorporation - Increase in Authorized Capital Stock was approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

During the June 7, 2013 Annual Stockholders' Meeting, the amendment of the Articles of Incorporation - Increase in Authorized Capital Stock and the stock dividend declaration were approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. In addition to the amendment of the Articles of Incorporation- Authorized Capital Stock, the shareholders approved the increase in the number of directors from seven to nine and extension of the corporate term during the June 1, 2012 Annual Stockholders' Meeting.

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

   a. Date of sending out notices: *May 28, 2015*
   b. Date of the Annual/Special Stockholders' Meeting: *June 19, 2015*

   Preliminary copies of the information statement – SEC Form 20-IS (Information Statement – Preliminary) shall be filed with the Securities and Exchange Commission (SEC) at least ten (10) business days prior to the date definitive copies shall be first sent or given to security holders.

   Under paragraph (3)(C)(iv) of SRC Rule 20, copies of SEC Form 20-IS (Information Statement- Definitive) shall be given to the security holders at least fifteen (15) business days prior to the meeting date.

   For the June 19, 2015 Annual Stockholders' Meeting, disclosure through SEC Form 17-C (Current Report) on the date of the annual meeting was made on March 19, 2015 through PSE Edge which was approved and posted on PSE website on May 20, 2015. The same was submitted to SEC on May 20, 2015.

   The notice including the agenda and the rationale for each agenda was disclosed through PSE Edge on May 14, 2015 which was approved and posted on PSE website on May 15, 2015. The notice was part of the filing of the SEC Form 20-IS (Information Statement – Preliminary).

   In 2014, the notices were sent out on April 15, 2014 with the date of the annual stockholders' meeting on May 9, 2014.

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   After the President and Vice President – Business Development presented the report on the Corporation's operations and the highlights for the year ended December 31, 2014 during the June 19, 2015 Annual Stockholders' Meeting, the Chairman asked if there are queries that the shareholders wanted to raise. However, no questions were asked.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
16. Approval of the Minutes of the Previous Meeting of Stockholders	17. *Unanimous*	18. *None*	*19. None*
20. President's Report and Presentation of Audited Financial Statements	21. *Unanimous*	22. *None*	*23. None*
Ratification of All Acts of the Board of Directors and Officers	*Unanimous*	*None*	*None*
~~*Increase in Authorized Capital Stock**~~	~~*Unanimous*~~	~~*None*~~	~~*None*~~
Appointment of External Auditor	*Unanimous*	*None*	*None*

**No longer an agendum to the June 19, 2015 Annual Stockholders' Meeting.*

24. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

A disclosure dated June 19, 2015 was submitted to PSE and SEC about the result of the Annual Stockholders' Meeting: re: election of directors, election of two (2) independent directors in accordance with the requirements of the Securities Regulation Code (SRC), the approval of the 2014 Audited Financial Statements and reappointment of the external auditor ~~and the approval of the shareholders on the amendment of the Articles of Incorporation on the increase in Authorized Capital Stock~~. The disclosure also includes the result of its Organizational Meeting re: election of officers of the Corporation and election of directors as members of the different Committees of the Board of Directors.

A disclosure dated May 9, 2014 was submitted to PSE and SEC about the result of the Annual Stockholders' Meeting: re: election of directors, election of two (2) independent directors in accordance with the requirements of the SRC, the approval of the 2013 Audited Financial Statements, reappointment of the external auditor and the approval of the shareholders on the amendment of the Articles of Incorporation on the increase in Authorized Capital Stock.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	*n/a*

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	*Walter W. Brown*	*06/19/15*	*Show of Hands*	*50.237%*	*29.761%*	*80.00%*
	Annabelle P. Brown					
	Robertino E. Pizarro					
	Thomas G. Aquino					
	Rosa Anna Duavit-Santiago					
	Roel Z. Castro					
	Renne P. Subido					
	Jason C. Nalupta					
Special	n/a					

During the June 19, 2015 Annual Stockholders' Meeting, 50.237% were attending in person while 29.761% were attending in proxy for a total percentage of 80.00% of shareholders in attendance. The members of the Board who are not present were: Gerardo Domenico Antonio V. Lanuza, Elpidio M. Paras and Antonio S. Soriano.

