3	1	1	6	8

SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

AIRPORT ROAD UPTOWN

CAGAYAN DE ORO CITY

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

Allan Ace R. Magdaluyo	02-6386832
Contact Person	Company Telephone Number

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

Secondary License Type, if applicable

C G F D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

2,104 (December 31, 2017)	₱1,437,199,036 (December 31, 2017)	- 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, 2017**

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 :

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	**2,477,667,911 Shares and Php 2,012,976,185**

11. Are any or all of these securities listed on the Stock Exchange
Yes [✓] 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 [✓] No [ ]

(b) Has been subject to such filling requirements for the past 90 days.
Yes [✓] No [ ]

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

The aggregate market value of voting stock held by non-affiliates representing 1,107,113,662 of the outstanding common shares is ₱1,107,113,662.00 computed based on the close price as at Dec. 29, 2017 of P1.00 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

- i) List of Suppliers – Exhibit I (page 80-81)
- ii) List of Properties – Exhibit IIa, IIb & IIc (page 82-85)
- iii) List of Top 20 Stockholders of Record as of December 31, 2017 – Exhibit III (page 86)
- iv) Financial Soundness Indicators – Exhibit IV (page 87)
- v) SEC Form 17-C Report – Exhibit V (page 88)
- vi.) 2017 Audited Parent Financial Statements - Exhibit VI
- vii) 2017 Audited Consolidated Financial Statements of A Brown Co., Inc. - Exhibit VII with Statement of Management Responsibility and Supplementary Schedules
- viii) Schedule of Retained Earnings Available for Dividend - Exhibit VIII

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.

Investment in Power Companies

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) representing 95% and 100% shareholdings, respectively, at par value. On 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 that constructed and operated a 1x135MW coal-fired power plant project in Concepcion, Iloilo.

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 ventured 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 was reduced to 6.24%. At the end of 2017, the Parent company holds 3.41% after disposal of shares on various dates.

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 and Suyoc mine in Mankayan, 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 (ACS) to Three Billion (₱ 3,000,000,000). This proposal to increase ACS to 3 Billion was superseded with the approval of the increase in ACS as approved by the Board on May 19, 2016 and August 8, 2016.

On May 19, 2016, the Board of Directors initially approved the amendment of the Corporation's Articles of Incorporation to increase its authorized capital stock (ACS) from the current Two Billion Pesos (P2,000,000,000.00) divided into Two Billion (2,000,000,000) Common Shares to up to Four Billion Pesos (P4,000,000,000.00) divided into Five Billion (4,000,000,000) Common Shares. On August 8, 2016, the BOD's earlier approved amendment was further amended to increase It was later on amended on August 8, 2016 to increase its authorized capital stock (ACS) from the current Two Billion Pesos (P2,000,000,000.00) divided into Two Billion (2,000,000,000) Common Shares to up to Five Billion Pesos (P5,000,000,000.00) divided into Five Billion (5,000,000,000) Common Shares.

The increase in the Corporation's authorized capital stock, however, will be implemented in two tranches, as follows:

a.) First, an increase by One Billion Three Hundred Million Pesos (P1,300,000,000.00), divided into One Billion Three Hundred Million (1,300,000,000) Common Shares will be immediately implemented, and out of said increase, the Twenty Percent (20%) stock dividend declared on May 19, 2016 will be issued. This was approved by the Securities and Exchange Commission (SEC) on January 11, 2017.

b.) Second, an increase of up to One Billion Seven Hundred Million Pesos (P1,700,000,000.00), divided into One Billion Seven Hundred Million (1,700,000,000) Common Shares, to be issued, together with the remaining authorized but unissued capital stock of the Corporation in a capital raising exercise that may be undertaken by the Corporation subsequent to the issuance and listing of the 20% stock dividend declaration.

The August 8, 2016 BOD's proposed amendments in the Articles of Incorporation were approved by stockholders representing at least 2/3 of the outstanding capital stock during the Annual Stockholders' Meeting on September 28, 2016.

The application on the first tranche of the increase in authorized capital stock was submitted to the Securities and Exchange Commission on December 29, 2016 and subsequently approved the amendment on January 11, 2017, to wit:

> "Amendment to paragraph 7: "That the amount of capital stock of this Corporation is Three Billion Three Hundred Million Pesos (P 3,300,000,000.00), Philippine Currency and the said capital stock is divided into Three Billion Three Hundred Million (3,300,000,000) shares with a par value of One Peso (P1.00) each, provided that, stockholders shall have no preemptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors."

The documents required on the application to the increase in authorized capital stock for the second tranche were not yet submitted to the SEC as of April 5, 2018.

On March 8, 2017 the Parent Company distributed 20% stock dividend totalling 346,572,301 shares, net of fractional shares, of the Parent Company's outstanding shares to the stockholders of record as at February 10, 2017.

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 – *Basis of Preparation - 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 54 employees as of December 31, 2017.

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) Kalabugao, Impasugong, Bukidnon –DENR survey of plantation perimeter map done. The issue on the Free Prior Informed Consent (FPIC)-Certification Precondition (CP) with the National Commission on Indigenous Peoples (NCIP) is yet to be resolved. The Environmental Compliance Certificate (ECC) has been issued by DENR-Environment Management Bureau in 2007.

- Kapunungan sa mga Mag-uuma sa Barangay Tingalan (KMBT) in Tingalan, Opol, Bukidnon – The CP-FPIC has been approved and issued by the NCIP in 2013 that covers two other big tribal groups – the Dulanga Unified Tribal Council and the Unified Higaonon Tribal Council of Bagocboc. However, the issuance of the ECC was still pending in the EMB- DENR.

- 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 as well as the ECC.

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 2017 was 14,866.452 MT, with 12% decline compared to 16,865.53 MT in 2016 due to effect of El Niño. A total of 2,752.47 MT of Crude Palm Oil (CPO) was recovered at an oil extraction rate (OER) of 18.51% in 2017. This extraction rate is at par with 2016 being at 18.58%. Total kernels produced for the year was 145.63MT. Last year this was about 369.54 MT. Sales were as follows:

Product	Sales (MT)
Crude Palm Oil	982.69
Palm Kernel	145.06
Palm Acid Oil	282.85
Refined Bleached Deodorized Oil	105.06
Palm Fatty Acid Distillate	140.22
Palm Olein	265.60
Palm Stearin	181.37

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 April 5, 2018, 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 which expired 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 2016 increased from previous year's net loss of ₱33 million to ₱26 million. The sales of crude palm oil decreased by 5% from ₱30.1 million in 2015 to ₱29 million this year due to its utilization as a raw material of Palm Olein and Palm Stearin. The quantity sold declined by 63% from a volume 2,601.23 MT in 2016 to 981.35 in 2017 but the average selling price per MT slightly increased by 7.05% from ₱27,595.87 per MT last year to ₱29,672.33 per MT this year. Sales from kernels declined to

53.25% or and have a higher average price of ₱14,285.71 per MT as compared to the ₱11,387.80 per MT from previous year. The quantity sold fell by 42.45% or 196.68 MT less than that of last year. Sales variance for palm kernel is ₱1.8 million or 47% unfavorable. Sales of PFAD increased by ₱52 thousand from last year. Sales from palm acid oil is 282.52 MT compared from last year of 307.32 MT. Sales Volume variance is ₱35 thousand or .001% unfavorable. The price this year is 12% higher than that of last year. Decrease in the sale of the by-products Palm Acid Oil and Palm Fatty Acid Distillate is due to the more efficient production process giving a better yield to main products Palm Olein and Palm Stearin. Sales of Palm Olein in 2017 is 62% less than that in 2016. Sale of Palm Stearin also decreased by 70% from that of 2016. Cost of sales decreased by 53% from last year's ₱82 million to ₱50 million this year. Operating expenses decreased by ₱8.5 million or 17% due to decreased materials and supplies and repairs needed at mill site. The net loss before income tax amounted to ₱31.1 million in 2016 increased to a net loss of ₱25 million this year due to decrease in operating expenses. Low production for year 2017 was caused by low supply of FFB due to El Nino.

Total assets increased by 3.01% or ₱32 million from ₱1.046 billion in 2016 to ₱1.077 billion in 2017. Receivables (net) were recorded at ₱11.4 million in 2016, it increased by ₱300 thousand in 2017 since the sales of all main products are more on cash basis. Inventories increased by ₱38 Million this year. Total liabilities grew from ₱702.2 million in 2015 to ₱760 million in 2016.

SIMPLE HOMES DEVELOPMENT INC. 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 on 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 April 5, 2018, the Company has not yet started its commercial operations and has no employee as of December 31, 2017.

The company incurred a net loss of ₱174,136 this year and ₱239,565 last year. Total Assets remains to be at ₱9.7 million same as last year. Total liability slightly increased by ₱175 thousand this year against last year.

NAKEEN CORPORATION is 100% owned by ABERDI

Nakeen Corporation (the "Company") was incorporated on February 26, 1997 under SEC registration no. A199703509. Its primary purpose, 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 markets. The Company is also engaged in selling palm seedlings and bunch.

The Company's registered office address and principal place of business is Lonucan, Manolo Fortich, Bukidnon. Its commercial operations started 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.

On August 30, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Company and ABERDI's Articles and Plan of Merger which was approved by their Board of Directors (BOD), in their meeting on March 6, 2012.

However, on July 31, 2012, before the SEC approved the Company's Articles and Plan of Merger which was filed on July 12, 2012, the BOD and the Stockholders of the Company approved and ratified the subscription by ABERDI to the 750,000 unsubscribed shares of the Company at ₱1 per share with ₱50 million as Additional paid-in capital. The BOD and the Stockholders of the Company also approved the filing with SEC of the amended Articles and Plan of Merger reflecting the new capital structure of the Company and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval.

On February 19, 2013, the BOD of Nakeen approved the filing of the amended Articles and Plan of Merger using the 2012 audited financial statements. The amended articles and plan was filed to the SEC on July 24, 2013 to amend certain provision on the Articles and Plan of Merger. 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 April 5, 2018, the motion for reconsideration is still pending before the SEC.

As of December 31, 2017, it has no employee since all its existing personnel were transferred to ABERDI in anticipation of the merger.

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 trees (net of mortality) were planted as of December 31, 2017.

As of December 2017, there was no increase of land rights in Kalabugao, Bukidnon.

The following are the status of the four plantation areas:

As of December 31, 2017

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%	0%
Phase II				28,964	100%	0%
Phase III				15,899	100%;70%;0%	0%;30%;100%
Phase IV				22,318	20%;0%	80%;100%
Phase V				10,652	20%	80%
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					100%	0%
Phase I c					100%	0%
Phase II a					100%	0%
Phase II b					100%	0%
Phase III a					100%	0%
Phase III b					80%	20%
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.*
texture (rocky with limestone outcropings).

As of December 31, 2016

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%	0%
Phase II				28,964	100%	0%
Phase III				15,899	100%;70%;0%	0%;30%;100%
Phase IV				22,318	20%;0%	80%;100%
Phase V				10,652	20%	80%
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					100%	0%
Phase I c					100%	0%
Phase II a					100%	0%
Phase II b					100%	0%
Phase III a					100%	0%
Phase III b					80%	20%
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.*
texture (rocky with limestone outcropings).

Total Assets increased by .53% from ₱251.71 to 253M. Leasehold rights decreased by 4.41% being at ₱24.96 in 2016 and at ₱23.9M in 2017. Direct costs incurred in 2017 amounts to ₱552 thousand as compared to ₱928 thousand in 2016. Operating income before tax this year is down by 53% compared to last year due to the income contribution from the gain on sale of the transportation equipment in 2016 ending the operating income before tax at ₱551 thousand compared to ₱1.2M in 2016. The same factor contributed to the 90% decrease in the net income for the year at ₱6 thousand compared to ₱690 thousand in 2016.

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 April 5, 2018. Its principal place of business is in Manolo Fortich, Bukidnon and has no employee as of December 31, 2017.

Its operating loss increased to P 223,853 from previous year's ₱188,438 due to higher share of the parent company on the compensation incurred for its management personnel for the administrative functions and supervisions extended to the company.

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 registered address is at 3301-A West Tower, PSE Centre, Ortigas Center, Pasig City. The Company has not started its commercial operations as of April 5, 2018 and has no employee as of December 31, 2017.

The company incurred a net loss of ₱16,097 compared to net income last year of ₱306,855. The variance of ₱290,758 significantly attributed to the discount on loans receivable which fully amortized on January 2017. The total assets remains to be at ₱6.9 million same as last year.

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. The company's principal office address is at 3301-A West Tower, PSE Tektite Towers, Exchange Road, Ortigas Center, Pasig City. 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.

Palm Thermal is the corporate vehicle for ABCI's entry in the power generation business. After the acquisition of PCPC by PTCHC, it entered into various agreements with other investors. PCPC and PCLHC had merged with PCPC as the surviving entity. As of December 31, 2017, the company has no employees.

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 ₱0.463 million and ₱1.261 million for 2017 and 2016, respectively. Decrease in net loss of ₱0.798 million was due to the net effect of amortization of non-interest bearing loan which ended in January 2017 and derecognition of income tax benefit arising from NOLCO. This year the company has deferred income tax expense due to expired NOLCO of ₱0.3 million compared to ₱0.7 million last year. The operating expenses fell by 64% or ₱359 thousand from last year's ₱565 thousand versus this year's ₱206 thousand due to decrease in professional fee expense and amortization of discount on loans payable. As of the end of 2017, the Total Assets of PTCHC remains at ₱ 927 million inclusive of the ₱921 million investment in associates. The deposits for future subscription increase by 0.98% or ₱8.1 million this year.

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 with PCPC as the operating company to construct and operate a 1x135MW coal-fired power plant project in Concepcion, Iloilo. This project is a base-load plant that used Circulating Fluidized Bed Combustion (CFBC) technology. The first unit of this PCPC's base load plant was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power to the growing businesses and economic development in Panay, Negros, Cebu and even Leyte. While only 135 megawatts is on a firm basis, the plant site and support units are programmed for 2 units. PCPC started construction in 2013 and was able to complete the project after 37 months and 22 days. PCPC started its commercial operations on August 16, 2016 and is now delivering power supply to Panay, Negros, and the rest of Visayas. Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers.

For the second unit, requirements for the Environment Compliance Certificate (ECC) has been completed and was already submitted to the Department of Environment and Natural Resources (DENR).

After series of agreements were signed by new investors, 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 16.3 MW 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 is part of ABCI's plans to provide much-needed additional power capacities for the local electric cooperatives to 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).

Along with the Hydropower Service Contract (HSC), the project has been granted its corresponding Certificate of Registration. After the Feasibility Study was completed, the project has been presented to the DOE as part of the process in its evaluation on granting the Certificate of Commerciality (COC).

The application for Water Permit has also been filed. In the application for water permit, NWRB requires developer the submission of "River System Ecological Study and Sustainability Plan." This additional requirement of NWRB will be included during the conduct of the environmental study.

Likewise, procurement for other permitting and approvals shall follow which include: Environmental Study, Endorsement from NCIP for Free, Prior and Inform Consent (FPIC), Endorsement and Resolution of Support from LGUs, and Public Consultation. The acquisition of the above approvals is part of the requirement of DOE in order for the Project to advance to the next phase of project implementation which is the development/commercial stage. Afterwards, the project is ready for construction.

The company has three (3) employees as of December 31, 2017 and has not started its commercial operations as of April 5, 2018.

In 2017 and 2016, management reviewed and assessed that it is no longer probable that sufficient taxable profit will be available to allow all or part of the NOLCO to be utilized prior to its expiration. Consequently, the income tax effect of NOLCO amounting to ₱1.28 million and ₱1.93 million was not recognized in 2017 and 2016, respectively. Derecognition of income tax benefit arising from NOLCO resulted to a Net Loss of ₱4.3 million in 2017 and ₱6.4 million in 2016. Total Assets increased by ₱1.9 million from ₱19.7 million in 2016 to ₱21.6 million in 2017 significantly due to increase in PPE.

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.

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

Peakpower SOCCSARGEN, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI) and Peakpower Bukidnon, Inc.

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.

ABCI sold its 100% equity interest in PBI to PEI on October 16, 2015 which ABCI has 20% equity.

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.

Peakpower Soccsargen Inc. (PSI) is a 34.8MW Diesel/Bunker-Fired Power Plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (Socoteco 2). Socoteco 2 is the largest distribution utility in Mindanao and its franchise area includes General Santos City, the municipalities of Glan, Malapatan, Alabel, Malungon, Kiamba, Maasim and Maitum in Saranggani and the municipalities of Polomolok and Tupi in South Cotabato. The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (COC) for PSI's first 20.9MW capacity on December 1, 2014 in which the commercial operations started on January 27, 2015.

Meanwhile, the 13.9MW Power Plant expansion declared commercial operations last September 12, 2017. ERC granted the COC of the expansion on February 20, 2018.

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.

Peakpower San Francisco Inc. (PSFI) is a 10.4MW Diesel/Bunker-Fired Power Plant located in San Francisco, Agusan del Sur. It has a 15-year BOMT agreement with the Agusan del Sur Electric Cooperative Inc. (Aselco). Aselco's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City. San Francisco serves as the primary commercial and service center in the province of Agusan del Sur, being situated at the crossroads leading to other production centers in the region. The commercial operations of the first 5.2MW capacity started on March 1, 2015.

Meanwhile, the 5.2MW Power Plant expansion was granted its Provisional Certificate of Compliance on September 27, 2017. The expansion started commercial operations on January 26, 2018.

PEAKPOWER BUKIDNON, INC. (PBI) - 100% owned by 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 Purok 3, Alae, Manolo Fortich, Bukidnon.

Peakpower Bukidnon Inc. (PBI) is a 10.4MW Diesel/Bunker-Fired Power Plant located in Barangay Alae, Manolo Fortich, Bukidnon. It has a 15-year BOMT agreement with the Bukidnon Second Electric Cooperative Inc. (Buseco). Buseco’s franchise area includes the municipalities of Libona, Manolo Fortich, Sumilao, Baungon, Malitbog, Talakag, Impasug-ong, Malaybalay, Lantapan and Cabanglasan, all in the Province of Bukidnon. The highlands of Bukidnon is considered to be the food basket of the Philippines and is home to more than a few food processing industries.

PBI’s construction is nearing completion and is expected to be on commercial operations by end of March 2018. The Provisional Certificate of Compliance was given by the ERC on November 21, 2017.

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 or to engage in business activities related to water development.

ABWCI is currently 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 million liters per day (MLD) of potable water, with potential expansion up to 25 MLD, 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.

The detailed engineering design of the Project has been completed confirming the technical viability of the project as defined during the pre-feasibility study. The Water Permit has already been granted by the National Water Resources Board (NWRB) in which the board approved the applied quantity required for the project. Likewise, the Environmental Compliance Certificate (ECC) has been secured from the Department of Environment and Natural Resources (DENR). The Watershed Management Study was also completed with the involvement of different LGU sectors and stakeholders. The project was submitted to the local government of Opol for their evaluation and consideration. Groundbreaking ceremony was held in April 2016.

The company’s total asset of ₱18 million this year and ₱14.7 million last year consists of construction in progress amounting to ₱17.2 million and ₱14.7 million as of December 31, 2017 and 2016, respectively. It pertains to costs incurred by the Company related to development of its facilities such as the cost for the design of water treatment plant and transmission, permits and registration fees, professional fees and other costs. The Company has no construction in progress that is pledged as collateral for any of the company's debts.

BLAZE CAPITAL LIMITED – 100% owned by ABCI

Blaze Capital Limited is a British Virgin Islands company, incorporated and registered on August 8, 2011. It was acquired by ABCI on May 22, 2017. Blaze Capital Limited has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project.

The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.), has submitted an unsolicited proposal to the Philippine National Railways to finance, build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in the City of Manila.

On July 12, 2017, Megawide Construction Corp. was given the option to participate in the PNR East West Railway Project as an additional consortium member subject to the provisions of the BOT Law and its implementing Rules and Regulations.

Currently, the project is under evaluation by the National Economic and Development Authority (NEDA) and the Public-Private Partnership Center (PPP Center).

APEX MINING COMPANY, INC.(APEX) – 3.41% owned by ABCI

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

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 expanded the mining business of the corporation by 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 includes a 30 percent participating 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 other countries like Myanmar, Mongolia, Uganda and Sierra Leone.

Apex Maco mine in Compostela Valley continues to improve on its operation throughput. It successfully hurdled the recent audit by the Department of Environment and Natural Resources (DENR) and has been allowed to continue with its operation. The mine has likewise obtained its ISO 14001:2015 international certification on environment system which reaffirms its compliance with pertinent environmental laws and regulation. Apex also owned Itogon-Suyoc Resources, Inc. which has mining claims and owns the mill and production facilities in Sangilo, Itogon, Benguet and Suyoc mine in Mankayan, 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 palm oil milling, power generation, investment in gold mining assets and real estate brokerage.