During the May 9, 2014 Annual Stockholders' Meeting, 46.844% were attending in person while 32.156% were attending in proxy for a total percentage of 79.00% of shareholders in attendance. The members of the Board who are not present were: Gerardo Domenico Antonio V. Lanuza and Thomas G. Aquino.

Note: The % of SH attending in person and in proxy and the total % are based on the number of shares represented and not on the number of stockholders present.

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The validation of the proxy is conducted by the Corporate Secretary (or his authorized representative) together with management representative while the external auditors act as inspectors.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

At every meeting of stockholders, every stockholder with voting privilege shall be entitled to one vote for each share of stock outstanding in his name on the books of the Company, provided, however, that in the case of the election of Directors, every stockholder with voting privilege shall be entitled to accumulate his votes in the manner provided by law.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	*Every stockholder entitled to vote at any meeting may vote by proxy, provided that the proxy shall have been appointed in writing by the stockholder himself, or by his duly authorized attorney.*
Notary	*The proxy need not be notarized.*
Submission of Proxy	*Proxies shall be submitted to the Corporate Secretary at least two (2) business days prior to the date of the meeting of stockholders or prior to the date set by the Board of Directors for the submission thereof.*
Several Proxies	*Where the same stockholder gives two or more proxies, the latest one given is to be deemed to revoke all former proxies. Thus, when two proxies are offered bearing the same proxy giver, then the proxy that appears from the evidence to have been last executed will be accepted and counted.* *Where the corporation receives more than one (1) proxy from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is considered. That which is presented last will be recognized.*
Validity of Proxy	*Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time. If the proxy provides the duration of its validity, the proxy shall be valid for that*

	period but not to exceed five (5) years from the date of its execution unless revoked or withdrawn by the shareholder through notice in writing delivered to the Corporate Secretary at least two (2) business days before any scheduled meeting but shall not apply in instances where the shareholder personally attend the meeting. *Failure to affix documentary stamps shall not affect the validity of the proxy. The only adverse effect of such failure is that the same cannot be recorded as a public document and cannot be admitted or used as evidence in Court until the required documentary stamp is affixed and cancelled.*
Proxies executed abroad	*Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.*
Invalidated Proxy	*A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she had refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders' meeting and election.*
Validation of Proxy	*All proxies shall be validated on the day prior to the shareholders' meeting at the Corporation's principal office by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11 (b) of the SRC Rule 20 .*
Violation of Proxy	*Any violation of the Rule on Proxy shall be subject to the administrative sanctions provided for under the Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void.*

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	**Procedure**
Notices of the time and place of holding any annual meeting, or any special meeting, of stockholders, shall be given by the Secretary of the Corporation either by posting the same enclosed in a postage envelope addressed to each stockholders on record at his last known address or be delivering the same to him in person, at least fifteen (15) business days prior to the meeting date. The notice of every special meeting shall state briefly the objects of the meeting and no other business shall be transacted at such meeting except by consent	*After obtaining the clearance from the Securities and Exchange Commission (SEC), the SEC Form 20-IS Definitive Information Statement together with its Annexes and the Management Report (Annual Report) is printed and/or reproduced (CD-ROM) by accredited replicator duly authorized by the Optical Media Board (OMB). The compact discs which are enclosed on a CD case with printed notice are then grouped based on the stockholders of record's address with provinces to be mailed through post office; Metro Manila to be*

of all the stockholders with voting privilege. *No notice of any meeting need be published in any newspaper or in any other medium.* *Failure to give or any defect or irregularity in giving the notice of any regular meeting shall not affect nor invalidate any action taken at such meeting.* *If all stockholders with voting privilege shall, in person, or by attorney or proxy appointed in writing, be present at or waive notice of any meeting, either annual or special, no notice of such meeting shall be required and any action taken at such meeting shall be valid and binding.*	*distributed through courier services and those within the vicinity of the liaison office are personally delivered.*

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	*2,125*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	*May 28, 2015*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	*May 28, 2015*
State whether CD format or hard copies were distributed	*The compact disc (CD) format was distributed to the shareholders.*
If yes, indicate whether requesting stockholders were provided hard copies	*The requesting stockholders were provided hard copies of the Definitive Information Statement and Management Report.*

For 2014, there were 2,129 stockholders who are entitled to receive definitive information statements and management report and other materials. April 15, 2014 was the date of actual distribution of definitive information statement and management report held by market participants/certain beneficial owners and by the stockholders.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	*Yes*
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	*Yes*
The auditors to be appointed or re-appointed.	*Yes*
An explanation of the dividend policy, if any dividend is to be declared.	*Yes*
The amount payable for final dividends.	*Yes*
Documents required for proxy vote.	*Yes*

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The SEC Form 20-IS (Information Statement) which includes the Notice of Annual/Special Stockholders' Meeting discussed the above items. There is still an explanation of the dividend policy in the information statement even if there's no dividend to be declared.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The company recognizes that good corporate governance should be visible to its shareholders. The Revised Manual on Corporate Governance includes provisions as guidance of all internal and external parties concerned as governance covenant between the company and its shareholders.

The Manual provides that the Board shall be committed to respect the rights of the shareholders as provided for in the Corporation Code as well as the Articles of Incorporation, By-laws and all resolutions adopted by the Board.

Specific provisions of the Manual about the rights of minority shareholders are as follows:

Policies	Implementation
***Voting Right** – A director shall not be removed without cause if it will deny minority shareholders representation in the Board.*	*Implemented*
***Right to Information** - The minority shareholders shall have reasonable access to information relating to matters for which the management is accountable for, provided that such information shall not include details of corporate strategy, proprietary formulations, or similar matters, which if revealed to competitors would cause the company harm.* *Minority shareholders shall also have the right to request certain items to be placed on the agenda of the shareholders meeting. Such requests shall be addressed to the Chairman who shall agenda the request for the next board meeting. As in the request for information, the Board shall act on the request and if it does not grant the same, it shall inform the shareholder and the SEC of its action.*	*Implemented*

In addition, the company's Revised Manual on Corporate Governance provides that:
"It shall be the duty of the Board (directors) to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights as such in accordance with applicable laws.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the company. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. Stockholders should be encouraged to personally attend such meetings and they should be apprised ahead of time of their right to appoint a proxy in case they could not personally attend such meeting. The exercise of that right should not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor, subject to the requirements of applicable laws, regulations and the By-laws.

The Board shall be instrumental in removing excessive or unnecessary costs and other administrative or practical impediments to shareholders' participation in meetings and/or voting in person or by proxy. Relevant and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints, and subject to the financial capability of the corporation."

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, the minority stockholders have the right to nominate candidates for board of directors.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The reports or disclosures are prepared by the responsible officer of the Department from which the information emanates (e.g. business development, finance, investor relations) and submitted to the SEC and PSE by investor relations office. The information contained is reviewed by executive officers as well as the Corporation's Compliance Officer who is also the Corporate Secretary. Corporate disclosures are submitted to PSE through its Online Disclosure System (ODiSy) by designated Corporate Information Officers. Starting December 27, 2013, all company disclosures are submitted through PSE EDGE, the new online disclosure system of PSE.

All material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, i.e. anything that could potentially affect share price are publicly disclosed within ten (10) minutes from the occurrence of the event as required by PSE and within five (5) calendar days from its occurrence to the SEC. The same shall be posted to the Company's website.