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 the year 2017, there were 19 lots sold with 90% increase compared to 10 lots in 2016.

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 74 lots and 4 house and lot packages sold in 2017 compared to 46 house & lot sold in 2016.

Ventura Lanes is located beside Phase V-A Ventura Residences which also situated inside the Xavier Estate. It offers lot cuts at 250 while lots in Cluster B & C have lots cut at 110sq.m. A total of 10 lots were sold both in 2017 and 2016.

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 three (3) house and lot sold for the year and 8 house and lot last 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 5 lots were sold and 2017 and 33 lots in 2016.

Valencia Estates is located in Barangay Lumbo, Valencia City, Bukidnon officially launched on October 2008. It is a 11.72 hectares project with an estimated 368 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 17 lots and 16 lots sold in 2017 and 2016, respectively.

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 1.67-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. One (1) lot was booked in 2017 and 35 lots in 2016.

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. Cluster A has 42 saleable lots with an area of 2.5 hectares while Cluster B has 40 saleable lots with an area of 2.9 hectares. There were 6 lots sold this year and 12 lots sold last 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. There were 41 lots sold this year compared to 84 lots sold last year.

Mountain View Homes. This project has a development area of 2.32 hectares with 217 saleable house and lots. Project development is 100% accomplished including the amenities. **Mountain View Homes Phase 2** is a new venture into the socialized and economic housing. Located in Mid-Balulang, Cagayan de Oro City. It 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 75-143 sq.m. and floor area of 36-38 sq.m. A total of 52 house and lot were booked as sale in 2017 and 132 house and lot in 2016.

Adelaida Park Residences located beside Mountain View Homes is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-60.5 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood free with an elevation of 157 feet above river bank. A total of 47 house and lot were booked as sale in 2017 compared to 17 house and lot in 2016.

Foreign Sales not applicable

Product Lines:

Net Sales	59.39%
Gain on Sale of Investment & Property	28.63%
Equity in Net Gain of an Associate	9.91%
Financial Income	0.69%
Rental Income	0.23%
Others	1.16%

The Company has seven categories for products and services. The ***first*** category covers real estate activities, sale of palm olein, palm stearin, refined bleached deodorized oil, palm acid oil, palm fatty acid distillate and crude palm oil processed from the mill plant of ABERDI, water services, aggregates, crop, and kernels. The revenue from this category is known as net sales and accounts for about 59.39% of revenues. The ***second*** covers the gain on sale of available-for-sale investments, property and equipment. The ***third*** category covers equity in net gain of an associate. The ***fourth*** category covers interest income for in-house financed lot sales and discount on loans payable. The ***fifth*** category is leasing activities of investment properties. The ***sixth*** category derived from service fees, penalties on late payments, income from forfeited lots, retitling fees, sale of scrap oil and diesel, water tapping fees, lot staking and driving range fees.

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 accredited realty companies: Chee Realty and Development Corporation, CDO Brokers and Associates, JCA Realty, Gambe Realty, Leuterio Realty and Brokerage, Truly Wealthy Realty Corporation and Power Properties. In Butuan, these aforementioned realties are joined by BCP Realty. and JCA Westlands. The eight (8) major realty brokerage firms also handle and take charge other affiliate realties focused in selling ABCI projects. They do the 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 homeowner's association. The ABCI also handles the advertising and promotions of all real estate projects. Airport and downtown billboards including road signages are placed in well-targeted areas. Outright incentives and 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 transaction 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. Email, cellphone texting, Search Engine Optimization (SEO), Facebook, etc), it is able to provide its clientele and brokers the best available information. Moreover, marketing activities include mall exhibits and roadshow in other areas in Mindanao. Regular weekend activities are now conducted in partnership with accredited banks. Product Knowledge Seminars were regularly conducted to new brokers and agents. A Brown Academy powered by Arc Docendi was introduced to enable accredited realties to renew mindsets, organize their business strategies, adapt to market shifts and develop loyalty to ABCI to ensure increased sales performance. Series of training were introduced to sellers and network leaders.

Annually, sales performance of accredited realties and brokers are recognized in a Sales Conference. 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. Quarterly Awards was instituted to acknowledge and reward the Top Broker and the Top Realty for the Quarter. 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, Cotabato City, Agusan del Sur, Sultan Kudarat, and North Cotabato while the buyers for the crude palm oil (CPO) are from Cagayan de Oro City, Surigao de Norte, Iligan City and Butuan City.

The buyers for palm oil kernel/nuts are from Davao City, General Santos City, Manila and Candelaria, Quezon while for the Palm Acid Oil, the export buyers are from Makati City and General Santos City. The buyers for Palm Olein are from Bukidnon, Misamis Oriental, Surigao del Norte, Ozamis City, Cagayan de Oro City, General Santos City and Quezon province. Palm Stearin buyers are from Manila and Malabon City.

New Products or Services

West Highlands Phase 2 introducing Fairway and Inner Fairway Lots was launched. West Highlands Phase 2 is a community located beside holes Number 5, 6, 7, and 8 of the West Highlands Golf Club. Lot cuts range from 350 sq.m to 717 sq.m. for fairway lots; while inner fairway lots range from 219 sq.m. to 344 sq.m.. West Highlands is located 3 kilometers from downtown Butuan, and is perched on a flood-free location with an elevation of 289 feet above sea level. This is a guarded gated community; nature-themed and with well-developed infrastructure facilities.

Competition

Among several real estate business developments in Cagayan de Oro City, Camella Homes and Johndorf Ventures Inc. are competitors offering same product and pricing packages as that of Adelaida Park Residences under the economic housing category. Ayala Land's Alegria Hills claim to be a competitor of Teakwood Hills' magnificent and endless view. For the project in Valencia City, Mountain Breeze is the project in the same category. For Butuan City, other players are the developers of Camella, Filinvest and VCDU projects. Ayala Land, Johndorf Ventures Inc., and Camella are competitors in the socialized housing. For the lot only market in Cagayan de Oro, competitor is Pueblo de Oro Development Corporation (mixed use development).

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 and house and lot packages for a well-planned project focused on family oriented and nature-themes environment. The key is security, 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 pricing schemes and the concept of a well-planned integrated community.

For the Oil Palm Mill, 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), Univanich Palm Oil Inc.(Carmen, North Cotabato) and Palm Asia Milling Corp. (Matanao, Davao del Sur).

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 80-81.

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 Malaysia.

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. Adelaida Park Residences' buyers are local professionals and businessmen.

Buyers for the crude palm oil (CPO) are from Quezon Province, Manila, Bukidnon, Cagayan de Oro City, Surigao de Norte, Iligan City and Butuan City. The buyers for palm oil kernel/nuts are from Davao City, General Santos City, Manila and Candelaria, Quezon while for the Palm Acid Oil, the export buyers are from Makati City and General Santos City. The buyers for Palm Olein are from Bukidnon, Misamis Oriental, Surigao del Norte, Ozamis City, Cagayan de Oro City, General Santos City and Quezon province. Palm Stearin buyers are from Manila and Malabon 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 18 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 (ECC) No. 10(43)00-01-31-1502-50110 which was released on January 31, 2000 consolidating the four phases (I, II, III, IV) of the project. The said certificate supersedes the ECCs previously issued to Phases I, II and III. Xavier Estates Block 62 and 63 belong to Phase 1 of XE project which has an alteration permit no. 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. It supersedes ECC No. 10(43)00 01-31-1502-50110. 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 ECCs 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. The LTS for West Highland Phase 2A is 031773. 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. Mt. View Homes 2 has License to Sell No. 031712 for its economic housing and License to Sell No. 031713 for its socialized housing. Adelaida Park Residences has License to Sell No. 031714.

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.

ABERDI received its License to Operate as Food Manufacturer with LTO NO. CFRR-RX-FM-1195 from Food and Drug Administration on July 1, 2016. In addition, the company also received the HALAL registration certificate for the Refined Palm Oil Products on April 29, 2016 with IDCP-NO. 2016-F-828,

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.

The Energy Regulatory Commission issued to PCPC a Provisional Authority to Operate on July 14, 2016 for its 135 MW Circulating Fluidized Bed Coal-Fired Power Plant. Moreover, the Department of Labor & Employment (DOLE) issued to PCPC Permit to Operate for its various power plant equipment in August 2016. Hence, on August 16, 2016, the said plant started its commercial operations. Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements.

To date, PCPC has renewed its permits as required by various government agencies and is continuously fulfilling its purpose by serving the needs of its customers, helping ensure that homes and businesses have dependable and uninterrupted power supply, which they can afford, as it continues to uphold its commitment to the environment and host communities.

Personnel complement of the Brown Group of Companies as of December 2017 is presented below.

As to position:

Positions	No. of Personnel
Senior Officers	5
Managers	13
Supervisors	38
Rank and File	120
Total	**176**

As to function:

Functions	No. of Personnel
Operations	73
Sales and Marketing	28
Accounting/Credit and Collection/fFinance	25
Administration	50
Total	**176**

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 30 of the Notes to the Audited Consolidated Financial Statements for the discussion on Financial Risk Management Objectives 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. 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 Philippines 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, 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 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 fruit bunches to the mill plant.

Risk factors for the mill business are as follows: i) breakdown of one major equipment such as purifier, 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 82-85. 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 36 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 2017		Year 2016	
Quarter	High	Low	High	Low
Jan-Mar	1.34	0.89	1.08	0.59
Apr-Jun	1.71	0.91	1.65	1.01
Jul-Sept	1.57	1.10	1.48	1.13
Oct-Dec	1.17	0.92	1.29	1.02

The company's stock price was trading as high as ₱1.71 and as low as ₱0.89 for the four quarters of the year. It also closed at ₱1.00 on December 29, 2017.

The table below shows the high and low sales prices of the Company's shares on the PSE for the first (1^{st}) quarter of 2018, to wit:

	Year 2018	
Month	High	Low
January	1.13	0.92
February	1.14	0.91
March	1.23	0.96

On April 05, 2018, ABCI's shares of common stock were traded at a high of ₱1.03 and a low of ₱0.99 at the Philippine Stock Exchange with closing price of ₱1.01. The stocks are not traded in any foreign market.

Holders of Common Equity

The number of holders of common stock as of December 31, 2017 is 2,104. Please refer to Exhibit III, page 85 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, 2017. As of March 31, 2018 the number of holders of common stock is 2,101.

As of December 31, 2017 and 2016, the company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE) at 44.69% and 37.86%, respectively. The company's public float of 44.69% is equivalent to 1,107,219,998 shares out of the 2,477,667,911 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.

On 7 June 2013, the shareholders of A Brown Company, Inc. (the "Corporation") approved the issuance of stock dividends to the Corporation's shareholders. The stock dividend shares were to be issued out of an increase in the Corporation's authorized capital stock, which increase was approved by the Securities and Exchange Commission on 16 August 2013. The Corporation further indicated that it was not to issue fractional shares which were expected to arise from the stock dividend declaration; instead, the Corporation undertook to acquire said fractional shares from the shareholders concerned and pay the latter the monetary value thereof.

There were no dividend declaration in 2014 and 2015.

As of 28 November 2016, pursuant to the authority granted under Section 41 of the Corporation Code, the Corporation has acquired all of the unissued fractional shares arising from the 2013 stock dividend declaration, constituting an aggregate of One Thousand Fourteen (1,014) shares. These 1,014 shares shall henceforth be treated as Treasury Shares in the books of the Corporation.

On May 19, 2016 the Board of Directors approved the proposal for the Corporation to declare a twenty percent (20%) stock dividend, consisting of approximately 346,573,104 shares, to the Corporation's shareholders. The same was approved by SEC on January 27, 2017.

On March 8, 2017 the Parent Company distributed 20% stock dividend totalling to 346,572,301 shares, net of fractional shares, of the Parent Company's outstanding shares to the stockholders of record as at February 10, 2017.

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.

On May 19, 2016, the Board of Directors initially approved the amendment of the Corporation's Articles of Incorporation to increase its authorized capital stock (ACS) which was amended later on August 8, 2016 to increase its authorized capital stock (ACS) from the current Two Billion Pesos (P2,000,000,000.00) divided into Two Billion (2,000,000,000) Common Shares to up to Five Billion Pesos (P5,000,000,000.00) divided into Five Billion (5,000,000,000) Common Shares.

The first tranche of the increase in the Corporation's authorized capital stock, is implemented with an increase by One Billion Three Hundred Million Pesos (P1,300,000,000.00), divided into One Billion Three Hundred Million (1,300,000,000) Common Shares and out of said increase, the Twenty Percent (20%) stock dividend declared on May 19, 2016 are issued. This was approved by the Securities and Exchange Commission (SEC) on January 11, 2017. On March 8, 2017, 346,572,301 shares were distributed to stockholders as 20% stock dividend.

On 12 October 2017, the Board approved the conversion of the Company's debt and deposits for future subscription amounting to Php 450,000,000 to equity at Php 1.13/share based on the 15-day volume weighted average price for the period ending on October 11, 2017. This conversion is broken down as follows:

Debt	Liability	Number of Shares
Brownfield Holdings Incorporated	₱250,000,000.00	221,238,938
Deposits for future subscription		
Valueleases, Inc.	₱100,000,000.00	88,495,575
RMEscalona Consulting, Inc	₱100,000,000.00	88,495,575
Total	₱450,000,000.00	398,230,088

The transaction is intended to settle outstanding loan obligations as well as convert the deposits and at the same time strengthen the balance sheet of the Company. This allowed the Company to raise funds for expansion of existing businesses and investments in new projects.

Brownfield Holdings Incorporated (BHI) is an existing shareholder and a related party to the Issuer with an equity interest of 20.49%.

Valueleases Inc. and RMEscalona Consulting, Inc. are new investors and are not related parties to the Issuer or any existing shareholder.

The new issuance of shares to BHI, Valueleases, Inc. and RMEscalona Consulting, Inc. represent 8.93%; 3.57% and 3.57%, respectively to the resulting total issued and outstanding shares. The three subscribers are not related to each other and are not acting in concert. This represents the culmination of several months of fund raising exercises that A Brown Company, Inc. has undertaken to enable it to strengthen its financial base as well as fund some of its on-going investments to ensure growth for the company.

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 (2017 & 2016) Operational and Financial Information

Financial Condition

In Thousand Pesos	Audited 2017	Audited 2016	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)			
			Amount	%	Audited 2017	Audited 2016
Current Assets	**1,704,386**	1,339,798	364,588	27%	33%	24%
Noncurrent Assets	**3,486,613**	4,244,735	(758,122)	-18%	67%	76%
Total Assets	**5,190,999**	5,584,534	(393,535)	-7%	100%	100%
Current Liabilities	**1,409,498**	1,664,361	(254,864)	-15%	27%	30%
Noncurrent Liabilities	**603,478**	901,926	(298,448)	-33%	12%	16%
Capital	**3,178,023**	3,018,246	159,776	5%	61%	54%
Total Liab. & Capital	**5,190,999**	5,584,534	(393,535)	-7%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – December 2017 vs. December 2016

The Group's total assets decreased by 7**% or ₱393.5 million,** from a balance of **₱5.6 billion** as of end of the year 2016 to **₱5.2 billion** as of December 31, 2017.

Current assets increased by 27% or ₱364.6 million as a result of the net effect of the following:

92% or ₱45.0M increase in Cash– due to the net effect of the net cash provided by operating and investing activities and net cash used by financing activities.

18% or ₱43.0 M increase in Current Receivable due to the net effect of:

- **a) 13% or ₱47.9M decrease in contract receivables on sale of real estate** – due to increase in sales settled through bank financing
- **b) 39% or ₱3.1M increase in Trade Receivable** – directly related from the sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products
- **c) 15% or ₱0.4M increase in advances to officers and employees**
- ***d)* 27% or ₱16.0M increase in accounts receivable others**

12% or ₱83.8M increase in Real estate held for sale – due to the net effect of the expansion of Adelaida Park Residences and Mountain View Homes projects against units sold in all projects

82% or ₱38.2M increase in Inventories – due to increase in the production of palm olein and palm stearin

7% or ₱21.1M increase in Prepayments and other current assets – due to the net effect of:

a) 46% or ₱26.3M increase in creditable withholding taxes – as a result of increase in real estate sales made during the year.
b) 3% or ₱0.9M decrease in prepaid expenses – directly related to utilization of the prepaid expenses made by the group during the year
c) 3% or ₱1.1M increase in input VAT - due to increase in recognized input VAT from various purchases made during the year.

d) 7% or ₱3.1M decrease in other deposits

449% or ₱133.4M increase in Advances to a related party – this pertains to the additional advances made during the year

Non-Current assets decreased by 18% or ₱758.1 million as a result of the net effect of the following:

64% or ₱805.4M decrease in Available for sale investments – due to the sale of various investments in stocks

18% or ₱166.9M increase in Investment in Associates – due to the Group's share/equity in the net profit of associates and acquisition during the year

7% or ₱12.4M decrease in Investment Properties – due to the net effect of the development of Butuan property and depreciation of property held under lease

1% or ₱*9.7M increase in Property and Equipment* - net due to the net effect in:

a) 117% or ₱1.5M increase in Land improvements
b) 22% or ₱2.0M increase in Building Improvements
c) 7% or ₱10M increase in Machinery and equipment
d) 11% or ₱0.2M decrease in Furniture and fixtures
e) 2% or ₱0.1M increase in Transportation Equipment
f) 12% or ₱5.5M decrease in Construction in progress
g) 73% or ₱0.4M decrease in Tools and other equipment
h) 0% or ₱0.4M decrease in Fractionation Machineries
i) 1% or ₱5.7M increase in Bearer Plants
j) 16% or ₱5k decrease in Leasehold improvements
k) 43% or ₱3.1M decrease in Other fixed assets

4% or ₱1.2M decrease in Leasehold rights

39% or ₱10.7M increase in Deferred Tax Assets – directly related to the increase in the net operating loss carry over (NOLCO) and increase in tax effect of retirement liability of the group during the year.

31% or ₱5.5M decrease in Refundable deposits – due to the net effect of the return of deposits and additional utility deposits made during the year

Current liabilities decreased by 15% of ₱254.9 million as a result of the net effect of the following:

7% or ₱26.3M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 13% or ₱39.9M increase in accounts payable
b) 32% or ₱9.3M decrease in accrued expenses
c) 4% or ₱0.3M decrease in accrued interest payable
d) 22% or ₱2.6M decrease in retention payable
e) 4% or ₱1.4M decrease in other payables

38% or ₱15.9M increase in Deposit from Customers – due to the net effect of the new sales reservations and increase in book sales settled through end buyer's financing.

30% or ₱238.4M decrease in Short term Debt – due to the net effect of the conversion of loan to equity, additional loan availed and payments made by the group during the year

100% or ₱69.9M decrease in Subscription payable – due to the settlement of payable related to the disposed available-for-sale investments

3% or ₱11.2M increase in Current maturities portion of long-term debt

Non-Current liabilities decreased by 33% or ₱298.4 million as a result of the net effect of the following:

37% or ***₱300.9M decrease in Long-term Debt*** – due to the net effect of the repayments, decrease in long term loans availed and reclassification of the principal amount that will be due within one year.

16% or ₱3.7M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

2% or ₱1.3M decrease in Deferred tax liabilities - due to the decrease in the tax effect of sales on deferred payment scheme.

Equity increased by 5% or ₱159.8 million as a result of the net effect of the following:

43% or ₱744.8M increase in Share Capital – due to the distribution of the 20% stock dividends and equity conversion of loans from shareholders

9% or ₱51.8M increase in Additional Paid-in Capital– pertains to the equity conversion of loans from shareholders

145% or ₱613.8M decrease in Net unrealized gain on available for sale – due to the increase in market value of available for sale investments

100% or ₱346.6M decrease in Stock dividends distributable– due to the distribution of the 20% stock dividends as declared in 2016

520% or ₱321.3M increase in the Retained Earnings – the increase pertains to the net income of the group (P299.6M) and increase due to the acquisition of a subsidiary (P21.7M)

9% or ₱1.2M decrease in Cumulative remeasurement loss on retirement benefits – related to the actuarial valuation of retirement benefits obligation

Results of Operation

In Thousand Pesos	December 31, 2017	December 31, 2016	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2017	2016
			Amount	%		
Net Sales	551,425	484,069	67,355	14%	59%	82%
Financial Income	6,412	10,503	(4,092)	-39%	1%	2%
Rental Income	2,140	5,058	(2,918)	-58%	0%	1%
Discount on Loans Payable	-	3,565	(3,565)	0%	0%	1%
Gain on Sale of investment properties	-	72,351	(72,351)	0%	0%	12%
Gain on Sale of property and equipment	(30)	1,461	(1,491)	0%	0%	0%
Gain on Sale of shares	265,838	-	265,838	0%	29%	0%
Dividend income	-	4	(4)	0%	0%	0%
Equity in net income of an associate	92,018	-	92,018	0%	10%	0%
Other Income	10,731	11,834	(1,103)	-9%	1%	2%
Total Revenues	**928,534**	**588,845**	339,689	58%	**100%**	**100%**
Cost of sales and services	293,553	264,520	29,032	11%	32%	45%
General and Admin Expenses	210,512	145,276	65,236	45%	23%	25%
Finance Cost	85,542	102,197	(16,655)	-16%	9%	17%
Marketing	43,142	33,320	9,822	29%	5%	6%
Equity in net loss of an associate	-	85,627	(85,627)	-100%	0%	15%
Total Cost and Expenses	**632,749**	**630,940**	1,808	0%		
Income before Tax	**295,786**	**(42,095)**	337,881	-803%		
Tax expense	(3,796)	34,712	(38,508)	-111%	0%	6%
Income after Tax	**299,582**	**(76,807)**	376,389	-490%	**32%**	**-13%**
Unrealized gain on Available-For-Sale investments	(347,980)	32,179	(380,160)	-1181%		
Actuarial loss	(1,212)	4,658	(5,871)	-126%		
Comprehensive Net Income	(49,611)	(39,969)	(9,642)	24%		

A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2017

The consolidated financial statements for the year ending December 31, 2017 resulted to an after tax net income of **₱299.6 million** compared to a **₱76.8 million** net loss of last year due to the net effect of the following:

14% or ₱67.4M increase in Sales due to:

- ***a) Increase in Real estate Sales by 33% or ₱117.8M*** - Sales in 2017 were mostly high end and economic units compared to last year which were mostly economic and socialized housing units
- ***b) Decrease in Sales of crude palm oil by 5% or ₱1.4M –*** this is due to the decrease in quantity sold by 11% or 125 metric tons, from a volume of 1,107 metric tons in 2016 to 981 metric tons in 2017; the average selling price increased by P2,072 per metric ton from P 27,596 per metric ton last year to P29,668 per metric ton in 2017.
- ***c) Increase in Palm Fatty Acid Distillate Sales by 2% or ₱0.1M***
- ***d) Increase in Sales from water services by 3% or ₱0.5M***
- ***e) Decrease in RBDO Sales by 43% or ₱3.2M–*** this is due to the decrease in quantity sold by 51% or 108 metric tons, from a volume of 213 metric tons in 2016 to 105 metric tons in 2017; the average selling price increased by P5,100 per metric ton from P34,900 in 2016 to P40,000 per metric ton in 2017
- ***f) Decrease in Palm Olein Sales by 62% or ₱28.9M –*** this is due to the decrease in quantity sold by 67% or 829 metric tons, from a volume of 1,241 metric tons in 2016 to 412 metric tons in 2017; the average selling price increased by P5,133 per metric ton from P37,404 per metric ton in 2016 to P42,537 per metric ton in 2017

g) ***Decrease in Palm Stearin Sales by 70% or ₱10.5M -*** this is due to the decrease in quantity sold by 70% or 428 metric tons, from a volume of 607 metric tons in 2016 to 180 metric tons in 2017; the average selling price increased by P689 per metric ton from P24,720 per metric ton in 2016 to P25,409 per metric ton in 2017
h) ***Decrease in Kernel Nuts and Fertilizer Sales by 47% or ₱1.8M -*** this is due to the decrease in quantity sold by 58% or 197 metric tons, from a volume of 342 metric tons in 2016 to 145 metric tons in 2017; the average selling price increased by P2,928 per metric ton from P11,388 per metric ton in 2016 to P14,316 per metric ton in 2017
i) ***Increase in Sale of palm acid oil by 1% or*** **₱35k**
j) ***Decrease in Crops and Seedlings Sales by 88% or ₱0.3M***
k) ***100% or ₱4.9M decrease in Sales of aggregates*** – due to the cessation of the company's aggregate business in October 2016

39% or ₱4.1M decrease in Financial income – due to the increase in end buyer's financing by the bank leading to decrease in the in-house financing of real estate sales.

100% or ₱92M increase in Equity in net gain of an associate – this pertains to the group's 20% share on the net gain of PCPC amounting to P77.1M, net earnings of PEI amounting to P35.4M and net loss of EWRTC amounting to P20.6M during the year

58% or ₱2.9M decrease in Rental income – due to the sale of an Investment Property for lease in November 2016.

100% or ₱3.6M decrease in Discount on loans payable – this pertains to the discounting of non-interest bearing loans availed from various stockholders in 2016

100% or ₱72.4M decrease in gain on sale of investment property – this pertains to the sale of various properties in 2016 compared to that in 2017

102% or ₱1.5M decrease in gain on sale of property and equipment – this pertains to the sale of transportation and other equipment in 2016 compared to that in 2017

100% or ₱265.8M increase in gain on sale of shares – this pertains to the sale of investment in stocks in 2017

9% or ₱1.1M decrease in Other income – due to the net effect of the following:

a) ***Decrease in Income from forfeited deposits by 32% or ₱2.3M*** – foreclosed accounts in 2017 is lower compared to that of last year's. The same were immediately resold in the 2017.
b) ***Decrease in Income from penalties and surcharges by 14% or ₱0.2M*** – due to the decrease in number of end buyer aging accounts due to more efficient collection efforts.
c) ***Increase in Other income by 43% or P1.4M*** – directly related to the driving range fees and income from water tapping and surcharges

11% or ₱29.0M increase in Cost of Sales due to:

a) ***39% or ₱66.5M increase in cost of Real estate –*** the increase is relatively due to sales of high end and economic units during the year as compared to economic and socialized units in 2016 with relatively lower costs
b) ***15% or ₱3.5M increase in cost of production of Crude palm oil –*** the increase is relatively due to the decrease in availability of FFB.
c) ***Increase in cost of Palm Fatty Acid Distillate by 100% or ₱1.5M -*** the increase is related to the sales of palm fatty acid distillate

d) ***Decrease in cost of Kernel Nuts and Fertilizer by 63% or ₱2.2M -*** the decrease is relatively due to low availability of FFB
e) ***Decrease in cost of RBDO by 43% or ₱2.7M***
f) ***Increase in cost of Palm Acid Oil by 14% or ₱0.3M –*** the increase is directly related to the increase sale of palm acid oil
g) ***Decrease in cost of Palm Olein by 69% or ₱22.2M***
h) ***Decrease in cost of Palm Stearin by 67% of ₱9.4M***
i) ***Decrease by 40% or ₱0.4M in Other direct cost –*** related to the decrease in the direct plantation cost
j) ***Increase in cost of water services by 41% or ₱2.2M –*** due to the additional costs related to the operation and maintenance of water pumps
k) ***Decrease in cost of aggregates by 100% or ₱7.4M***
l) ***Decrease in cost of Cassava by 100% or ₱0.7M***

45% or ₱65.2M increase in General and Administrative Expenses - due to the following net effect of:

a) ***28% or ₱15.1M increase in Personnel expenses -*** due to the increase in manpower and other benefits in 2017
b) ***4% or ₱0.5M decrease in Depreciation and amortization***
c) ***69% or ₱14.0M increase in Taxes and Licenses –*** pertains to the increase in business taxes and permits, documentary stamp taxes on loans and issuances of stock dividends
d) ***9% or ₱0.4M decrease in Repairs and maintenance*** – due to the decrease in cost of repairs and maintenance during the year.
e) ***22% or ₱1.5M increase in Utilities and supplies –*** due to the increase in usage of utilities and supplies during the year.
f) ***29% or ₱1.6M increase in Rental expense*** – pertains to the escalation of rates related to the office spaces occupied by the parent company.
g) ***35% or ₱0.3M decrease in Representation and Entertainment*** – this refers to the cost of providing comfort/convenience (e.g. meals) to the prospective clients.
h) ***31% or ₱3.5M increase in security services -*** due to the increase in number of security personnel assigned to real estate projects with increase in minimum wage
i) ***267% or ₱17.3M increase in professional fees*** – directly related to the various consultancy services incurred by the group
j) ***65% or P3.8M increase in travel and transportation*** – directly related to the various site visitations for real estate projects, plantation operations and power group operations.
k) ***7% or ₱61K decrease in board meeting expenses –*** due to the decrease in various materials and other expenses incurred related to board meetings and annual reports in 2016.
l) ***49% or ₱0.6M increase in insurance –*** due to the additional sum insured or additional properties insured
m) ***103% or ₱1.2M increase in director fees –*** directly related to the various directors meetings conducted during the year.
n) ***154% or ₱0.4M increase in training and seminars*** – due to the more inhouse trainings and seminars conducted during the year.
o) ***64% or ₱1.3M decrease in subscription and dues***
p) ***63% or ₱97k decrease in bank charges*** – this pertains to the charges related to borrowings.
q) ***123% or ₱141K increase in litigation expenses*** – this is directly related to the various cases as discussed in the notes to financial statements (see Note 36).
r) ***26% or ₱2.9M increase in miscellaneous expenses –*** includes community relations expenses such as scholar's tuition and other humanitarian assistance
s) ***870% or ₱2.5M increase in listing fee*** – directly related to the sale of investment in stocks
t) ***25% or ₱1.2M decrease in retirement expense***

16% or ₱16.7M decrease in Finance costs – directly related to the group's various loan availment and amortization of discount on non-interest bearing loans in 2016.

29% or ₱9.8M increase in Marketing expenses – due to the increase in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the parent company

100% or ₱85.6M decrease in Equity in net loss of an associate – this pertains to the group's 20% share on the net loss of PCPC amounting to P110.6M and net earnings of PEI amounting to P24.9M in 2016

Key Performance Indicator

Financial Ratios Consolidated Figures	Audited 12/31/2017	Audited 12/31/2016
Current ratio[1]	1.21:1	0.80:1
Current Debt to Equity ratio[2]	0.44:1	0.55:1
Total Debt to Equity ratio[3]	0.63:1	0.85:1
Return on Assets[4]	5.56%	-1.38%
Return on Equity[5]	9.67%	-2.63%

[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

<u>Prior Period (2016 & 2015) Operational and Financial Information</u>

Financial Condition

In Thousand Pesos	Audited 2016	Audited 2015	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)			
			Amount	%	Audited 2016	Audited 2015
Current Assets	**1,339,798**	1,519,821	(180,022)	-12%	24%	28%
Noncurrent Assets	**4,244,735**	3,987,969	256,767	6%	76%	72%
Total Assets	**5,584,534**	5,507,789	76,744	1%	100%	100%
Current Liabilities	**1,664,361**	1,467,895	196,466	13%	30%	27%
Noncurrent Liabilities	**901,926**	1,227,967	(326,041)	-27%	16%	22%
Capital	**3,018,246**	2,811,927	206,319	7%	54%	51%
Total Liab. & Capital	**5,584,534**	5,507,789	76,744	1%	100%	100%

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

The Group's total assets increased by **1% or ₱76.7 million,** from a balance of **₱5.5 billion** as of end of the year 2015 to **₱5.6 billion** as of December 31, 2016.

Current assets decreased by 12% or ₱176 million as a result of the net effect of the following:

11% or ₱4.9M increase in Cash– due to the net effect of the provided by operating activities and cash used in investments and deposits and other investing and financing activities.

44% or ₱191.9 M decrease in Current Receivable due to the net effect of:

a.) 13.2% or ₱58.1M decrease in contract receivables on sale of real estate

b.) 63% or ₱8.3M decrease in Trade Receivable – directly related from the sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products

c.) 73% or ₱1M increase in advances to officers and employees

d.) 32% or ₱29.9M decrease in accounts receivable others

3% or ₱22M increase in Real estate held for sale – due to the net effect of the increase in development costs of various projects over sales

5% or ₱2M increase in Inventories – due to increase in production of palm olein and palm stearin

6% or ₱18M decrease in Prepayments and other current assets – due to the net effect of:

a.) 22% or ₱15.84M decrease in creditable withholding taxes – as a result of decrease in real estate sales made during the year.

b.) 26% or ₱9.35M decrease in prepaid expenses – directly related to utilization of the prepaid expenses made by the group during the year

c.) 9% or ₱3.73M increase in input VAT - due to increase in recognized input VAT from various purchases made during the year.

d.) 95% or ₱42M decrease in other deposits

20% or ₱5M Advances to a related party – this pertains to the additional advances made during the year

Non-Current assets increased by 6% or ₱252.8 million as a result of the net effect of the following:

28% or ₱273.5M increase in Available for sale investments – due to the increase in the market value of investments.

9% or ₱85.6M decrease in Investment in Associates – due to the Group's share in the net loss of an associate

17% or ₱36.8M decrease in Investment Properties – due to the net effect of disposals made during the year

3% or ₱*28M increase in Property and Equipment* - net due to the net effect in:

a.) 13% or ₱181k increase in land improvements
b.) 12% or ₱1.3M decrease in Building Improvements
c.) 6% or ₱9M decrease in machinery and equipment
d.) 22% or ₱443k increase in furniture and fixtures
e.) 48% or ₱5M decrease in Transportation Equipment
f.) 35% or ₱12.3M increase in Construction in progress
g.) 26% or ₱151k decrease in tools and other equipment
h.) 1% or ₱2.5M increase in Fractionation Machineries
i.) 7% or ₱29.7M increase in Bearer Plants
j.) 18% or ₱1.5M increase in other fixed assets

4% or ₱1.2M decrease in Leasehold rights

32% or ₱12.9M decrease in Deferred Tax Assets – directly related to the decrease in the net operating loss carry over (NOLCO) of the group during the year.

62% or ₱6.9M increase in Refundable deposits – additional deposits made during the year which is mostly utility deposits

Current liabilities increased by 13% of ₱196.5 million as a result of the net effect of the following:

3% or ₱9.9M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

- a.) 1% or ₱2.40M increase in accounts payable
- b.) 5% or ₱1.44M increase in accrued expenses
- c.) 18% or ₱980k decrease in contracts payable
- d.) 31% or ₱3.3M decrease in accrued interest payable
- e.) 6% or ₱781k decrease in retention payable
- f.) 50% or ₱11M increase in other payables

2% or ₱0.9M decrease in Deposit from Customers – due to increase in book sales settled through end buyer's financing.

171% or ₱493.9M increase in Short term Debt – due to the net effect of the additional clean term loan availed by the group and payments made during the year

45% or ₱306.5M decrease in Current maturities portion of long-term debt

Non-Current liabilities decreased by 27% or ₱326million as a result of the net effect of the following:

28% or *₱309.5M decrease in Long-term Debt* – due to the net effect of the repayments, decrease in long term loans availed and reclassification of the principal amount that will be due within one year.

29% or ₱9.5M decrease in Retirement liability – due to the payment of retirement benefits to retired employees in 2016

9% or ₱7M decrease in Deferred tax liabilities - due to the decrease in the tax effect of sales on deferred payment scheme.

Equity increased by 7% or ₱206.2 million as a result of the net effect of the following:

181% or ₱273.5M increase in Net unrealized gain on available for sale – due to the increase in market value of available for sale investments

100% or ₱346.6M increase in Stock dividends distributable– due to the declaration of 20% stock dividends

117%% or ₱423M decrease in the Retained Earnings – directly related to the declaration of 20% stock dividends.

Results of Operation

In Thousand Pesos	December 31, 2016	December 31, 2015	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2016	2015
Net Sales	484,069	621,352	(137,282)	-22%	82%	87%
Financial Income	10,503	14,747	(4,243)	-29%	2%	2%
Rental Income	5,058	14,049	(8,990)	-64%	1%	2%
Discount on Loans Payable	3,565	16,718	(13,154)	0%	1%	2%
Sale of aggregates	-	-	-	#DIV/0!	0%	0%
Gain on Sale of investment properties	72,351	15,672	56,679	0%	12%	2%
Gain on Sale of property and equipment	1,461	-	1,461	0%	0%	0%
gain on disposal of net asset of deconsolidated sub		105	(105)	0%	0%	0%
Dividend income	4	13	(9)	0%	0%	0%
Equity in net income of an associate	-	7,540	(7,540)	0%	0%	1%
Other Income	11,834	22,565	(10,731)	-48%	2%	3%
Total Revenues	**588,845**	**712,759**	(123,914)	-17%	**100%**	**100%**
Cost of sales and services	264,520	365,819	(101,298)	-28%	45%	51%
General and Admin Expenses	145,276	179,439	(34,162)	-19%	25%	25%
Finance Cost	102,197	109,409	(7,212)	-7%	17%	15%
Marketing	33,320	21,481	11,839	55%	6%	3%
Equity in net loss of an associate	85,627	-	85,627	#DIV/0!	15%	0%
Provision for Impairment Loss	-	4,055	(4,055)	-100%	0%	1%
Loss on sale of asset (PPE)		263	(263)	-100%	0%	0%
Discount on Loans Receivable	-	-	-	0%	0%	0%
Total Cost and Expenses	**630,940**	**680,466**	(49,525)	-7%		
Income before Tax	**(42,095)**	**32,293**	(74,389)	-230%		
Tax expense	34,712	22,730	11,981	53%	6%	3%
Income after Tax	**(76,807)**	**9,563**	(86,370)	-903%	**-13%**	**1%**
Unrealized gain on Available-For-Sale investments	273,458	32,179	241,278	750%		
Actuarial loss	9,669	4,658	5,011	108%		
Comprehensive Net Income	206,320	46,401	159,919	345%		

A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2016

The consolidated financial statements for the year ending December 31, 2016 resulted to an after tax net loss of **₱76.8 million** compared to a **₱9.6 million** net income of last year due to the net effect of the following:

22% or ₱135.1M decrease in Sales due to:

a.) Decrease in Real estate Sales by 22% or ₱101.7M - due to the price points of the units sold this year. Units sold this year were mostly economic and socialized housing compared to that of last year which had a contribution from high end projects.
b.) Decrease in Sales of crude palm oil by 69% or ₱68M – This is due to the decrease in quantity sold by 70% or 2,601 metric tons, from a volume of 3,708 metric tons in 2015 to 1,107 metric tons in 2016; the average selling price per metric ton increased by P 1,004 per metric ton from P26,592 per metric ton last year to P 27,596 per metric ton in 2016. This year, the company has commercially ventured into further processing the crude palm oil to palm olein and palm stearin.
c.) Decrease in Palm Fatty Acid Distillate Sales by 31% or ₱1.1M– Decrease in production due to a more efficient process of producing RBDO, Palm Fatty Acid Distillate (PFAD) being a by product in producing RBDO. A more efficient production of RBDO, the main product, would decrease the production of PFAD, the by product.
d.) Increase in Sales from water services by 11% or ₱1.7M – the increase in the year's revenue is due to the increase in the number of new connections during 2016. There is also an increase in water consumption during 2016.

e.) Increase in RBDO Sales by 100% or ₱7.4M– this sales of RBDO amounted to P7.4M for a total quantity sold of 213 metric tons at a selling price of P34,899.84.
***f.) Decrease in Palm Acid Oil Sales by 26% or* ₱1M –** Decrease in production due to a more efficient process of producing Crude Palm Oil, Palm Acid Oil (PAO) being a by product in producing Crude Palm Oil. A more efficient production of Crude Palm Oil, the main product, would decrease the production of PAO, the by product.
g.) Increase in Palm Olein Sales by 90% or ₱22 M – this is due to the increase in quantity produced and sold as compared to last year.
h.) Increase in Palm Stearin Sales by 99% or ₱7.5M - this is due to the increase in quantity produced and sold as compared to last year.
***i.) Decrease in Kernel Nuts and Fertilizer Sales by 30% or ₱1.6M* -** this is due to the decrease in quantity sold as compared to last year.
j.) 31% or ₱2.2 decrease in Sales of aggregates – due to the cessation of the company's aggregate business.

29% or ₱4.2M decrease in Financial income – due to the increase in end buyer's financing by the bank leading to decrease in in house financing of real estate sales.

100% or ₱7.5M decrease in Equity in net gain of an associate – this pertains to the group's 20% share on the net loss of PCPC amounting to P15.3M and net earnings of PEI amounting to P22.9M during the year

61% or ₱9.0M decrease in Rental income – due to the sale of an Investment Property for lease in November 2016.