The Audit Committee shall review the interim and annual financial statements, and the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management prior to the filing of the Company's Quarterly Report on SEC Form 17-Q and SEC Form 17-A.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	*The company's investor relations aims to comply with regulations, create a favorable relationship with key financial audiences (retail and institutional investors, analysts, brokerage firms and the financial community) and contribute to building and maintaining the company's image and reputation.* *The investor relations office strives to service shareholders and potential investors by providing information regularly and consistently with essential, correct, sufficient and up-to-date information used to determine the share value. It also accommodates certain basic needs which are information-oriented such as changing of address, transferring shares, receiving dividend payments and finding and/or resolving lost certificates.*

	Foremost, it should help facilitate the acquisition of capital at lower cost, raise stock price to its warranted value and keep an even pace of share flow and volume in the market. This will only be achieved by providing information on the value drivers and their impact on valuation as determined by corporate performance and prospects and measured using investing models. *The investor relations should be involved in creating higher investor awareness and better understanding of the company, building investor loyalty and attract new investors, increasing analyst coverage, bolstering stockholdings by institutions (to buy and hold shares), and fashioning a stronger retail base and broker following.* *The investor relations should provide analysts the numbers in detail and its interpretation; institutional portfolio managers the relevant statistics in comparing companies against their investing criteria and brokers of the company's salable strengths and assurance .*
(2) Principles	*Information is the lifeblood of investor relations. As an integrative communication structure linking stakeholders to the organization as information resource, it takes the form of the factual, numbers-oriented information (quantitative) that analysts and investors need to complete their data buildup, conduct their analyses and make their investment decisions based on formulas or judgment and the qualitative inputs that enable analysts and investors to make those numbers and their recommendations more incisive and meaningful. Adjunct to its commitment of full disclosure is its compliance to laws, rules and regulations.* *The goal of ABCI's investor relations is to provide sufficient, accurate and consistent information to the various players of capital markets in a timely manner proactively seek to give all details required by investors and analysts for them to be able to build a correct picture of the Company's true financial situation and risks and opportunities. The commitment will be evenly fulfilled irrespective of whether the information is positive or negative for the Company.* *Believing that the hallmarks of an effective investor relations program are candor, openness, integrity, equality, accuracy and timeliness, the Management of ABCI is strongly committed to serving the capital markets with transparency and impartiality. The company's President & Executive Chairman and CFO are the main parties dealing with and answering questions from analysts and investors.*
(3) Modes of Communications	*The company has multiple channels that shareholders, other stakeholders and the public in general can access information about the company. Multiple channels include publication of Annual Report; issuance of Press Releases to media firms and posting of disclosures, shareholding structures, quarterly and annual reports as well as*

	information statements on the company's website. Clarifications and additional information asked by journalists from the disclosures are answered through phone call and/or electronic mail. *The principal communication vehicles for the message and information flow utilize the print, verbal, audio-visual and electronic formats.*
(4) Investors Relations Officer	*Investor Relations Officer* *Tel.: (02) 638-6832* *Telefax: (02) 633-3135* *ALLAN ACE R. MAGDALUYO* *Senior Finance Manager* *aarmagdaluyo@abrown.ph* *ATTY. ROSA ANNA DUAVIT-SANTIAGO** *Vice President/ Chief Finance Officer/ Treasurer* *rdsantiago@abrown.ph*

**Rosa Anna Trinidad D.Santiago resigned as Director/VP-Chief Finance Officer/Corporate Information Officer effective August 31, 2015.*

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

After thorough evaluation of the risks and benefits with regard to acquisition of corporate control, extraordinary transactions such as mergers and sale of substantial portions of corporate assets as well as the opportunities for synergy and growth of pursuing these transactions, the Revised Manual on Corporate Governance is explicit that the Board shall be committed to respect, protect and facilitate the exercise of shareholders' rights. Apart from shareholders' right to actively participate in, and to be sufficiently informed on decisions concerning fundamental corporate changes, shareholders have right to dissent and demand payment of the fair value of his shares.