79% or ₱13.2M decrease in Discount on loans payable – due to the decrease in discounting of additional loans availed from various stockholders during 2016

362% or ₱56.7M increase in gain on sale of investment property – due to the sale of various properties in 2016

100% or ₱1.5M increase in gain on sale of property and equipment – due to the sale of transportation and other equipment

48% or ₱10.7M decrease in Other income – due to the net effect of the following:

a.) Increase in Income from forfeited deposits by 131% or ₱4M – foreclosed accounts in 2016 is higher compared to last year's. The same were immediately resold in the 2016.
b.) Decrease in Income from penalties and surcharges by 26% or ₱562k – due to the decrease in number of end buyer aging accounts due to more efficient collection efforts.
c.) Decrease in Other income by 82% or P14.2M – directly related to the scrap sales from empty fresh fruit bunches and driving range fees

28% or ₱101.3M decrease in Cost of Sales due to:

a.) 34% or ₱85.4M decrease in cost of Real estate – the decrease is relatively due to concentration of sales in the Economic and Socialized housing projects.
b.) 66% or ₱45.2M decrease in cost of production of Crude palm oil – the decrease is relatively due to decrease in sales of crude palm oil due to further processing.
c.) Increase in cost of Palm Fatty Acid Distillate by 27% or ₱555k - the increase is related to the sales of palm fatty acid distillate
d.) Increase in cost from Water services by 31% or ₱1.7M– The increase is relatively due to increase in service income in water.
e.) 12% or 720K decrease in cost of Aggregates– the decrease is relatively due to the cessation of the business.

f.) Decrease in cost of Kernel Nuts and Fertilizer by 21% or ₱947K - the decrease is relatively due to the decrease in sales of Kernel Nuts and Fertilizers

g.) Increase in cost of RBDO by 100% or ₱4.7M

h.) Decrease in cost of Palm Acid Oil by 35% or ₱1M – the decrease is directly related to the decrease sale of palm acid oil

i.) Increase in cost of Palm Olein by 90% or ₱15.2M

j.) Increase in cost of Palm Stearin by 185% of ₱9.1M

k**.) **Increase by** **₱887k** **in Other direct cost – related to the increase in the direct plantation cost

19% or ₱33.4M decrease in General and Administrative Expenses - due to the following net effect of:

- ***a.) 29% or ₱19.7M decrease in Personnel expenses -*** due to the net effect of the decrease in manpower during 2016.
- ***b.) 26% or ₱4.3M decrease in Depreciation and amortization –*** due to the disposal of various property and equipment items in 2016.
- ***c.) 14% or ₱3.4M decrease in Taxes and Licenses –*** the decrease is due to application of creditable LGU tax paid and booked the previous years.
- ***d.) 19% or ₱1.2M decrease in Repairs and maintenance*** – due to the decrease in cost of repairs and maintenance during 2016.
- ***e.) 2% or ₱134k decrease in Utilities and supplies –*** due to the decrease in usage of supplies during 2016.
- ***f.) 15% or ₱1M decrease in Rental expense*** – directly related to the office space occupied by the parent company.
- ***g.) 108% or ₱514k increase in Representation and Entertainment*** – this refers to the cost of providing comfort/convenience (e.g. meals) to the prospective clients.
- ***h.) 21% or ₱3M decrease in security services*** - due to the decrease in number of security personnel assigned to real estate projects
- ***i.) 23% or ₱1.9M decrease in professional fees*** – directly related to the various consultancy services incurred by the group
- ***j.) 8% or P408k increase in travel and transportation*** – directly related to the various site visitations for mill and plantation operations and power group operations.
- ***k.) 22% or ₱210k decrease in board meeting expenses –*** due to the decrease in various materials and other expenses incurred related to board meetings and annual reports in 2016.
- ***l.) 7% or ₱58k increase in insurance –*** due to the additional sum insured or additional properties insured
- ***m.) 21% or ₱294k decrease in director fees –*** directly related to the various directors meetings conducted on 2016.
- ***n.) 64% or ₱436K decrease in training and seminars*** – due to the more inhouse trainings and seminars conducted during the year.
- ***o.) 208% or ₱1.3M increase in subscription and dues***
- ***p.) 180% or ₱99k increase in bank charges*** – directly related to the payment of deposit box charges and other charges related to borrowings.
- ***q.) 66% or ₱227k decrease in litigation expenses*** – this is related to the Yulo case (please see Notes on Litigation).
- ***r.) 11% or ₱1.5M decrease in miscellaneous expenses –*** includes community relations expenses such as scholar's tuition and other humanitarian assistance

7% or ₱7.2M decrease in Finance costs – directly related to the group's loan availment and amortization of discount on non-interest bearing loans during the 2016.

55% or ₱11.8M increase in Marketing expenses – due to the increase in various sponsorships of events for ads and promotions.

100% or ₱85.6M increase in Equity in net loss of an associate – this pertains to the group's 20% share on the net loss of PCPC amounting to P110.6M and net earnings of PEI amounting to P24.9M during the year

Key Performance Indicator

Financial Ratios Consolidated Figures	Audited 12/31/2016	Audited 12/31/2015
Current ratio[1]	0.80:1	1.04:1
Current Debt to Equity ratio[2]	0.55:1	0.52:1
Total Debt to Equity ratio[3]	0.85:1	0.96:1
Return on Assets[4]	-1.38%	0.17%
Return on Equity[5]	-2.63%	0.34%

[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 (2015 & 2014) Operational and Financial Information

Financial Condition

In Thousand Pesos	Audited 2015	Audited 2014	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)			
			Amount	%	Audited 2015	Audited 2014
Current Assets	**1,519,821**	1,368,521	151,300	11%	28%	23%
Noncurrent Assets	**3,987,969**	4,500,801	(512,832)	-11%	72%	77%
Total Assets	**5,507,789**	5,869,322	(361,533)	-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 Liabilities & Capital	**5,507,789**	5,869,322	(361,533)	-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)

12.83% or ₱99.6M increase in Property and Equipment, restated **-** 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.) 21% or ₱69.1M increase in Bearer Plants (as restated from Biological Assets) – due to additional capitalized costs for Kalabugao, and Tignapoloan plantation made during the year.
k.) 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.

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) Amount	%	Vertical Analysis 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%**
Unrealized gain on Available-For-Sale investments	(25,771)	32,179	(57,950)	-180%		
Actuarial loss	(1,178)	4,658	(5,836)	-125%		
Comprehensive Net Income	(17,386)	39,563	(56,948)	-144%		

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.
g.) 100% or ₱14.3M decrease in the hotel operation - due to the deconsolidation of a subsidiary holding the hotel operations
h.) 100% or ₱4.9M increase in production of Palm Stearin – commercial operation started in 2015
i.) 100% or ₱16.9M increase in production of Palm Olein – commercial operation started in 2015
j.) 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	Unaudited 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 Assets4	0.17%	0.05%
Return on Equity5	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

Financial soundness indicators are also shown on Exhibit IV, page 87

Material Event/s and Uncertainties

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

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

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:

There's a vibrant real-estate market in 2017 driven by strong investment inflows into the country which triggers a positive ripple effect across all property sectors. The growth of Philippine real estate sector remains positive through 2018 and expected to be even better.

The economy grew by 6.7 percent in 2017, keeping the Philippines in step with the fastest-growing countries in Asia after China's 6.9 and Vietnam's 6.8 percent according to National Economic and Development Authority (NEDA) Director-General Ernesto Pernia *(http://cnnphilippines.com/business/2018/01/23/Philippines-economy-2017-GDP.html).* For 2018, the World Bank and the Asian Development Bank (ADB) both expect the Philippines to remain as one of the fastest-growing economies in the region, with forecasts of 6.7% and 6.8% growth, respectively *(https://data.worldbank.org/country/philippines?view=chart / https://www.adb.org/countries/philippines/economy)*. The government's own target range for this year is higher than last year, between 7% and 8% growth. With the expected growth in economy, the outlook for investment flow into the country continues to be on an uptrend.

However, despite the annual increase in real estate developments, the Philippine housing backlog is still high. Industry players foresee that this may even increase in the next years through 2030 if the demand for socialized houses or mass houses in particular is not addressed. Sixty-seven percent (67%) of the housing needs in the country are economic and socialized houses. Demand for low cost and socialized housing is actually increasing faster than what the developers can deliver.

New Housing Need, 2012-2030

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

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

Estimated Backlog by 2030*

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

**If no special housing program is created.*

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

On the other hand, there is a growing market of a strong middle class who can afford economic housing. The BPO Sector is seen as the new market for real estate and so with the OFWs who are willing to invest.

On the Local scene, Mindanao is seen to benefit from the thrust of the new Philippine President, the first President to hail from Mindanao, to develop the countryside and to ramp up economic activities in the rural areas. More developers have expanded in the region, providing healthy competition and more housing options for prospective buyers.

Moreover, Cagayan de Oro was identified as one of the next wave cities providing alternative location to Information Technology (IT) and Business Process Outsourcing (BPO) companies. It is also a partner to several donor organizations aimed at urban development. These economic benefits mean to likely spur the development in the area.

Plan of Action

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. Xavier Estates Phase V-A Ventura Residences offered Ventura Lane and Clusters B&C for the lot-only market. 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. Adelaida Park Residences is ABCI's response to the growing demand for economic house and lot packages. The project gained edge because of its ridgeview linear park and single houses sufficiently spaced from each other. Mountain View Homes Phase 2 attracted teachers, government employees and managers. ABCI will continue to focus on increasing revenue generation and profit through innovation by introducing new products and services that would meet customer expectations and satisfaction, reduction of costs and expenses, and increasing efficiency in its operations to continuously provide the growth of shareholder value. Through 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 543 saleable lots after an alteration has been made 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 91% complete. Cluster A is subdivided to produce 130 saleable house and lot packages of which 115 units were already completed. Cluster B and C are expected to provide 139 saleable lots. **Ventura Lane** on the other hand is already 100% developed, it offers 30 lots with cuts starting at 250sq.m. Clusters B & C have lot cuts at 110 sq.m.
.
ABCI launched **Adelaida Park Residences**, located in Upper Balulang, Cagayan de Oro. Economic house and lot units are sold in 90sq.m. lot area with floor area of 60 sq.m. and single detached houses in 115-161 sq.m. of 65.5 sq.m. Total development area is 4.4 hectares with a total of 215 saleable units
Socialized Housing project:

St. Therese Subdivision located in mid- Balulang, Cagayan de Oro is a 1.67-hectare socialized housing that will provide 155 lots of which 91 lots have row houses with 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 9 units that are up for new design.

Mountain View Homes Phase 1 is located in mid-Balulang, Cagayan de Oro City. This has a development area of 2.3 hectares with 216 saleable house and lots. Project development is 100% accomplished with amenities.

Mountain View Homes Phase 2 with 1.3 hectares development area, it offers 83 saleable houses and lot units. The row houses have lot area of 50 sq.m. and floor area of 26sq.m. while single detached units for economic housing have a lot area of 75-143 sq.m. and floor area of 36-38 sq.m.

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 and 2 house and lot units with a development area of 2.5 hectares. Cluster B has developmental area of 2.9 hectares with 40 saleable lots. As of the end of the year, 100% has already been accomplished for Cluster A while Cluster B is already 94% 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 322 saleable lots. The project development is 100% accomplished with spillway, concrete barrier, riprap and spine road.

In October 2017, **West Highlands Phase 2** was launched. West Highlands Phase 2 is a community located beside holes Number 5, 6, 7, 8 of the West Highlands Golf Club. Lot cuts range from 350 sq.m. to 717 sq.m. for Fairway Lots; while Inner Fairway Lots range from 219 sq.m. to 344 sq.m.

Medium to Long-Term Prospects.

Real Property Development:

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.

By the first quarter of 2018, a socialized housing project, Mangoville, shall be erected in Barangay Agusan, Cagayan de Oro City, approximately 500 meters below Teakwood Hills. An estimated 200 duplex housing units will be developed.

By the second quarter of 2018, three new projects under the Open Housing Category shall be introduced. Located inside the Xavier Estates property in Upper Balulang, Cagayan de Oro City, these projects are: Xavier Estates Phase 6 **Ignatius Enclave** offering prime lots and house and lot units; Xavier Estates Phase 5B **Ventura Residences II** offering ridge lots and house and lot units; and **The Terraces** in Xavier Estates with ridge lots.

This new development at Xavier Estates shall also feature a commercial strip.

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.

Citing a study published by the University of Asia and the Pacific, Mindanao Economic Development Council (Medco) said palm oil's domestic demand will continue to increase 5 percent a year in the next 10 years to 2020. *(http://ppdci.org/?p=20)*

According to industry estimates, the current local demand for palm oil is at 1,100,000 metric tons (MT). However, the country produces only an average of 300,000 MT a year. This means the Philippines imports as much as 800,000 MT of palm oil from Indonesia and Malaysia just to meet local demand.

Data from the PPDCI showed that the country's crude palm-oil production in 2014 increased by 10.67 percent to 135,000 MT, from 122,000 MT in 2013. Production in 2015 & 2016 grew by 137,000 MT and 155,000 MT respectively, as the low price of oil palm slightly discouraged farmers from planting the crop.
For 2017, the price of oil palm (fresh fruit bunch) reached P3,900 per MT, lower than the "comfortable" price of P5,000 per MT. The inventory was high, but the demand for palm oil declined last year, causing prices to fall (*http://www.businessmirror.com.ph/2016/06/07/pinol-eyes-palm-oil-regulatory-body/*).

Key industry players are positive about the bright prospects of increasing palm oil production in the world market not to mention the great demand from the domestic market and the prospect of eventually exporting palm oil globally. This growing demand presents an opportunity for ABERDI to expand its current crude oil capacity of 10 tons per hour to 30 tons per hour. This expansion requires an additional 2,800 hectares of oil palm plantation representing 50% of the additional requirement of 5,500 hectares. Suitable lands for expansion are available in Misamis Oriental and Bukidnon Provinces due to its strategic proximity to the mill. More importantly, these areas have adequate and ideal available land; in good climatic conditions; and has a vast potential area for oil palm plantation.

There are now seven (7) out of nine (9) milling plants in the country which are located in Mindanao. On top of this, two (2) additional milling plants are in the pipeline. Out of the nine (9) plants, two (2) have upgraded into refinery plants. ABERDI is the second next to Caraga Oil Refinery Inc. (CORI).

Plan of Action

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Province of Bukidnon and Misamis Oriental areas through growership program. As of the end of 2017, 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 potential for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested for its expansion program aggregating to 2,000 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.

ABERDI's refinery with fractionation machine is now operational in full capacity of 50 MT/day. Likewise, the company is producing Palm Olein, Palm Stearin and Palm Fatty Acid Distillate in bulk sales. In 2016, it has already engaged in branding and packaging of premium cooking oil labelled as "Golden Belle". Its products are now FDA and HALAL-certified.

The company's 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, hyper-marts, 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 (TRP). This Dealership System has good functional discounts plus variable incentive scheme. This will provide customers and consumers excellent service and good margin to the best quality products.

PROSPECTS OF POWER GENERATION:

The Philippine Power System remained generally stable from January to June 2017 despite the natural and man-made calamities experienced during the period such as earthquakes in Batangas in Luzon and Leyte in Visayas and the Marawi siege in Mindanao; and events such as Malampaya Gas maintenance shutdown in Luzon, continued occurrences of forced outages of generation and transmission facilities which resulted to load dropping incidents in the three major grids. The strong coordination among all energy stakeholders to immediately respond to these challenges was key towards this end, coupled with the additional power generation capacities of 237 MW comprising of 63% coal, 33% solar, and 4% oil-based.

To ensure the delivery of quality, reliable, affordable, and secured electricity supply, the DOE initiated the issuance of policies for resiliency, conduct of performance assessment and technical audit for all energy facilities, and reactivated the Inter-Agency Task Force on Securing Energy Facilities (IATFSEF), among others.

Peak electricity demand forecast for 2018 is seen to exceed 2017 figures, based on the current data and actual figures from 2017 of the National Grid Corporation of the Philippines (NGCP).

Adequate power supply across all three grids-Luzon, Visayas, Mindanao is forecasted assuming that nothing deviates from the projections based on planned outages, the maintenance program, and the historical peaks and the projected rise in demand by the Department of Energy (DOE).

According to the Systems and Standards Division and Technical Services Department of NGCP, the Luzon grid breached its projected peak demand of 9,760 megawatts (MW) on May 9, 2017, peaking at 10,064 MW.

For the Visayas grid, the 1,975 MW projection saw an increase of 8.51 percent or a total of 2,143 MW recorded on November 14, while the Mindanao grid registered a lower peak demand of 1,760 on December 5.

NGCP also noted that traditionally, Luzon reaches its peak demand on the hottest day of summer.

In addition, forecasts for the Luzon grid, that peak demand would increase by 5.04 percent, compared with that in 2017 or a total of 10,561 MW.

Peak demand for the Visayas grid is expected to go up by 8.51 percent or a total of 2,143MW, and the Mindanao grid is expected to peak at 2,064 or an increase of 17.27 percent.

According to forecasts, the total system installed capacity by 2050 will be 78 gigawatts. The share of coal power plants will increase from about 30% in 2010 to around 50% in 2030. This share will further increase to 65% by 2050 since the existing natural gas plants are retired in the future. Over 25% of 2050 capacity will be diesel. It is also assumed that all of electricity demand will be supplied through electricity grids in which plants are dispatched to minimize variable costs.

The coal power generation share increases from 45% in 2010 to 70% in 2030. As natural gas plants are retired and replaced by coal power plants, the coal contribution to the power generation mix will rise to 85% by 2050.

According to the National Economic and Development Authority (NEDA) energy remains a crucial element in economic growth and development, stating the potential of the Philippines of reaching high-income status by 2040 provided the economy grows consistently by 7.0 percent annually. The Philippines scored 4.2 out of 7 in terms of sufficiency and reliability of power supply, as showed in a World Economic Forum report.

Sources: DOE, NGCP, ADB, NEDA

Plan of Action

Coal-Fired Power Project:

As economic activities continue to expand in the Visayas, specifically in Panay, a need for a more stable and sufficient power supply situation is a must. The 2 x 135 MW coal-fired power plant project in Concepcion, Iloilo was developed due to the foreseen power capacity requirements in the Visayas region. The first unit of this new base load plant was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power when it goes on line. Palm Concepcion Power Corporation (PCPC) the project proponent, constructed the power plant in 2013. The power plant is equipped with a steam turbine generator manufactured by Alstom of Europe.

PCPC started commercial operations of the first unit of the 135 MW Circulating Fluidized Bed Combustion (CFBC) power plant on August 16, 2016. It was inaugurated by the Philippine President Rodrigo R. Duterte in Malacañang on November 28, 2016. It is now delivering power supply to Panay, Negros, and the rest of Visayas.

Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers.

For the second unit, requirements for the Environment Compliance Certificate (ECC) have been completed and was already submitted to the Department of Environment and Natural Resources (DENR).

The power plant takes pride with the capability of its Circulating Fluidized Bed Combustion Technology and the sound environmental measures being practiced in the power plant as it maintained its excellent emission performance vis-a-vis the Department of Environmental and Natural Resources (DENR) standards.

At present, PCPC is fulfilling its purpose by serving the needs of its customers, helping ensure that homes and businesses have dependable and uninterrupted power supply, which they can afford, as it continues to uphold its commitment to the environment and host communities.

Bunker-Fired Power Project:

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-Transfer agreements for brand new bunker-fired engines, which will last for 15 years.

After signing a Power Purchase and Transfer Agreements 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.

Expansion of these two plants are also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative is also nearing completion and is expected to be on commercial operations by end of March 2018.

Hydro Power Project:

Hydro Link Projects Corporation (HLPC) is ABCI's corporate vehicle in the development of hydroelectric power across the Philippines pursuant of ABCI's Vision of energizing the country's development. HLPC is currently pursuing the Carac-an Hydroelectric Project (CHP) in Cantilan, Surigao del Sur. It is a run-of-river type of hydroelectric development along the Carac-an River, the largest river stream around the Carac-an watershed area. This 16.3MW hydroelectric plant is HLPC's first foray in the renewable energy market under the auspices of ABCI.

Mindanao is rich in natural resources and has a huge potential for renewable energy, especially hydropower. The Carac-an Hydropower Project is in line with the objective of the government to accelerate the exploration of renewable energy resources to achieve energy self-reliance to reduce the country's dependence on imported fuels.

The DOE has granted HLPC the Hydropower Service Contract for the exclusive right to explore, develop and utilize the hydropower potential of the Caracan River located in Barangay Lobo and Cabangahan, Municipality of Cantilan, Surigao del Sur. It is the water source of Cantilan National Irrigation System. The water for the irrigation system will not be affected by this hydropower development.

The project covers a drainage area of about 161 sq. km. measured at the proposed dam site. The result of the feasibility study shows that it would necessitate to build a diversion dam with a height of about 42 meters to attain the projected capacity and energy. The water will be diverted to a powerhouse located about four (4) kms downstream via a 4.4-km length of associated headrace and 140-m penstock. The powerhouse will be equipped with two (2) units of 8.15MW (2 x 8.15MW) of Francis Turbine for a total of installed capacity of 16.3MW with an estimated annual energy generation of about 78.9 GWh.

The output of the power station is proposed to be connected to the nearest sub-station of the Surigao del Sur Electric Cooperative II (SURSECO II), located in Madrid Sub-station. Currently SURSECO II has a peak demand of about 13MW. The excess power can be sold to other customer around the Mindanao Grid.

The proposed Project, being an indigenous source, can offer a very competitive energy price and is projected to help the stability of power in the area. In the economic terms, the Project can help save the environment by displacing part of the energy generated by fossil-fired power plants and can help protect the watershed and its environment.

The Project is also seen as an integral part of the economic development in the area and will further boost the economic and living condition of the constituents.

Along with the Hydropower Service Contract (HSC), the project has been granted its corresponding Certificate of Registration. After the Feasibility Study was completed, the project has been presented to the DOE as part of the process in its evaluation on granting the Certificate of Commerciality (COC).

The application for Water Permit has also been filed. In the application for water permit, NWRB requires developer the submission of "River System Ecological Study and Sustainability Plan." This additional requirement of NWRB will be included during the conduct of the environmental study.

Likewise, procurement for other permitting and approvals shall follow which include: Environmental Study, Endorsement from NCIP for FPIC, Endorsement and Resolution of Support from LGUs, and Public Consultation. The acquisition of the above approvals is the requirement of DOE in order for the Project to advance to the next phase of project implementation which is the development/commercial stage. Afterwards, the project is ready for construction.

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 inflation rate for full year 2017 settled to 3.2% which was within the government's target range of 2%-4% but higher than the 1.8% of 2016 and 1.4% (using the 2006-base price) of 2015. Inflation rose to a three-year high mainly as the prices of food and utilities as well as transportation costs increased faster in 2017. For the entire 2017, the average rate of increase in prices of basic goods jumped from 1.8 percent in 2016 as well as the record-low 1.4 percent in 2015. The low inflation rates in the two preceding years, which fell below the government's yearly target range of 2-4 percent, reflected the impact of the sharp drop in global oil prices during the period. As the price of oil normalized worldwide, domestic prices of housing, water, electricity, gas and other fuels increased 3.2 percent in 2017, reversing the 0.2-percent decline in 2016, Philippine Statistics Authority (PSA) data showed.

The socioeconomic planning office sees inflation over the near-term to remain stable despite pressures that may be brought about by the newly enacted TRAIN program, weather patterns and uncertainties in international oil markets. NEDA also said supply conditions, particularly of major agricultural commodities appears favorable within the near term. The crop outlook according to the PSA as of October 2017 indicates increases in harvest areas across regions, attributed mainly to sufficient water supply and government interventions such as the continued provision of high-yielding seed varieties and fertilizer support. To relieve the inflationary effects of TRAIN, the government needs to prioritize amending domestic laws that will end quantitative restrictions on rice and replace them with tariffs. This measure will remove the policy uncertainty in rice trade and thus encourage more investments in production and post-production innovation. The revenues from the tariff can be used to fund or subsidize such innovations. Efforts must be made to strengthen the resiliency of farmers from extreme weather conditions to maintain the stability of food prices. One is by shifting to climate change-ready rice varieties.

Any increases in prices in the first few months of 2018 will be tempered by the expected decline in power rates as capacity fees from power generators fell due to fewer power outages. The inflationary expectations can be also be tempered by further increasing the supply of goods and services. This can be done by encouraging more investments or for existing firms to expand production. For these, the second round of tax reform, or TRAIN 2, is critical. This should be accompanied by the passage of the ease of doing business bill. Equally important are vigilant price monitoring and prompt action to curb profiteering.

The timely implementation of the "Build Build Build" Program will also be critical in bringing down electricity and transportation costs over the medium-term.

While the country has stayed within the inflation target in 2017, the socioeconomic planning office considers that Development Budget Coordination Committee will likely maintain the 2 to 4 percent target range for this year until 2020.

In 2017, the country's Gross Domestic Product grew at 6.7% slightly below from the previous year's 6.9% which is along the high-end of the government's target of 6.0% to 7.0% growth rate for the year 2016. For full-year of 2017, the Philippines remains as one of the best performing economies in the Asian region with China at 6.9% and Vietnam at 6.8%. The Philippine economy growing above 6% for the 6th straight year in 2017 was made possible to a recovered agriculture sector, strong government consumption as well as better exports and imports. This was despite a drop in private construction spending, post-election impact and a plateauing business process outsourcing (BPO) industry.

The main driver of growth was public spending in line with the government's commitment to timely delivery of public services and social protection programs, including assistance to victims of typhoons as well as in Marawi conflict, public scholarship programs and health expenditure programs. The decline was considered moderate given that it is normal for post-election years to witness a decline in economic growth. A major contributing factor to the decline was miscellaneous services which includes BPO industry. Although the BPO industry expects annual growth to slow down to 9% until 2022, this is an indication that for it to grow much more is for the industry to diversify into higher value-added services.

Philippine economy is perceived to remain as one of the fastest-growing economies in the region in 2018 with the government's own target range of 7% to 8% growth rate which is higher from last year's 6.5% to 7.5%. The Duterte Administration is banking on its infrastructure program called "Build Build Build" Program and the newly implemented tax reform law.

Under the ambitious "Build, Build, Build," the government plans to roll out 75 flagship, "game-changing" projects, with about half targeted to be finished within President Duterte's term, alongside plans to spend up to P9 trillion on infrastructure until 2022 to usher in "the golden age of infrastructure."

To achieve these goals, there are risks that lie ahead. Extreme weather disturbances like global warming and strong typhoons will be the biggest roadblock. The agriculture sector challenge is to make it resilient to such shocks. Reducing the cost of food, especially of rice, is important in reducing poverty. At the same time, there's need to raise productivity in the agricultural sector by helping farmers transition to higher value crops and making technology easily accessible. Other potential downside risks also include possible policy shifts in the US, greater volatility in capital flows, and geopolitical risks. Thus, the government needs to remain vigilant and consider potential repercussions to the Philippine economy.

There's a need as well to nurture entrepreneurship and attract investments to produce higher-paying, higher quality jobs especially outside of Metro Manila. In turn, such investments will require a truly secure and stable economic and political environment. Moreover, the sectors should be resilient and diversified in both of products and markets, in particular, championing innovation and diversification in the industry sector. In the services sector, there is a need for a policy environment that makes it easier for firms to set up and operate businesses, as well as to comply with regulations. The government also need to make the regulatory system much more efficient and transparent.

The crafting of the Philippine Development Plan (PDP) of the present administration will provide a holistic and comprehensive approach to equipping the economy to accommodate higher growth in the following years. Importantly, this PDP is people-centered, as it is anchored on the people's aspirations for the long-term, as articulated in AmBisyon Natin 2040. Among the government's priorities are infrastructure development, human capital investment, regional development, social protection and humanistic governance in order to lay the foundation for inclusive growth, a high-trust society, resilient communities, and a globally competitive knowledge economy.

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

The Company does not expect to conduct any product research and development in the foreseeable future. No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Company's operations. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation nor material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Significant Change in the number of employees

The Brown Group of Companies foresees significant change in the number of employees at twenty five (25) 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 Parent and Consolidated Financial Statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules, presented herewith as Exhibit VI and Exhibit VII.

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 replaced by Annalyn B. Artuz for audit year 2014 to 2016. For the audit year 2017, Rogelio M. Guadalquiver is the Partner-In-Charge.

External Audit Fees and Services

A) Aggregate fees billed for the calendar years 2016 and 2015 for the audit of financial statements:

	2017	2016
1) Regular Annual Audit of Financial Statements (inclusive of VAT)	P 492,800	P 492,800

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 nine (9) subsidiaries in 2017 was ₱403,200 and ₱364,000 in 2016 for its eight (8) subsidiaries (direct & indirect).

B) Aggregate fees billed for the calendar years 2017 and 2016 for Tax Compliance Audit are as follows:

	2017	2016
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 was the external tax consulting firm who conducted the 2011 tax compliance audit of the parent and some of its subsidiaries. The firm was retained as tax consultant thereafter until September 2016.

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 October 2017 to June 2018

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 or until the election of new directors in the next stockholders' meeting.

INFORMATION ABOUT EACH DIRECTOR AND EXECUTIVE OFFICER

WALTER W. BROWN, Director and Chairman Emeritus

Walter W. Brown, Filipino, 78, is Director and Chairman Emeritus of A Brown Company, Inc. He is also the Chairman of Palm Thermal Consolidated Holdings Corporation, Palm Concepcion Power Corporation, PeakPower Energy Inc., and A Brown Energy & Resources Development 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, 75. 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.

ROBERTINO E. PIZARRO, Director and Chairman*

Mr. Robertino E. Pizarro, Filipino, 63, was elected as Executive Chairman* on September 28, 2016. He was the President of the company from August 2003 to Sept. 2016. He finished the course on Strategic Business Economic Program at University of Asia and the Pacific (Aug 2002–Aug 2003). Currently, he is the President of Cagayan de Oro Chamber of Commerce and Industry. 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), Simple Homes Development, Inc., 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 publicly-listed companies.

**On March 28, 2017, the designation of Mr. Robertino E. Pizarro as Executive Chairman was changed to Chairman.*

ROEL Z. CASTRO, Director and President and Chief Executive Officer*

Mr. Roel Z. Castro, Filipino, 51, President and Chief Executive Officer joined the company last May 2010 and has become a Director since December 2012. Before his election as the President in ABCI, he held the position as EVP for Business Development. 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.

Currently, Mr. Castro is 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., Hydro Link Projects Corp. These companies are engaged in power generation such as coal-fired, bunker-fired and development of hydro power. He is also President of Brownfield Holdings Inc., a private firm that has shares in ABCI and operates as an investment holding company. He has no directorship in other publicly-listed companies.

He became 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.

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

**On March 28, 2017, the designation of Mr. Roel Z. Castro as President was changed to President and Chief Executive Officer.*

ELPIDIO M. PARAS, Independent Director

Engr. Elpidio M. Paras, Filipino, 65, 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 Northern Mindanao Foundation, Inc. (2005 to present), President – Cagayan de Oro Chamber (2007), Chairman of the Board of Trustees – Xavier University (2007 to 2016) 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 and currently he is a Board Director for the Mindanao area. He is a trustee in the Tourism Congress of the Philippines.

He has no directorship in other publicly-listed companies.

THOMAS G. AQUINO, Independent Director

Dr. Thomas G. Aquino, Filipino, 69, Independent Director since 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 Chairman of REID Foundation, a provider of economic solutions experts to partners of reform packages to facilitate inclusive economic growth and development.

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 policy negotiations in the World Trade Organization and Asean Economic Community 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.

ANTONIO S. SORIANO, Director

Atty. Antonio S. Soriano, Filipino, 69, 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 publicly-listed companies.

JOSELITO H. SIBAYAN, Director

Joselito H. Sibayan, Filipino, 59, was appointed as Director and Treasurer of A Brown Company, Inc. on March 28, 2017. His designation as Treasurer has ceased with the appointment of Mr. Joel A. Bañares on May 04, 2017. Currently, he is an Independent Director of Apex Mining Co. Inc. and SM Prime Holdings, Inc., publicly-listed companies. He is also President and CEO of Mabuhay Capital.

Prior to forming Mabuhay Capital, he was the Vice-Chairman of Investment Banking-Philippines and Philippine Country Manager for Credit Suisse First Boston (1998-2005). He held various positions from Senior Vice-President, Head of International Fixed Income Sales to Executive Director and Chief Representative at Natwest Markets (1993-1998). He was also the Head of International Fixed Income Sales at Deutsche Bank in New York (1988-1993). He spent 31 years in investment banking with experience spanning securities sales and trading, capital-raising, and mergers & acquisitions advisory.

Mr. Sibayan obtained his MBA from the University of California in Los Angeles and his B.S. Chemical Engineering from De La Salle University – Manila.

JOEL BAÑARES, Director and Treasurer

Joel A. Bañares, Filipino, 60, was appointed Treasurer of A Brown Company Inc. on May 4, 2017 and elected as Director on October 25, 2017.

He is currently a financial advisor to various power and infrastructure-related projects. His previous corporate finance experiences included serving as Chief Financial Officer of the National Grid Corporation of the Philippines (2009-2010) and of the National Steel Corp. (1996-1997). He was an independent director of publicly-listed Marcventures Holdings Corp. (2010-2013). He started off his career in the field of finance as a banker at the Philippine National Bank where he worked for six years (1983-1989) and rose to the position of Vice President. He became president of two stock brokerage firms, First Peninsula Securities Corp. and Wincorp Securities Corp., during the '90s. He had a stint in government as Undersecretary of Finance, in charge of International Finance and Privatization from 1998 to 2001. He has no directorship in other publicly-listed companies.

Mr. Bañares obtained his MBA from the Wharton School of the University of Pennsylvania and his B.S. in Business Economics from the University of the Philippines, Diliman. He is a Fellow of the Institute of Corporate Directors.

Company Officers of ABCI:

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

ROEL Z. CASTRO, **President & Chief Executive Officer** (refer above for his profile)

JOEL BAÑARES, Director and Treasurer (refer above for his profile)

IGNACIO A. MANIPULA, Senior Vice-President – Chief Finance Officer*

Ignacio A. Manipula, Filipino, 56, is appointed Senior Vice-President – Chief Finance Officer of A Brown Company Inc. effective January 1, 2018.

He has 36 years of experience in the banking, insurance and financial services industries with a solid background in the areas of Loans, Finance & Investments, Deposits & Cash Management, Trade Finance and International Operations, Branch Management, Marketing & Advertising, Retail & Institutional Sales Channel Management, Product Development, Corporate Banking & Relationship Management and Human Resource Management.

Mr. Manipula was the First Vice President and the Head of Operations of the whole Sumitomo Mitsui Banking Corporation, Manila Branch (SMBC-Manila). Prior to joining SMBC-Manila, he was with Philippine Veterans Bank as the Group Head of Bank Operations and Support Group until 2015.

He worked with Sun Life of Canada from 2000 to 2007 where he held various assignments as a Director in the areas of Business & Product Development and Sales & Marketing. He spent his first three years with Sun Life as Head of Sales and Marketing of Sun Life Asset Management Company (SLAMC) where he was responsible for organizing, staffing and training the Mutual Fund Sales and Marketing team.

Before the year 2000, he was with Bank of the Philippine Islands (BPI) where he grew his career as a banker for 19 years. He started his career with BPI in Treasury, and then he held various positions in International Operations, Loan Operations, Branch Banking, Central Operations, and Corporate Sales. He also became a branch manager and later on as a Relationship Manager in the Private Banking Division under the Emerging Markets Group.

He graduated from the De La Salle University with a degree in Bachelor of Science in Commerce, Major in Marketing Management. He got his Masters in Management degree from the Asian Institute of Management (AIM) and has had extensive trainings and seminars for working professionals during his stints in the various banks and institutions that he joined.

**On December 7, 2017, Mr. Ignacio A. Manipula has been appointed as the Sr. Vice President-Chief Finance Officer effective January 1, 2018.*

MARIE ANTONETTE U. QUINITO, From Chief Finance Officer to Vice-President – Comptroller

Atty. Marie Antonette U. Quinito, Filipino, 41, joined the A Brown Group of Companies in November 2013 as Comptroller. She was appointed as Chief Finance Officer effective September 1, 2015 until December 31, 2017. Thereafter she was appointed as Vice President-Comptroller effective January 1, 2018. She was formerly a Director of the company.

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.

**Atty. Marie Antonette U. Quinito remains as Chief Finance Officer until the end of 2017 and thereafter she was appointed as Vice President-Comptroller*

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

Engr. John L. Batac, Filipino, 49, 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, 46, is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms Asia United Bank, Belle Corporation, Crown Asia Chemicals Corporation, and Pacific Online Systems Corporation. He is also a Director and/or Corporate Secretary or Assistant Corporate Secretary of private companies Sino Cargoworks Agencies, Inc., Falcon Resources, Inc., Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Metropolitan Leisure & Tourism Corporation, Sagesoft Solutions, Inc., Radenta Technologies, Inc., Xirrus, Inc., Glypthstudios, Inc., Loto Pacific Leisure Corporation, and Sta. Clara International Corporation. 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.

DANIEL WINSTON C. TAN-CHI, Assistant Corporate Secretary

Daniel Winston C. Tan-chi, Filipino, 39, is appointed Assistant Corporate Secretary of A Brown Company Inc. effective October 25, 2017.

Currently, he is the Corporate Secretary of Palm Thermal Consolidated Holdings, Hydro Link Projects Corp., Masinloc Consolidated Power, Inc., AB Bulk Water Company, Inc. and other 26 non-listed companies.

He has 14 years of experience in the legal services industry with a solid background in the areas of Project and Debt Financing, Mergers & Acquisitions, Joint Ventures, Labor Disputes and Real Estate.

Mr. Tan-chi is a Partner in the law firm of Picazo Buyco Tan Fider & Santos where he started his career in 2005.

He graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Legal Management in 2000. He also received his Juris Doctor from the Ateneo de Manila Law School in 2004.

ALLAN ACE MAGDALUYO, Compliance Officer

Allan Ace Magdaluyo, Filipino, 38, is appointed Compliance Officer of A Brown Company Inc. effective October 25, 2017. He started his career in A Brown Company, Inc. as Investor Relations Officer in June 2010 and promoted as Finance Manager and Senior Finance Manager in 2012. He graduated his BS Accountancy degree at Mindanao State University – Marawi as Magna Cum Laude and College Leadership Awardee in 2000. He took and passed the May 2001 CPA Board Examination. After obtaining his CPA license, he worked as an Accountant II in the Department of Education – Division of Agusan del Sur before he embarked on his graduate studies. He graduated his Master of Science in Finance degree at University of the Philippines – Diliman in 2008 and had completed his academic units for a Master in Public Administration at Bukidnon State University – San Francisco External Studies in 2004. He obtained his license as a Real Estate Broker in 2011 and Real Estate Appraiser in 2013 (Top 9).

Previously, he worked as internal auditor for an IT software firm in Makati and had also a short stint as a college instructor when he was still working in his province.

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.

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 of Compensation

Name	Position	As of December 31, 2017			2018 (Estimates)		
		Salary	Per Diem*	Others/Bonus	Salary	Per Diem*	Others/Bonus
Roel Z. Castro	President and CEO						
Robertino E. Pizarro	Executive Chairman, then Chairman						
Marie Antonette U. Quinito	CFO, then VP-Comptroller						
John L. Batac	VP- Construction & Dev't.						
Allan Anthony A. Ramos	AVP- Admin & Logistics						
all above-named Directors & Officers as a group		19,831,562	318,000	1,622,961	19,944,000	621,000	1,669,500
all other officers and directors as a group unnamed *includes travel allowance*		16,330,577	910,000	2,110,499	24,940,411	1,584,000	2,078,368

Name	Position	2016		
		Salary	Per Diem*	Others/ Bonus
Walter William B. Brown	Executive Chairman, then Chairman Emeritus			
Robertino E. Pizarro	President, then Executive Chairman			
John L. Batac	VP- Construction & Dev't.			
Marie Antonette U. Quinito	Chief Finance Officer			
Ma. Theresa E. Merto	Sr. Sales & Marketing Manager			
all above-named Directors & Officers as a group		18,584,324	205,000	2,508,197
all other officers and directors as a group unnamed * *includes travel allowance*		16,329,250	645,000	3,441,671

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNER

a) As of December 31, 2017, 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	798,366,371	32.22%
Common	**Walter W. Brown** No. 10 Temple Drive, Greenmeadows Q. C.	Chairman Emeritus	direct & indirect	Filipino	505,507,185	20.40%
Common	**Annabelle P. Brown** No. 10 Temple Drive, Greenmeadows Q. C.	Director	direct & indirect	Filipino	205,444,488	8.29%
Common	**Brownfield Holdings Inc.** No. 10 Giraffe St., Greenmeadows, Quezon City	Stockholder	direct	Domestic Corp.	647,238,938	26.12%
	Total				2,156,556,982	87.04%
	*** PCD Nominee Corporation has a total shares of 1,678,583,618 or 67.7485% 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*				*717,219,568*	*28.95%*
	Campos, Lanuza & Company, Inc. *Unit 2003B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*				*374,793,656*	*15.13%*
	Maybank ATR-Kim Eng Securities, Inc. *17F, Tower One & Exchange Plaza, Makati City*				*148,434,620*	*5.99%*
	*** 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*				*323,081,373*	*13.04%*
	Annabelle P. Brown (direct and indirect) *No. 10 Temple Drive, Greenmeadows, Quezon City*				*131,135,874*	*5.29%*
	Brownfield Holdings Inc. *No. 10 Giraffe St., Greenmeadows, Quezon City*				*426,000,000*	*17.19%*

- 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.
- Brownfield Holdings Inc. (BHC) is represented by its authorized officer as approved by its Board of Directors to vote or direct the voting or disposition of BHC's shareholdings in the company.