In manner provided for under Section 82 of the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

1.) *In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;*
2.) *In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and*
3.) *In case of merger or consolidation.*

Rules and Procedures in the Exercise of Appraisal Right
The appraisal right may be exercised by any shareholder who shall have voted against the proposed corporate action by making a written demand on ABCI within thirty (30) days after the date on which the vote was taken for payment of the fair market value of his share: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, ABCI shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. The withdrawing stockholder shall submit his shares to the corporation for notation of being a dissenting stockholder within ten (10) days from written demand.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and ABCI cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the *corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by ABCI within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless ABCI has unrestricted retained earnings in its books to cover such payment; Provided, further, That upon payment by ABCI of the agreed or awarded price, the stockholder shall forthwith transfer his shares to ABCI.*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The company shall appoint an independent party duly accredited by SEC if required to provide opinion as to the fairness of the valuation or transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

The following are initiatives taken by the company and its subsidiaries to the communities within the areas where the businesses operate and serve:

Initiative	Beneficiary
1.) Mind Diet (Communal Vegetable Garden)	*ABCI implemented the mind diet program to Opol and Kalabugao Plantation workers by making a Communal Vegetable Garden planted with Eggplant, Beans, Atsal, Carrots, Tomatoe and Pechay. The purpose of this is to provide sustainable supply of organic vegetables for ABERDI Plantation workers and their families.*
2.) Sportsfest (Opol, Kalabugao, ABERDI Mill)	*ABERDI conducted its Sportsfest for Opol Plantation workers on July 25, 2015 at Xavier Sports and Country Club. Kalabugao Plantation workers on November 13-14, 2015 at Kalabugao Basketball Court, Kalabugao, Impasugong, Bukidnon. ABERDI Mill on December 12, 2015 at Impasugong Gymnasium, Impasugong, Bukidnon. The said sportsfest aims to develop a pool of physically fit plantation based workers and to engage workers in company wellness activities. Also to make them feel part of the Brown Group of Companies Family*
3.) Christmas Gift For former Typhoon Sendong Victims -December 2015	*ABCI extended assistance of P800,000 pesos worth of packed ham and queso de bola to more than 2,000 victims of Typhoon Sendong in Barangays Puntod, Macasandig and Indahag, Cagayan de Oro City on December 2015.*
4.) Medical Mission	*AB Bulk Water Co., Inc. (ABWCI) , a subsidiary of ABCI, participated last December 30, 2015, in a one day Medical Dental Mission conducted by LGU-Opol in cooperation with the Rotary Club of Opol. A total of 1,200 indigent families, most of whom were fire victims have availed of the free clinic held at Taboc, Opol, Misamis Oriental.*

5.) *ABCI Scholarship Program – on going since 2011*	*Six (6) college students belonging to the Higaonon tribe from Kalabugao, Impasugong, Bukidnon are recipients of the ABCI Scholarship program. Of the six ABCI Scholars, four of them already graduated namely:* ***1.Brian Sanugan Camahay, 2. Mailyn Sanugan Lisboa, 3. Melanie Sanugan Sujetado, 4. Emegene Quinhayan Sanugan.*** *One of the four who graduated* ***(Brian Sanugan Camahay)*** *is now employed with ABERDI as ComRel Coordinator.* *The remaining two Scholars* ***(Shiela Mae Sanugan Camahay and Liezl Sanugan Salingay)*** *are currently enrolled at Bukidnon State University to graduate this March 2016.* *Another new batch of Scholars this year, four freshmen students as replacement of the four graduates are currently enrolled at Misamis Oriental State College of Agriculture and Technology taking up Bachelor of Science in Agriculture.*
6.) *LET passers*	*Two among the four graduates of ABCI scholars namely:* ***Mailyn Sanugan Lisboa and Melanie Sanugan Sujetado*** *graduated with the degree of Bachelor of Science in Elementary Education at Bukidnon State University last March 2015. Fortunately, they had passed the Licensure Examination for Teachers taken last September 28, 2015.*
7.) *Breast Cancer Awareness Campaign Seminar*	*On June 23-24, 2015, A Breast Cancer Awareness Campaign Seminar (lecture and forum) with risk factor assessment, one-on-one consultation, and breast cancer screening was held at Xavier Estates, Cagayan de Oro City. This is to increase awareness and help resolve issues regarding breast cancer.* *One Hundred Five employees from Brown Group of Companies, Rosevale School, XEHAI and agency workers in SPI and Interserve joined the 2 day seminar campaign and underwent the Physical Breast Cancer Examination with the assistance of the team of nurses and doctors of G2L.* *Gift2Life Inc. (G2L), is a community- and volunteer-based nonprofit, non-stock, healthcare catalytic innovator in knowledge and access to cause-related and chronic disease service processes.*