(b) Shares held by Directors and Executive Officers as of December 31, 2017:

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Owned	Nature of Ownership (r/b)	% of Class
Common	Walter W. Brown	Filipino	505,507,185	direct & indirect	20.4025%
Common	Annabelle P. Brown	Filipino	205,444,488	direct & indirect	8.2918%
Common	Robertino E. Pizarro	Filipino	4,358,920	direct & indirect	0.1759%
Common	Roel Z. Castro	Filipino	1,001,500	r/b	0.0404%
Common	Antonio S. Soriano	Filipino	501,581	r/b	0.0202%
Common	Elpidio M. Paras	Filipino	1,581	r/b	0.0001%
Common	Thomas G. Aquino	Filipino	1,500	r/b	0.0001%
Common	Joselito H. Sibayan	Filipino	146,400	r/b	0.0059%
Common	Joel A. Bañares	Filipino	100	r/b	0.0000%
Common	Marie Antonette U. Quinito	Filipino	120	r/b	0.0000%
Common	Daniel Winston C. Tan-Chi	Filipino	6,245,600	r/b	0.2521%
Common	Jason C. Nalupta	Filipino	-	r/b	0.0000%
Common	Allan Ace R. Magdaluyo	Filipino	-	r/b	0.0000%
Common	John L. Batac	Filipino	-	r/b	0.0000%
	Total		723,208,975		

(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 non-interest bearing loans from the family of Dr. Walter W. Brown. On 12 October 2017, the Board approved the conversion of the Company's debt amounting to ₱250,000,000 to equity at Php 1.13/share based on the 15-day volume weighted average price for the period ending on October 11, 2017. Please refer to Note 18 of the accompanying Notes to the Consolidated Financial Statement for a discussion on Related Party transactions.

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 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:

a. The Company's Board of Directors approved on May 31, 2017 the Revised Manual on Corporate Governance pursuant to SEC Memorandum Circular No. 19, Series of 2016.

b. 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. Thereafter, the company submitted the ACGR on the following dates:

Report	Date Submitted
Consolidated Changes in the Annual Corporate Governance Report for 2013 (with updates as of May 9, 2014)	May 13, 2014
Consolidated Changes in the Annual Corporate Governance Report for 2014	January 09, 2015
Consolidated Changes in the Annual Corporate Governance Report for 2014 (with updates as of June 19, 2015)	June 24, 2015
Consolidated Changes in the Annual Corporate Governance Report for 2015	January 08, 2016
Consolidated Changes in the Annual Corporate Governance Report for 2015 (with updates as of September 28, 2016)	October 03, 2016
Consolidated Changes in the Annual Corporate Governance Report for 2016	May 30, 2017
Changes in the Annual Corporate Governance Report as of October 25, 2017	November 02, 2017

c. 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. The 2016 PSE Corporate Guidelines Disclosure Template was submitted to the exchange on March 30, 2017.

   Securities and Exchange Commission (SEC) and The Philippine Stock Exchange, Inc. (PSE) have completed the harmonization of the SEC Annual Corporate Governance Report (ACGR) and PSE Corporate Governance Guidelines Disclosure Survey (CGR-1) into one report dubbed as the "Integrated Annual Corporate Governance Report" (I-ACGR). For the year 2017, listed companies are no longer required to submit the ACGR and CGR-1. SEC mandated all publicly-listed companies to submit an Integrated Annual Corporate Governance Report ("I-ACGR") on May 30 of the following year per Memorandum Circular No. 15, Series of 2017.

d. The Company's Corporate Secretary submitted to the SEC on January 6, 2017 the Certification on attendance of members of Board of Directors for the year 2016. For the year 2017, pursuant to the provision of Memorandum Circular No. 15, Series of 2017, the companies are no longer be required to file updates and changes on the I-ACGR within five (5) days from the occurrence of the reportable changes. The directors' attendance to the twelve (12) Board meetings held for the year is as follows:

	Date of Meeting											
	Feb 23	March 28	May 4	May 22	May 31	Aug 30	Oct 4	Oct 12	Oct 25	Oct 25***	Dec 7	Dec 22
Robertino E. Pizarro	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Walter W. Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annabelle P. Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Roel Z. Castro	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Elpidio M. Paras	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
Thomas G. Aquino	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Antonio S. Soriano	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Renato N. Migriño*	✓	✓										
Joselito H. Sibayan**			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Marie Antonette U. Quinito****	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Joel A. Bañares*****										✓	✓	✓

Note : * *Resigned on 28 March 2017*

** *Elected on 28 March 2017*

*** *Organizational Meeting*

**** *Term ended on 25 October 2017*

***** *Elected on 25 October 2017*

e. 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 2017, sixteen (16) directors and officers attended a seminar on Corporate Governance in compliance with SEC Memorandum Circular No. 20 Series of 2013.

f. 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.

g. 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.

h. The Board of Directors through the recommendation of 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".

i. The Company acknowledges the importance of the role of stakeholders in corporate governance which includes customers' welfare, supplier/contractor selection practices, environmentally friendly value-chain, community interaction, anti-corruption programs and procedures and creditors' rights.

The company is dedicated to satisfying its customers, listening to their requests and understanding their expectations. It likewise strives to meet their expectations in affordability, quality and on-time delivery. The suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance and delivery. While cultivating professional relationships with the suppliers, the company shall maintain an honest, objective and efficient procurement process which is in accordance with 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. It must avoid even the appearance of improper conduct in all our business dealings. 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. In the communities where we operate, the company works to make a positive and lasting difference in people's lives. The Company does 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. The Company's Employee Code of Conduct seeks a behavior 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. Employees are re-oriented of Company's procedures and policies and it sponsors retreat and recollection for renewal including attendance to seminar and workshops for improvement of skills and competence as part of Company's employee's health, safety and welfare. 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.

j. 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 Revised Manual on Corporate Governance by ABCI.

PART VI – 2017 Corporate Social Responsibility

CSR Initiative	Beneficiaries
1.) ABCI Scholarship Program (on going since 2011)	The recipients of ABCI Scholarship program are five (5) college students, two (2) junior high school students and one (1) student enrolled in graduate studies belonging to the Higaonon tribe from Kalabugao, Impasugong, Bukidnon and Tingalan Opol. Misamis Oriental, respectively. Of the eight (8) ABCI Scholars, two (2) of them are now 3rd year college enrolled at Misamis Oriental State College of Agriculture and Technology taking up Bachelor of Science in Agriculture. Two (2) 3rd year college students are enrolled at Opol Community college taking up Bachelor of Science in Business Administration. One (1) is a 2nd year student taking up the same course. Two (2) students enrolled under junior high school program at Opol National High School. One (1) student enrolled at Mindanao University of Science and Technology graduate studies.
2.) Community engagement in the initial phase of road concreting of Upper Balulang to Taguanao -Pelaez Bridge	Facilitate community meetings in areas near and around ABCI properties (Xavierville, St Therese, Mt. View Homes, Adelaida Park and Villa Verde Subd.- a relocation site of the City Government of Cagayan de Oro). Assist in a community petition for the concreting of access road which was submitted to the City Council that led to the initial concreting of 1.2 kilometer barangay road by the City Government. Concerted effort is now being enlisted for the City Government of Cagayan de Oro to finish the project.
3.) Financial Assistance to Indigenous Peoples (IPs) Community	The financial assistance serves to sustain partnership with IPs in Kalabugao to preserve peace and order in the community
4.) Blood-Letting Activity	In partnership with Philippine Red Cross, HR organized/facilitated bloodletting activities in Cagayan de Oro City on Aug. 4, 2017 and Dec. 6, 2017 with a total of 24 successful blood donors. This blood-letting activity is an annual humanitarian activity of A Brown Group of Companies participated by employees of the company.

PART VII – EXHIBITS AND SCHEDULES

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

(a) Exhibits – See accompanying Index to Exhibits (page 79)
The following exhibit is incorporated by reference in this report:
(10) 2017 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 88)

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 MANDALUYONG CITY on APR 2 4 2018, 20___.

A BROWN COMPANY, INC.
Issuer

By:

Robertino E. Pizarro
Chairman

Roel Z. Castro
President & Chief Executive Officer

Ignacio A. Manipula
SVP-Chief Finance Officer

Atty. Jason C. Nalupta
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 2 4 2018 2018, affiants exhibiting to me their respective passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Robertino E. Pizarro	P4275745A	September 6, 2017	DFA Cagayan de Oro City
Roel Z. Castro	P3734806A	July 20, 2017	DFA Manila
Ignacio A. Manipula	EB9660802	November 22, 2013	DFA NCR South
Jason C. Nalupta	EB9957619	January 10, 2014	DFA Manila

Doc. No. 43
Page No. 93
Book No. 69
Series of 2018

ABUGAN
NOTARY PUBLIC
Dec. 31, 2018
Rizal Chapter
Roll No. 26890
MCLE ... 4424-10/31/2014
... 01/05/2018
Mandaluyong City
TIN # 116-239-956
Tel. 631-40-90

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 2017

SUPPLIERS NAME	ADDRESS
BME PARTNERS, INC.	Dr7 GSC/RA BLDG. GUSA, CDO CITY
UP MARKETING	#11 LAPASAN HI-WAY, CDO CITY
SHARP ELECTRICAL SUPPLY, INC.	#6 OSMEÑA ST., CDO CITY
SQUARE DEAL ENTERPRISES	BALONGIS, BALULANG CDO CITY
ORO MIGHTY ENTERPRISES	196 CORRALES AVE., CDO CITY
DATAWORLD COMPUTER CENTER	T. NERI ST., CDO CITY
GOLDTOWN INDUSTRIAL SALES CORP.	OSMEÑA ST., CDO CITY
JAS TRADING & GENERAL SERVICES	T.NERI ST., BALOY, TABLON, CDO CITY
HOME PLUS TRADING DEPOT INC.	ZONE 6 NATIONAL HIGHWAY, BULUA, CDOC
CITI HARDWARE BACOLOD, INC.	NATL HIGHWAY, TABLON, CDO CITY
TRANSWAY SALES CORPORATION	128 MAGSAYSAY AVE., DAVAO CITY
TECHNO-TRADE RESOURCES, INC.	164 R.CASTILLO ST.,AGDAO,DAVAO CITY
ALFE COMMERCIAL	OSMEÑA ST., CDO CITY
MLE AGGREGATES	STA. ANA TAGOLOAN MIS. OR 9000
CAGAYAN NIPPON HARDWARE	PRES. ROXAS-JT.BORJA STS., CAGAYAN DE ORO CITY
MONARK EQUIPMENT CORPORATION	KAUSWAGAN HI-WAY, CDO CITY
MINDANAO ACE MARKETING	OSMEÑA ST., CDO CITY
HEAVENLY SPARE PARTS TRADING	ZONE 5, ILAYA VAMENTA BLVD., CARMEN, CDOC
KUPLER DCMC PHILIPPINES CORPORATION	109 LYR ARCADE, HI-WAY BALOY, CDO
FMV DRILLING INDUSTRIES SALES AND SERVICES	DR 2 RAAGAS CMPD, ZONE 2 KAUSWAGAN, CDOC

LIST OF ACCREDITED SUPPLIERS (TOP 20) – ABERDI
FOR THE YEAR 2017

SUPPLIERS NAME	ADDRESS
ALFE COMMERCIAL	OSMEÑA ST., CDO CITY
ARA INDUSTRIAL SUPPLY	SACRET HEART,CARMEN,CDO
ARVIN INTERNATIONAL MARKETING, INC.	DAET,CAMARINES NORTE
ASIA PHILIPPINE TYRES CORPORATION	256 OSMEÑA ST., CAGAYAN DE ORO CITY
BETA TECHNOLOGIES, INC.	F.RAMOS ST. CEBU CITY
BME PARTNERS, INC.	Dr7 GSC/RA BLDG, GUSA, CDO CITY
BRENNTAG INGREDIENTS INC.	LEGASPI VILLAGE, MAKATI CITY
CAGAYAN DE ORO GAS CORP.	PUROK 7, GUSA HIGHWAY, CDOC
CHEMI SOURCE UNLIMITED CORP.	SASA, DAVAO CITY
COLUMBIA COMPUTER CENTER, INC.	T.NERI ST. DIVISORIA, CDO CITY
DAVAO SUN-ASIA GENERAL MERCHANDISING INC.	DOOR 2, JMSG BLDG., CORRALES EXT., CDOC
FARGO MOTOR PARTS INC.	OSMIÑA ST., CAGAYAN DE ORO CITY
FIL CONVEYOR COMPONENTS	GUSA, CDO CITY
G SOURCE LOGISTICS	XAVIER HEIGHTS, CDO CITY
KUPLER DCMC PHILIPPINES CORPORATION	109 LYR ARCADE, HI-WAY BALOY, CDO
LCG MARKETING (Phils.) CORP.	OSMEÑA ST., CDO CITY
METRO ACE INNOVPLAS CORP.	LANANG, DAVAO CITY
ORO MIGHTY ENTERPRISES	196 CORRALES AVE., CDO CITY
TOP LIFEGEAR MARKETING	CABANCALAN,MANDAUE CITY
UP MARKETING	#11 LAPASAN HI-WAY, CDO CITY

EXHIBIT- IIa

Item 2. Properties

List of Properties as of December 31, 2017

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.
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 EBusiness Services, Inc.:* *Year 1: September 20,2017 - May 31, 2018 = PhP 94,620.81; 10%escalation* *May 01,2018 - September 30,2018 = PhP 94,620.80* *Extension: October 01,2018 - November 30,2018 = PhP 104,082.89*	A Brown Company, Inc.
Culiat, Quezon City	5,550	Residential property with informal settlers and subject to land litigation	A Brown Company, Inc.
New Manila, Quezon City	45 86 12.50	Residential condominium unit (Unit 1001-B) Residential condominium unit (Unit 701-A) Parking slot	A Brown Company, Inc.
Tanay, Rizal	1,614,881	mostly raw land	A Brown Company, Inc.
	276,977	A raw land	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.
Cugman, Cagayan de Oro City	1,160	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.
	23,179	developed residential subdivision ; socialized housing - Mt. View Homes	A Brown Company, Inc.
	6,002	on-going development residential subdivision ; socialized housing - Mt. View Homes Phase 2	A Brown Company, Inc.
	43,672	developed residential subdivision ; socialized housing - Adelaida Residences	A Brown Company, Inc.
	131,521	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.

Location	Area in Sq. Meters	Condition	Owner
Mindanao:			
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 - Teakw ood Hills	A Brown Company, Inc.
	121,900	undeveloped land for residential use - Teakw ood Hills 1	A Brown Company, Inc.
	30,914	undeveloped land for residential use - Teakw ood Hills 2	A Brown Company, Inc.
	21,761	undeveloped land for residential use - Teakw ood Hills 3	A Brown Company, Inc.
	47,200	undeveloped land for residential use - Teakw ood Hills 4	A Brown Company, Inc.
	28,610	undeveloped land for residential use - Teakw ood Hills 5	A Brown Company, Inc.
	13,355	undeveloped land for residential use - Teakw ood Hills 6	A Brown Company, Inc.
	11,657	undeveloped land for residential use - Teakw ood Hills 6	A Brown Company, Inc.
	19,054	undeveloped land for residential use - Teakw ood Hills	A Brown Company, Inc.
Bonbon, Butuan City	201,370	developed residential subdivision - West Highlands	A Brown Company, Inc.
	23,600	for LS application of Phase 2A	A Brown Company, Inc.
	30,000	for LS application of Phase 2A	A Brown Company, Inc.
	30,000	for LS application of Phase 2A	A Brown Company, Inc.
	49,995	for LS application of Phase 2A	A Brown Company, Inc.
	49,999	for LS application of Phase 2A	A Brown Company, Inc.
	49,651	for LS application of Phase 2A	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.
	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.
	300	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 the site of 10 T/hr palm oil mill and the 50T/day refinery (construction on-going)	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. (Now Simple Homes Development Inc.)

EXHIBIT- III

A BROWN COMPANY, INC.
LIST OF TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2017

Rank	Name of Stockholders	Total Number of Shares Subscribed	Percent to Total Outstanding
1	PCD NOMINEE CORPORATION**	1,678,583,618	67.7485%
2	BROWNFIELD HOLDINGS INCORPORATED	221,238,938	8.9293%
3	BROWN, WALTER W.	176,880,000	7.1390%
4	JIN NATURA RESOURCES CORPORATION	102,000,000	4.1168%
5	RMESCALONA CONSULTING, INC.	88,495,575	3.5717%
	VALUELEASES, INC.	88,495,575	3.5717%
6	PBJ CORPORATION	74,306,496	2.9990%
7	BROWN, WALTER W. OR ANNABELLE P. BROWN	4,585,701	0.1851%
8	TAN, A. BAYANI K.	2,033,120	0.0821%
9	TAN, MA. GRACIA P.	1,123,089	0.0453%
10	PIZARRO, ROBERTINO E.	1,060,613	0.0428%
11	BROWN, WALTER (SPECIAL FUND)	957,474	0.0386%
12	DAVILA REGINA	938,462	0.0379%
13	FERNANDEZ, LUISITO	853,147	0.0344%
	GANDIONCO, ANDREA L.	853,147	0.0344%
	PIZARRO, LOURDES	853,147	0.0344%
14	LORENZO, ALICIA P.	750,769	0.0303%
15	PIZARRO, DANILO E.	710,677	0.0287%
16	LAGDAMEO, JR., ERNESTO R.	602,690	0.0243%
17	KALINANGAN YOUTH FOUNDATION, INC.	561,123	0.0226%
18	KING, JOSEFINA B.	557,334	0.0225%
19	GAMILIA, JULIANA	544,615	0.0220%
20	EBC SECURITIES CORPORATION	518,221	0.0209%
		2,447,503,531	98.7825%
	*** The following are the clients - beneficial owners owning 5% or more:*		
	Walter W. Brown (direct and indirect)	*323,081,373*	*13.0397%*
	Annabelle P. Brown (direct and indirect)	*131,135,874*	*5.2927%*
	Brownfield Holdings Inc.	*426,000,000*	*17.1936%*

EXHIBIT- IV

Item 6. Management Discussion and Analysis

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios Consolidated Figures	Audited 12/31/2017	Audited 12/31/2016	Audited 12/31/2015
Current ratio[1]	1.21:1	0.80:1	1.04:1
Total Debt to Equity ratio[2]	0.63:1	0.85:1	0.96:1
Asset to Equity ratio[3]	1.63:1	1.85:1	1.96:1
Interest coverage ratio[4]	4.46x	0.59x	1.30x
Net Profit Margin ratio[5]	54.12%	-15.70%	1.51%
Return on Assets[6]	5.56%	-1.38%	0.17%
Return on Equity[7]	9.67%	-2.63%	0.34%

[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
December 07, 2017	Appointment of SVP-Chief Finance Offier & VP-Comptroller
November 08, 2017	Non-reappointment of Assistant Corporate Secretary
November 08, 2017	Conversion of Debt & DFFS to Equity (Amend-2)
October 27, 2017	Clarification of News Article: A Brown ventures into renewable power
October 25, 2017	Results of Annual Stockholders' Meeting
October 25, 2017	Results of Organizational Meeting
October 25, 2017	Change in Directors and/or Officers – Joel A. Bañares (New Director), Daniel Winston C. Tan-chi (Appointment), Allan Ace R. Magdaluyo (Appointment)
October 20, 2017	Change in Number of Issued and Outstanding Shares
October 18, 2017	Reply to Exchange's Query on Conversion of Debt & DFFS to Equity
October 13, 2017	Conversion of Debt & DFFS to Equity (Amend-1)
October 12, 2017	Conversion of Debt & DFFS to Equity
August 30, 2017	Schedule of Annual Stockholders' Meeting (Final Date) - Amend 3
July 12, 2017	Megawide Construction Corp., an additional consortium member with right to participate in the PNR East West Railway Project
June 21, 2017	Press release -"A Brown, Russia's Rusatom sign agreement".
May 31, 2017	Schedule of Annual Stockholders' Meeting (Postponement) - Amend 2
May 23, 2017	Acquisition of Blaze Capital Limited
May 04, 2017	Schedule of Annual Stockholders' Meeting (Agenda) - Amend 1
May 04, 2017	Appointment of Treasurer
May 03, 2017	Clarification of News Article: DENR's Lopez bans open-pit mining - Amend 1
May 02, 2017	Clarification of News Article: DENR's Lopez bans open-pit mining
April 26, 2017	Change in Directors and/or Officers – Renato Migriño (Resignation), Joselito H. Sibayan (Appointment), Robertino E. Pizarro & Roel Z. Castro (Change of Designation) - Amend 2
March 29, 2017	Schedule of Annual Stockholders' Meeting
March 29, 2017	Change in Directors and/or Officers – Renato Migriño (Resignation), Joselito H. Sibayan (Appointment), Robertino E. Pizarro & Roel Z. Castro (Change of Designation) - Amend 1
March 29, 2017	Change in Directors and/or Officers – Renato Migriño (Resignation), Joselito H. Sibayan (Appointment), Robertino E. Pizarro & Roel Z. Castro (Change of Designation)
February 16, 2017	Clarification of News Article_DENR cancels 75 mineral production sharing contracts - Amend 1
February 16, 2017	Clarification of News Article_DENR cancels 75 mineral production sharing contracts
January 23, 2017	SEC Order Fixing of Record Date of Stock Dividend (Amend-2)
January 12, 2017	Approval of the Amended Articles of Incorporation (Increase in Authorized Capital Stock) - Amend 4
January 03, 2017	Approval of the Amended Articles of Incorporation (Increase in Authorized Capital Stock) - Amend 3

**As approved by PSE as company announcement*

A BROWN COMPANY, INC.

AUDIT COMMITTEE REPORT

April 05, 2018

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 2017 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, 2017 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 financial reporting standards;

- We have discussed with Constantino Guadalquiver and Co., CPAs the matters required to be discussed by the applicable regulatory requirements, which includes their independence from 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, 2017 in the ABCI Group's Annual Report to the Stockholders and to the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission on SEC Form 17-A.;

ELPIDIO M. PARAS	**THOMAS G. AQUINO**	**ANTONIO S. SORIANO**	**JOEL A. BAÑARES**
Chairman	Member	Member	Member
Independent Director	Independent Director	Director	Director

APR 12 2018

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. 106(2018-2019)

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
Elpidio M. Paras	EB9957346	January 10, 2014	DFA - Cagayan de Oro City
Thomas G. Aquino	P3599859A	July 06, 2017	DFA - Manila
Antonio S. Soriano	EB9158972	September 16, 2013	DFA - Cagayan de Oro City
Joel A. Bañares	P5313814A	December 12, 2017	DFA - NCR South

4F Goldloop Tower A, Jose ...
Ortigas Center, Pasig City

Doc. No. 94
Page No. 20
Book No. 17
Series of 2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						3	1	1	6	8

COMPANY NAME

A BROWN COMPANY, INC.

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)
2,104	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.

April 05, 2018

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **A Brown Company, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Constantino Guadalquiver & Co., the independent auditor appointed by the stockholders, has audited 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 audit.

ROBERTINO E. PIZARRO
Chairman

ROEL Z. CASTRO
President and Chief Finance Officer

IGNACIO A. MANIPULA
SVP-Chief Finance Officer

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019

SUBSCRIBED AND SWORN to before me this APR 1 2 2018 day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Robertino E. Pizarro	P4275745A	September 06, 2017	DFA - Cagayan de Oro City
Roel Z. Castro	P3734806A	July 20, 2017	DFA - Manila
Ignacio A. Manipula	EB9860802	November 23, 2013	DFA - NCR South

Doc. No. 94
Page No. 19
Book No. 17
Series of 2018

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.
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan de Oro City

Report on the Financial Statements

Opinion

We have audited the Parent Company financial statements of A Brown Company, Inc. (the Parent Company) which comprise the Parent Company statements of financial position as at December 31, 2017 and 2016, and the Parent Company statements of comprehensive income, Parent Company statements of changes in equity and Parent Company statements of cash flows for the years then ended, and notes to the Parent Company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Parent Company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulations 2-2014 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Revenue Regulations 2-2014 and 15-2010 in Note 33 to the Parent Company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of A Brown Company, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic Parent Company financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 22, 2020

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
SEC A.N. 0017-AR-3, valid until April 30, 2018 (Group A)
TIN 123-305-015-000
BIR A.N. 08-001507-1-2017, valid until December 21, 2020
PTR No. 6678749, issued on January 31, 2018, Makati City

Makati City, Philippines
April 5, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2018
RECEIVED
ELMER B

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with Philippine Financial Reporting Standards (PFRS) and reports as required by accounting and auditing standards for **A BROWN COMPANY, INC.** for the period ended December 31, 2017.

In discharging this responsibility, I hereby declare that I am the Accounting Manager of **A BROWN COMPANY, INC.**

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of Constantino Guadalquiver & Co. which is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

MARY JANE M. DESCALLAR - RODRIGUEZ
CPA Certificate No. 0127061
PTR No. 3758586 A, issued on March 12, 2018, Cagayan de Oro City
TIN 268-073-964
BOA Reg No. 8092, January 11, 2018 to September 5, 2021

SUBSCRIBED AND SWORN TO before me this
APR 17 2018 in the City of Cagayan de Oro.

Doc. No. 481
Page No. 81
Book No. 115
Series of 2018

AUGUSTO P. NERI, JR.
Notary Public
UNTIL DECEMBER 31, 2019
PTR 8638464 12-11-17 Mis. Or.
IBP 1080075 12-08-17 Mis. Or.
ROLL NO. 30260 5-9-80; TIN 129 045-747
MCLE COMPLIANCE NO. VI-0000820
ISSUED ON 09-29-16 PASIG CITY
NC-2018-072

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	6	**₱90,234,913**	₱45,679,338
Current portion of receivables - net	7	**274,408,370**	231,463,993
Due from related parties	8	**116,896,516**	32,595,252
Real estate held for sale	9	**776,747,504**	692,910,636
Prepayments and other current assets	10	**249,979,197**	217,358,984
Total Current Assets		**1,508,266,500**	1,220,008,203
Noncurrent Assets			
Noncurrent portion of receivables - net	7	**135,906,229**	206,969,988
Investments and deposits	8, 11, 13	**1,413,721,341**	1,274,336,625
Available-for-sale investments	11	**457,014,387**	1,262,397,297
Investment in an associate	12	**110,000,000**	110,000,000
Investments in subsidiaries	13	**610,899,495**	585,899,495
Investment properties - net	14	**169,677,958**	182,081,438
Property and equipment - net	15	**58,021,775**	51,630,916
Land and improvements	16	**639,152,617**	688,729,984
Deferred tax assets	24	**16,208,739**	15,148,821
Refundable deposits	5	**12,462,873**	17,933,821
Total Noncurrent Assets		**3,623,065,414**	4,395,128,385
		₱5,131,331,914	₱5,615,136,588

	Notes	2017	2016
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	17	**₱269,033,839**	₱325,550,638
Short-term debt	18	**557,345,275**	766,329,167
Current portion of long-term debt	18	**353,139,290**	341,906,559
Subscriptions payable	11	**164,505**	70,025,817
Deposit from customers	20	**53,413,923**	37,052,627
Total Current Liabilities		**1,233,096,832**	1,540,864,808

(Forward)

(Carryforward)

	Notes	**2017**	2016
Noncurrent Liabilities			
Noncurrent portion of long-term debt	18	**₱395,564,746**	₱659,458,589
Deferred tax liabilities	24	**74,106,829**	75,377,834
Retirement liability	22	**23,383,562**	19,170,825
Total Noncurrent Liabilities		**493,055,137**	754,007,248
Total Liabilities		**1,726,151,969**	2,294,872,056
Equity			
Capital stock	19, 28	**2,477,668,925**	1,732,866,536
Additional paid-in capital	19, 28	**637,968,859**	586,198,947
Stock dividend distributable	29	**–**	346,573,104
Retained earnings		**492,009,400**	242,071,800
Treasury shares, at cost	32	**(1,014)**	(1,014)
Net cumulative unrealized gain (loss) on fair value of available-for-sale investments		**(189,358,490)**	424,459,419
Net cumulative remeasurement loss on retirement benefits	22	**(13,107,735)**	(11,904,260)
Total Equity		**3,405,179,945**	3,320,264,532
		₱5,131,331,914	₱5,615,136,588

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2017	2016
INCOME			
Sale of real estate	20	**₱470,355,294**	₱352,538,122
Gain on sale of shares of stocks	12	**265,837,561**	–
Water service income	20	**18,244,766**	17,791,359
Interest income	6, 7	**6,398,980**	10,499,585
Income from forfeited deposits	20	**4,769,498**	7,040,884
Rental income	14, 23	**2,140,114**	5,058,462
Penalties and surcharges	20	**1,367,860**	1,584,085
Gain on sale of investment properties	14	**–**	72,350,527
Sale of aggregates	20	**–**	4,851,339
Discount on long-term debt	18	**–**	3,564,536
Dividend income		**–**	4,150
Others	20	**4,232,096**	2,858,202
		773,346,169	478,141,251
COSTS AND EXPENSES			
Cost of sales	20	**242,666,071**	181,387,519
General and administrative expenses	21	**156,389,533**	90,816,798
Finance costs	18	**76,005,079**	92,027,270
Marketing	21	**43,133,815**	33,282,159
		518,194,498	397,513,746
PROFIT BEFORE INCOME TAX		**255,151,671**	80,627,505
INCOME TAX EXPENSE (BENEFIT)	24		
Current		**7,029,219**	32,274,206
Deferred		**(1,815,148)**	(1,344,667)
		5,214,071	30,929,539
NET PROFIT		**₱249,937,600**	₱49,697,966
BASIC AND DILUTED EARNINGS PER SHARE	25	**₱0.11470**	₱0.02868

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in Philippine Pesos)

	Note	2017	2016
NET PROFIT		**₱249,937,600**	₱49,697,966
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified subsequently to profit or loss			
Net change in unrealized gain (loss) on fair value of available-for-sale investments	11	**(347,980,348)**	273,457,893
Item that will not be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefit costs – net of tax	22	**(1,203,475)**	9,272,212
		(349,183,823)	282,730,105
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱99,246,223)**	₱332,428,071

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2017	2016
CAPITAL STOCK	19		
Authorized - 3,300,000,000 shares in 2017 and 2,000,000,000 in 2016 - ₱1 par value			
Subscribed - 2,477,668,925 shares in 2017 and 1,732,865,522 shares in 2016			
Balance at beginning of year		**₱1,732,866,536**	₱1,732,865,522
Issuance during the year	29, 32	**744,802,389**	1,014
Balance at end of year		**2,477,668,925**	1,732,866,536
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year		**586,198,947**	586,198,947
Issuance during the year		**51,769,912**	–
Balance at end of year		**637,968,859**	586,198,947
STOCK DIVIDEND DISTRIBUTABLE	29		
Stock dividend declared during the year		**–**	346,573,104
RETAINED EARNINGS			
Balance at beginning of year		**242,071,800**	538,947,952
Net income during the year		**249,937,600**	49,697,966
Stock dividends declared during the year	29	**–**	(346,573,104)
Issuance of fractional shares	32	**–**	(1,014)
Balance at end of year		**492,009,400**	242,071,800
TREASURY SHARES, AT COST	32		
Balance at beginning of year		**(1,014)**	–
Treasury shares acquired during the year		**–**	(1,014)
Balance at end of year		**(1,014)**	(1,014)
NET CUMULATIVE UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS	11		
Balance at beginning of year		**424,459,419**	151,001,526
Net unrealized gain (loss) during the year		**(347,980,348)**	273,457,893
Realized gain on sold investment		**(265,837,561)**	–
Balance at end of year		**(189,358,490)**	424,459,419

(Forward)

(Carryforward)

	2017	2016
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS		
Balance at beginning of year	**₱(11,904,260)**	₱(21,176,472)
Remeasurement gain (loss) during the year	**(1,203,475)**	9,272,212
Balance at end of year	**(13,107,735)**	(11,904,260)
	₱3,405,179,945	₱3,320,264,532

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in Philippine Pesos)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**₱255,151,671**	₱80,627,505
Adjustments for:			
Gain on sale of:			
Available-for-sale investments	12	**(265,837,561)**	–
Investment properties	14	–	(72,350,527)
Interest expense	18	**52,279,744**	68,196,170
Amortization of discount on long-term debt	18	**23,725,336**	23,831,101
Depreciation and amortization	14, 15	**10,435,639**	14,409,571
Interest income	6, 7	**(6,398,980)**	(10,499,585)
Provision for retirement benefits expense	22	**3,493,487**	3,649,819
Non-cash expense		**415,393**	–
Unrealized foreign exchange loss (gain)	1	**(234,915)**	76,267
Discount on long-term debt	18	–	(3,564,536)
Operating income before working capital changes		**73,029,814**	104,375,785
Adjustment for changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	7	**28,119,382**	90,891,776
Prepayments and other current assets	10	**(5,984,714)**	(2,361,889)
Real estate held for sale	9	**4,762,133**	27,827,674
Decrease in accounts payable and accrued expenses	17	**(39,886,197)**	(3,085,995)
Cash provided by operations		**60,040,418**	217,647,351
Income tax paid		**(33,664,718)**	(16,708,194)
Interest received		**6,398,980**	10,499,585
Contributions to retirement plan		**(1,000,000)**	–
Net cash provided by operating activities		**31,774,680**	211,438,742

(Forward)

(Carryforward)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale of available-for-sale investment	12	**₱387,541,250**	₱–
Sale of investment properties	14	**–**	107,109,676
Sale of property and equipment	15	**–**	33,181
Investments and deposits	8, 13	**(206,574,716)**	(76,765,898)
Advances made to related parties		**(22,826,264)**	(8,371,932)
Additions to:			
Investment in subsidiaries	13	**(25,000,000)**	–
Property and equipment	15	**(16,776,498)**	(2,117,729)
Investment properties	14	**(175,874)**	(150,575)
Land and improvements	16	**(157,673)**	(7,380,386)
Return of investments and deposits	8, 13	**5,715,000**	30,893,644
Additions (deductions) to:			
Refundable deposits		**5,470,948**	(6,881,166)
Payments received from related parties	13	**–**	10,193,803
Net cash provided by investing activities		**127,216,173**	46,562,618
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt	18, 19	**(371,529,049)**	(721,281,807)
Short-term debt	18	**(197,130,392)**	(57,020,833)
Proceeds from:			
Long-term debt	18	**95,142,601**	286,100,000
Short-term debt	18	**238,146,500**	337,250,000
Receipts from issuance of capital stock	19	**200,000,000**	–
Interest paid		**(79,299,853)**	(97,123,487)
Net cash used in financing activities		**(114,670,193)**	(252,076,127)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**234,915**	(76,267)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**44,555,575**	(31,442,407)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**45,679,338**	71,272,779
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱90,234,913**	₱45,679,338

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2018
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(Forward)

(Carryforward)

	Notes	**2017**	2016
SUPPLEMENTAL DISCLOSURE ON NON-CASH TRANSACTIONS			
Conversion of debt to equity during the year		**₱250,000,000**	₱–
Settlement of subscription payable on sold investment		**69,861,312**	–
Real estate held for sale:			
Reclassification from land and improvements	16	**55,575,123**	23,049,870
Capitalized depreciation expense		**26,750,000**	26,750,000
Reclassification from investment properties		**12,113,961**	–
Reclassification to land and improvements		**5,840,083**	–
Capitalized depreciation expense	15	**5,349,809**	8,659,192
		₱425,490,288	₱58,459,062

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2018
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A BROWN COMPANY, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

1. Business and Organization

A Brown Company, Inc. (the "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.

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 Parent Company's vice presidents must be a member of the Board, and to impose certain requirements on granting of bonuses to its Board of Directors (BOD), officers and employees.

In September 2012, the Parent Company, together with its subsidiaries, Palm Thermal Consolidated Holdings, Corp. (PTCHC), Palm Concepcion Power Corporation (PCPC) and Panay Consolidated Land Holdings Corporation (PCLHC), has signed a Shareholders' Agreement with AC Energy Holdings, Inc. (ACEHI) and Jin Navitas Resource, Inc. (JNRI) to implement the Memorandum of Agreement between the parties to build a 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 to the remaining unissued authorized share capital of PCLHC and PCPC. The subscription of ACEHI and JNRI to PCLHC and PCPC's share capital reduced the Parent Company's holdings, through PTCHC, to 30%.

In May 2013, ACEHI sold all its interest in PCPC to focus its investing power to its existing power projects imminent in its development pipeline. In the light of this event, the PTCHC has taken the opportunity to acquire the entire stake of ACEHI in PCPC. Before the end of 2013, Oriental Knight Limited acquired the 30.46% equity interest in PCPC which was previously owned by ACEHI and subsequently sold to PTCHC reducing the Parent Company's holding through PTCHC to 39.54% as of December 31, 2013.

4

On December 11, 2013, the BOD and shareholders of PCLHC and PCPC approved the merger of the two entities, with PCPC as the surviving entity. PTCHC will hold sufficient interest in PCPC for it to be able to exercise significant influence. 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.

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.

On October 5, 2012, the Parent Company's Board of Directors (BOD) approved during their meeting the private placement of 250.0 million of its listed common shares consisting of 173.6 million treasury common shares and 76.4 million common shares owned by a shareholder. The Placement Shares, with a par value of ₱1 per share was sold at a price of ₱2.89 per share and crossed in the Exchange on October 8, 2012. The BOD likewise approved the issuance of an equal number of shares of the Parent Company at an issue price equal to the net proceeds per share in favor of the 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.

The SEC also approved on December 28, 2012 the amendment of Article IV of the Articles of Incorporation, "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".

On June 7, 2013, the Parent Company's Board of Directors (BOD) unanimously approved the proposed 25% stock dividend declaration or equivalent to 346.6 million of the Parent Company's outstanding shares. The shares will be distributed to the stockholders of 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 BOD declared a 20% stock dividend or an equivalent to ₱346.6 million of the Parent Company's outstanding shares on May 19, 2016. The shares were distributed to the stockholders of record as of February 10, 2017 and issued from the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion common shares with par value of ₱1 to ₱3.3 billion divided into 3.3 billion common shares with a par value of ₱1. On January 11, 2017, the SEC approved the Parent Company's application for increase in authorized capital stock.

The Parent Company's registered office and principal place of business is at Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

The accompanying financial statements of the Parent Company as of and for the years ended December 31, 2017 and 2016 were authorized for issue by the BOD on April 5, 2018.

2. Basis of Preparation

The principal accounting policies adopted in preparing the financial statements of the Parent Company are as follows:

Basis of Preparation of Financial Statements
The financial statements of the Parent Company have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair values. These financial statements are presented in Philippine Peso, which is the Parent Company's functional and reporting currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements present, in compliance with PFRS, which may be obtained from SEC.

Statement of Compliance
The accompanying financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by Securities and Exchange Commission (SEC).

3. Changes in Accounting and Financial Reporting Policies

Changes in Accounting Policies
The following are the amendments and improvements to PFRS and PAS which became effective in 2017:

- PAS 7, *"Cash Flow Statements": Disclosure Initiative*
  The amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:

  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and

  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the Statement of financial position including those changes identified immediately above.

  These amendments have no significant impact to the Parent Company's financial statements.

- PAS 12, *"Income Taxes": Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

  This amendment has no significant impact to the Parent Company's financial statements.

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

- PFRS 12, "*Disclosure of Interest in Other Entities": Clarification of the Scope of the Standard*
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendment has no significant impact on the Parent Company's financial statements.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2017
The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Parent Company will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Parent Company. Except as otherwise indicated, the Parent Company 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 2018
- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  These amendments are currently not applicable to the Parent Company as it has no share-based payment transactions.

- Amendments to PFRS 4, "*Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4"*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are currently not applicable to the Parent Company since the Parent Company does not have activities that are predominantly connected with insurance or issue insurance contracts.

- 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. The Parent Company is currently assessing the impact of this new standard to its financial statements.

  This is not expected to have a significant impact on the Parent Company’s financial statements.

- 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. The Parent Company is currently assessing the impact of this new standard to its financial statements.

This is not expected to have a significant impact on the Parent Company's financial statements.

- PFRS 15, "*Revenue from Contracts with Customers*"
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Parent Company is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 15, *Clarifications to PFRS 15, Revenue from Contracts with Customers*
  These amendments, which are effective from January 1, 2018, clarify how companies:
  - identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;
  - determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
  - determine whether the revenue from granting a license should be recognized at a point in time of over time.

- Amendments to PAS 40, *"Investment Property*, *Transfers of Investment Property"*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The Parent Company does not expect that the amendments will have significant impact on the financial statements.

Annual Improvements to PFRS and PAS (2014 - 2016 Cycles)

- Amendment to PAS 28, *Measuring an Associate of Joint Venture at Fair Value*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not expected to have significant impact on the Parent Company's financial statements.

- Philippine Interpretation IFRIC 22, *"Foreign Currency Transactions and Advance Considerations"*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective in 2019

- PFRS 16, *"Leases"*

  On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations. Under the new standard (renamed as PFRS 16), lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Parent Company plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Parent Company is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

  The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

  The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Philippine Interpretations IFRIC 23, *Uncertainty over Income Tax Treatments*
  The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances

  Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

  The interpretations were adopted by the FRSC on July 12, 2017 but are still subject to the approval by the Board of Accountancy.