8.) Blood-Letting Activity	A Blood-Letting Activity was held at Xavier Estates & Salawaga, Opol, Misamis Oriental on Feb. 13 & 20, Oct. 20 & 23, 2015 in partnership with Red Cross, HR organized/facilitated Bloodletting activities at Xavier Estate, Cagayan de Oro City with 48 successful blood donors and 50 successful blood donors at Salawaga, Opol. Participated by its employees, and friends and agency workers of the company. This blood-letting activity is an annual humanitarian activity of A Brown Group of Companies.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors		
Board Committees		
Individual Directors		
CEO/President		

In evaluating the company's Board of Directors' performance, an annual self-assessment is conducted to allow the Board and its members to identify strengths and areas for improvement and helping set goals and manage expectations for better performance.

In making the assessment, the Board will rate each questions covering board functions (30%), board structure (20%), board process (20% and board performance (30%) by answering in a scale of 1 to 5 with the following criteria:

1 – No, I strongly disagree. This is not a practice.
2 – No, but this is practiced once in a while/ there are efforts to do so.
3 – Undecided. Mechanisms are in place but it is not executed satisfactorily or consistently.
4 – Yes, I agree but there is some room for improvement.
5 – Yes, I strongly agree.

The Audit Committee is evaluated using its charter. Other Board Committees will be assessed also using the provisions of each Board Committee charters.

The Executive Chairman and the President's performance are evaluated informally at this time. The Company will adopt the formal structure in the future.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions

The Compliance Officer shall establish an evaluation system to determine and measure compliance with the Revised Manual on Corporate Governance. Any violation thereof shall be subject the responsible officer or employee to the penalty provided under Part 9 of the Manual.

"9 – PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

9.1 To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective director, officers and staff in case of violation of any of the provision of this Manual:

- *In case of **first violation**, the subject person shall be reprimanded.*
- *Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.*
- *For **third violation**, the maximum penalty of removal from office shall be imposed.*

*9.2 The commission of a **third violation** of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.*

9.3 The Compliance Officer shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the penalty for such violation, for further review and approval of the Board."

In addition, the Employee Code of Conduct provides the sanctions for violations or offenses committed against person; against property; against company interest and policy; against safety, health, security and public order; against decency, good custom, honor and morality; against administration; against authority (insubordination) after due process and following the procedure in handling administrative cases.

Type of Offense	*Level of Offence*	*Disciplinary Action*
A	*1st*	*Written Warning*
	2nd	*Stern Written Reprimand with Warning for Suspension*
	3rd	*2 Working Day Suspension*
	4th	*4 Working Day Suspension*
	5th	*6 Working Day Suspension*
	6th	*15 Working Day Suspension with Warning for Dismissal*
	7th	*Dismissal*
B	*1st*	*Stern Written Reprimand with Warning for Suspension*
	2nd	*4 Working Day Suspension*
	3rd	*6 Working Day Suspension*
	4th	*15 Working Day Suspension with Warning for Dismissal*
	5th	*Dismissal*
C	*1st*	*6 Working Day Suspension*
	2nd	*15 Working Day Suspension with Warning for Dismissal*
	3rd	*Dismissal*
D	*1st*	*30 Working Day Suspension with Warning for Dismissal*
	2nd	*Dismissal*
E	*1st*	*Dismissal (included in type E offenses are those covered by law as just causes for termination of employment)*

The aforesaid penalties, after being served in whatever level of offenses, shall be stricken out from company records based on following periods:

Type A Offenses – One (1) year after serving of penalty
Type B Offenses - Two (2) years after serving of penalty
Type C Offenses – Three (3) years after serving of penalty
Type D Offenses – Four (4) years after serving of penalty

Despite the schedule of penalties, penalty of dismissal may be commuted by the President to suspension of 30 days depending on the mitigating circumstances present in each case.

In case the penalty for a Type E offense is commuted to suspension, record of offense will be stricken out of the company's records four (4) years after serving the penalty.