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 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 Parent Company'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. The amendments are currently not expected to have significant impact on the Parent Company's financial statements.

The Parent Company 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 Parent Company'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 Parent Company are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated.

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the Parent statements of financial position based on whether it is current and noncurrent.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:
- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- Not subject to unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company other liabilities are classified as noncurrent.

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

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 Parent Company.

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

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

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

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

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

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

For the purpose of fair value disclosures, the Parent Company 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.

<u>Financial Assets and Liabilities</u>

Date of recognition

The Parent Company 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.

<u>*Financial Assets*</u>
The Parent Company 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 Parent Company 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 FVPL, except those derivatives designated as effective hedging instruments.

  Assets classified in this category are carried at fair value in the Parent Company statements of financial position. Changes in the fair value of such assets are accounted for in the Parent Company statements of income. Financial instruments held at FVPL 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, 2017 and 2016, the Parent Company 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 Parent Company provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at its cost and at amortized cost after its initial recognition in the Parent Company's statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets.

  The Parent Company's cash and cash equivalents, receivables excluding advances to suppliers and contractors, due from related parties, investments and deposits and refundable deposits are included in this category (see Notes 6, 7, 8, 26 and 27).

- *Held-to-maturity investments*
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Parent Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the Parent Company 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, 2017 and 2016, the Parent Company 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 Parent Company's statements of comprehensive 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 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 Parent Company's investment in shares of listed and non-listed companies and stocks in golf, sports and country clubs which the Parent Company does not have significant influence and control are included in this category (see Note 11).

<u>*Financial Liabilities*</u>

- *Financial liabilities 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 Parent Company elects to designate a financial liability under this category.

  As of December 31, 2017 and 2016, the Parent Company 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.

  As of December 31, 2017 and 2016, the Parent Company's accounts payable and accrued expenses, subscriptions payable, short-term debt and long-term debt are included in this category (see Notes 8, 11, 17 and 18).

<u>Impairment of Financial Assets</u>

The Parent Company 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 Parent Company statements of income.

The Parent Company 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 Parent Company 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 Parent Company statements of income, is transferred from equity to the statements of income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the statements of income. For available-for-sale financial assets, the Parent Company 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 Parent Company statements of income, is removed from equity and recognized in the Parent Company statements of income. Impairment losses on equity investments are not reversed through the statements of income; increases in their fair value after impairment are recognized directly in 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company 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 Parent Company 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 Parent Company; 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 Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the Parent Company 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 Parent Company statements of financial position.

Cash and Cash and Equivalents
Cash is stated at face value and includes cash on hand, cash in banks and cash equivalents. 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 Suppliers or Contractors
Advances to suppliers or contractors represents 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 Parent Company within the normal operating cycle or within 12 months from the balance sheet date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent purchases. Advances to suppliers are stated at their realizable value.

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

Inventories
Inventories are initially recorded at cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the average method. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs 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.

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

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

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

Prepayments and other current 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. Prepayments and other current assets are stated at their realizable value (cost less impairment).

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.

Investment in an Associate
Investment in shares of stock where the Parent Company holds 20% or more ownership, or where it has the ability to significantly influence the investee company’s operating activities is accounted for in these separate financial statements under the cost method. Accordingly, dividends received are treated as income in the year these are collectible.

Investments in Subsidiaries

Investments in subsidiaries are accounted for at cost. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Such impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. The amount of impairment loss is recognized in the Parent Company statements of income. Impairment losses recognized are not reversed.

Subsidiaries are entities over which the Parent Company has the power to govern the financial reporting policies generally accompanying a shareholding of more than ½ of the voting rights. The Parent Company obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Parent Company controls another entity.

Investment Properties

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

Depreciation is 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.

Transfers to or from investment properties are measured at the carrying value of the assets transferred.

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 Parent Company statements of income in the year of retirement or disposal.

Property and Equipment

Property and equipment are initially recorded at cost. Subsequent to initial recognition, these are stated at cost less accumulated depreciation, amortization and any impairment in value.

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

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

Category	Estimated useful life
Building and improvements	10 to 20 years
Leasehold improvements	2 to 5 years
Machinery and equipment	2 to 10 years
Furniture and fixtures	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 estimated recoverable reserves, useful lives 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 Parent Company statements of income in the year the asset is derecognized. Transfers to or from property and equipment are measured at carrying value of the assets transferred.

Impairment of Nonfinancial Assets

The carrying values of assets such as investment in subsidiaries and in an associate, investment properties and property and equipment, creditable withholding tax, input VAT, prepaid expenses and other current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

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

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Parent 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 Parent Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the company 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.

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

Stock dividend distributable are stock dividends declared by the BOD, but not yet issued.

Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings include all current and prior period results of operations as disclosed in the Parent Company statements of income, net of dividends declared and the effects of retrospective application of changes in accounting policies on restatements, if any.

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

Net cumulative 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.

Earnings per Share

Basic earnings per share is determined by dividing net income for the year by weighted average number of common shares outstanding during the year (after retroactive adjustment for any stock dividends declared in the current year). Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Parent Company has no existing dilutive shares.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Parent Company and the amount of revenue, related cost incurred or to be incurred/cost to complete the transactions can be measured reliably. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Parent Company 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 Parent Company, 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 collectibility of sales price is reasonably assured.

  The percentage of completion method is used to recognize revenue from sales of projects where the Parent Company 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 Parent Company statements of financial position. Any excess of collections over the recognized receivables are also included in the said account.

- *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.

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

- *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.

- *Sale of aggregates*
  Revenue is recognized when goods are delivered to the buyer.

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

- *Realized gains and losses on sale of property and equipment, investment property and available-for-sale investment*
  Realized gains and losses are recognized when the sale transaction occurs.

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

- *Income from forfeited deposits*
  Revenue recognized as these accrues in accordance with the substance of agreement relative to the receipt of deposit.

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

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

Operating Lease
Parent Company as a lessee
Leases of assets under which the lessor effectively retains all the risks and reward of ownership are classified as operating leases. Operating lease payments are recognized as expense in the Parent Company 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.

Parent Company as a lessor
Leases where the Parent Company 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 as income in the Parent Company 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 the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Parent Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

- *Retirement benefits*
  Retirement benefits liability, as presented in the 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 non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, difference between return on plan assets and interest income on plan assets (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 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 Parent Company, nor can they be paid directly to the Parent Company. 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.

- *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.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset 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 charged to operation in the period in which they are incurred.

Foreign Currency Transactions
The Parent Company financial statements are presented in Philippine Pesos, which is the Parent Company's functional and presentation currency. Items included in the Parent Company financial statements 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 Parent Company 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.

Current income tax
The tax currently due or recoverable from tax authorities is based on taxable income for the year. Taxable income differs from income as reported in the Parent Company 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 Parent Company'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 income tax
Deferred tax is provided, using the balance sheet 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 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current liabilities, and the Parent Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions
Provisions are recognized when the Parent Company 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 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 financial statements but disclosed when an inflow of economic benefit is probable.

Events After End of Financial Reporting Period
Post year-end events that provide additional information about the Parent Company's position at the end of financial reporting period, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of the Parent Company's financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the 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 financial statements.

Judgments
In the process of applying the Parent Company'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 Company has all of the following:

  a. Power over the entity;
  b. Exposure, or rights, to variable returns from its involvement with the entity; and,
  c. 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. The Parent Company determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

- *Measurement of Refundable Deposits and Utility Deposits*
  The fair value of refundable deposits shown under Other noncurrent assets which significantly include utility deposits is 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 Parent Company which cannot be reasonably predicted. Accordingly, the refundable deposits are carried at cost less any impairment.

  The carrying value of refundable deposits amounted to ₱12,462,873 and ₱17,933,821 as of December 31, 2017 and 2016, respectively.

- *Real Estate Revenue and Cost Recognition*
  In determining whether economic benefits will flow to the Parent Company and the revenue can be reliably measured, the Parent Company 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 Parent Company'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 Parent Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Parent Company'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. Costs from sale of real estate are shown in Note 20.

- *Determination of Functional Currency*
  Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company 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.

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

- *Determination of Fair Value of Financial Instruments*
  The Parent Company carries certain instruments at fair value and discloses also the fair values of 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 Parent Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

  The summary of the carrying values and fair values of the Parent Company's financial instruments as of December 31, 2017 and 2016 is shown in Note 26.

- *Distinction Between Investment Property and Owner-Occupied Property*
  The Parent Company determines whether a property qualifies as investment property. In making its judgment, the Parent Company 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 Parent Company considers each property in making its judgment.

- *Classification of Leases*
  The Parent Company 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 Parent Company's lease agreements are determined to be operating leases.

  Rental expense and income for 2017 and 2016 are shown in Notes 21 and 23.

<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 Allowance for Impairment of Receivables and Deposits*
  Recoverability of specific receivables including amounts due from related parties is evaluated based on best available facts and circumstances, the length of the Parent Company's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible. In the case of refundable deposits, the Parent Company 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 assets.

  The Parent Company's allowance for doubtful accounts amounted to ₱0.4 million as of December 31, 2017 and 2016 (see Note 7).

- *Determination of Net Realizable Value of Inventories*
  The Parent Company uses the fair value to determine how much it could gain by selling its real estate held-for-sale inventories. The net realizable value is calculated in an effort to prevent the Parent Company from under or overestimating the value of its real estate held-for-sale inventories. A lower net realizable value would decrease the carrying value of real estate held-for-sale inventories and increase operating expense.

  No impairment losses were recognized on real estate held-for-sale inventories as of December 31, 2017 and 2016.

- *Estimation of Impairment of Other Available-for-Sale Investments*
  The computation for the impairment of available-for-sale investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Parent Company evaluates the financial health of the issuer, among others. In the case of available-for-sale equity instruments, the Parent Company 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 Parent Company's investment.

  The carrying values of available-for-sale investments amounted to ₱457.0 million and ₱1.3 billion as of December 31, 2017 and 2016, respectively (see Note 11).

- *Estimation of Useful Lives of Certain Assets*
  The useful life of each of the Parent Company's property and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets, if any.

  The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

  A reduction in the estimated useful life of any property and equipment and investment properties would increase the recorded operating expenses and decrease noncurrent assets.

  As of December 31, 2017 and 2016, the carrying value of the Parent Company's investment properties and property and equipment amounted to ₱169.7 million and ₱182.1 million, respectively (see Note 14) and ₱58 million and ₱51.6 million, respectively (see Note 15).

- *Estimation of Impairment of Non-financial Assets*
  The Parent Company reviews investment in subsidiaries and in an associate, investment properties, property and equipment, creditable withholding tax, input VAT, prepaid expenses and other current assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. The Parent Company 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 Parent Company is required to make estimates and assumptions that may affect certain non-financial assets.

  No impairment losses were recognized on non–financial assets as of December 31, 2017 and 2016.

- *Estimation of Retirement Benefits Costs*
  The determination of the Parent Company's obligation for retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

  The assumptions for retirement benefits costs are described in Note 22, and include among others, discount rate and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions generally affect the amounts to be recognized in the financial statements including the 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 Parent Company's retirement obligations. Any changes in assumptions would increase or decrease the net retirement liability and the amount recognized in total comprehensive income.

  Retirement benefits costs amounted to ₱3.4 million in 2017 and ₱3.6 million in 2016. Retirement liability amounted to ₱23.4 million and ₱19.2 million as of December 31, 2017 and 2016, respectively (see Note 22).

- *Estimation of Deferred 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 Parent Company's deferred tax assets as of December 31, 2017 and 2016 amounted to ₱16.2 million and ₱15.1 million, respectively. The Parent Company's deferred tax liabilities as of December 31, 2017 and 2016 amounted to ₱74.1 million and ₱75.4 million, respectively (see Note 24).

- *Estimation of Provisions for Contingencies*
  The Parent Company is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

  The Parent Company did not recognize any provision for possible future claims arising from lawsuits as of December 31, 2017 and 2016. Actual settlement from lawsuit was already recognized in 2016 (see Note 31).

6. Cash and Cash Equivalents

This account is consists of:

	2017	2016
Cash on hand	₱603,041	₱621,207
Cash in banks	89,631,872	45,058,131
	₱90,234,913	₱45,679,338

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates of less than 1% annually. Interest income on cash in banks recognized in the Parent Company statements of income amounted to ₱144,804 in 2017 and ₱10,985 in 2016.

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, 2017 and 2016, total cash in bank set-aside as project deposit account amounted to ₱6.4 million and ₱0.2 million, respectively.

The Parent Company's cash in banks include dollar denominated accounts with Peso equivalents amounting to ₱13,083,683 and ₱6,013,639 as of December 31, 2017 and 2016, respectively. The Parent Company's foreign currency denominated cash account is translated to its Peso equivalents using an exchange rate of ₱49.923/$1.00 and ₱49.813/$1.00 as of December 31, 2017 and 2016, respectively.

7. Receivables

This account consists of:

	2017	2016
Contract receivables on sale of real estate	₱332,736,812	₱380,632,750
Rent receivable	11,714	319,965
Water receivable	3,051,034	3,201,330
Advances to officers and employees	2,787,194	2,208,522
Other receivables	72,149,308	52,492,877
Total	410,736,062	438,855,444

(Forward)

(Carryforward)

	2017	2016
Less: Allowance for doubtful accounts		
Balance at beginning and end of year	₱421,463	₱421,463
Net carrying value	410,314,599	438,433,981
Less: Noncurrent portion of receivables	135,906,229	206,969,988
	₱274,408,370	₱231,463,993

Contract receivables on sale of real estates represent amounts due and collectible in monthly installment over a period of 5 to 15 years, and bear interest ranging 10% to 18% in 2017 and 2016. The transfer certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Interest income pertaining to sale of real estate amounted to ₱6,247,133 in 2017 and ₱10,457,160 in 2016.

Advances to officers and employees include car loans to employees. Interest income pertaining these loans amounted to ₱7,044 in 2017 and ₱31,440 in 2016.

Other receivables which are interest–free include receivables for the sale of available-for-sale investments and various advances to suppliers and contractors.

Other receivables amounting to ₱0.5 million as of December 31, 2017 and 2016 were impaired and fully provided for.

There were no additional provisions for doubtful accounts provided in 2017 and 2016.

8. Related Party Transactions

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

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

a. Noninterest-bearing loans received from shareholders and subsidiary

   The loans from the shareholders represent a 10-year noninterest-bearing loan with a total principal amount of ₱107.3 million availed on various dates from October to November 2012. In September 2014, the Parent Company availed additional 10-year noninterest-bearing loans from shareholders amounting to ₱60.0 million. In 2015, the Parent Company availed additional two 5-year and a 10-year noninterest-bearing loans from shareholders amounting to ₱50.0 million and ₱12.0 million, respectively. The Parent Company availed additional six (6) months noninterest–bearing loans from shareholders on various dates within February to November 2016 totaling ₱197.1 million subject to renewal.

On various dates within April to August 2017, the Parent Company availed additional three (3) payable within a year loans from shareholders and a short term loan from a subsidiary totaling ₱178.2 million (see Note 18).

b. Noninterest-bearing and unsecured cash advances made to related parties for working capital requirements

	2017	2016
Balance at beginning of year	₱2,874,252	₱9,696,123
Advances made during the year	3,652,542	3,371,932
Payments received during the year	–	(10,193,803)
Balance at end of year	₱6,352,755	₱2,874,252

In 2017 and 2016, advances made to subsidiaries include charges allocated to a subsidiary for its share in compensation of top management and officers amounting to ₱692,161 and ₱518,497, respectively.

c. Advances made to an associate

The Parent Company made unsecured and noninterest-bearing advances to Peakpower Energy, Inc. (PEI), an associate, amounting to ₱110,543,761 in 2017 and ₱29,721,000 in 2016.

d. Investments and deposits

The Parent Company made deposits for future stock subscriptions to its related party in 2017 and 2016.

Investments and deposits made to subsidiaries

Transactions	Notes	2017	2016
Balance at beginning of year		₱1,274,336,625	₱1,228,464,371
Deposit made during the year		206,574,716	76,765,898
Reclassification to advances during the year		(61,475,000)	–
Deposit returned during the year		(5,715,000)	(30,893,644)
Balance at end of year	12, 13	₱1,413,721,341	₱1,274,336,625

e. Lease of Parent Company's office space from affiliates

Affiliates

	Note	2017	2016
Rental expense lodged under operating expenses	23	₱3,522,630	₱3,193,281
Rental expense capitalized to CIP	23	213,625	261,469
Outstanding balances	17	2,887,988	3,871,096

f. Loan availed from an affiliate

In June 2015, the Parent Company availed of ₱1,000,000 noninterest-bearing loans from Xavier Sports and Country Club, Inc. (XSCCI) payable within one year from date of availment. This was renewed for another year maturing on June 14, 2017. This loan was paid in 2017 (see Note 18).

g. Payable to shareholders for treasury shares (see Note 32).

The summary of the related party transactions follows:

	2017			
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/ Provision
Shareholders				
1. Long-term debt (Note 18)		(₱27,345,275)	Noninterest-bearing and repayable in cash in lump sum on or before maturity after 5 or 10 years from date of availment	Unsecured; no significant warranties and covenants; no impairment
• Debt converted to equity	₱250,000,000			
• Payments made	197,514,769			
• Loans received	(178,146,500)			
• Amortization of discount	(23,725,336)			
2. Treasury shares (see Note 32)	–	(1,014)	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
3. Investment and deposits (Note 13)		₱1,413,721,341	To be applied to future increase in authorized capital	No significant warranties or covenants
• Deposits made	₱206,574,716			
• Reclassification to advances	(61,475,000)			
• Deposits returned	(5,715,000)			
4. Due from		6,352,755	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Advances made	3,652,542			
Associate				
5. Due from		110,543,761	Payable on demand in cash; noninterest-bearing	Unsecured; no significant warranties and covenants; no impairment
• Advances made	80,822,761			
Affiliates				
6. Lease of space from (Note 17)		(2,887,988)	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	(3,736,255)			
7. Loan availed		–	Noninterest-bearing and repayable in cash within 1 year from date of availment, subsequently renewed for another year in 2016.	Unsecured; no significant warranties and covenants
• Loan payment	1,000,000			

	2016			
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/ Provision
Shareholders				
8. Long-term debt (Note 18)		(₱263,988,208)	Noninterest-bearing and repayable in cash in lump sum on or before maturity after 5 or 10 years from date of availment	Unsecured; no significant warranties and covenants; no impairment
• Loans received	(₱197,100,000)			
• Payments made	44,152,453			
• Amortization of discount	(23,831,101)			
• Discount on loans received	3,564,536			
9. Treasury shares (see Note 32)	(1,014)	(1,014)	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
Subsidiaries				
10. Investment and deposits (Note 13)		1,274,336,625	To be applied to future increase in authorized capital	No significant warranties or covenants
• Deposits made	76,765,898			
• Deposits returned	(30,893,644)			
11. Due from		2,874,252	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Payments received	(10,193,803)			
• Advances made	3,371,932			
Associate				
12. Due from		29,721,000	Payable on demand in cash; noninterest-bearing	Unsecured; no significant warranties and covenants; no impairment
• Advances made	5,000,000			
Affiliates				
13. Lease of space from (Note 17)		(3,871,096)	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	(3,193,281)			
14. Loan availed		(1,000,000)	Noninterest-bearing and repayable in cash within 1 year from date of availment, subsequently renewed for another year in 2016.	Unsecured; no significant warranties and covenants
• Loan received	–			

Compensation of key management personnel by benefit type follows:

	2017	2016
Salaries and wages	₱34,790,047	₱21,692,059
Post-employment benefits	230,000	–
Short-term employee benefits	168,767	2,806,417
	₱35,188,814	₱24,498,476

Short term employee benefits include bonuses, medicine and uniform allowances, employee service awards and Christmas gift checks.

The Parent Company 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 information on carrying value and fair value of fund, amount of contributions to the fund, description of the fund and trustee of the fund is shown in Note 22.

9. Real Estate Held for Sale

Real estate held for sale represents land, development costs and construction materials issued to the Parent Company's various projects in Cagayan de Oro City, Initao, Valencia City, Bukidnon and Butuan. Breakdown of this account follows:

	2017	2016
Land	₱186,707,747	₱168,175,564
Development cost and materials	590,039,757	524,735,072
	₱776,747,504	₱692,910,636

The Parent Company's real estate held for sale with a carrying value of ₱405.5 million and ₱501.3 million as of December 31, 2017 and 2016, respectively, are collateralized to the long-term loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 18).

The Parent Company reclassified land and improvements with a total cost of ₱55.6 million and ₱23.0 million to real estate held for sale in 2017 and 2016, respectively (see Notes 16). In 2017, the Parent Company also reclassified investment properties amounting to ₱12.1 million to real estate held for sale (see Note 14). Real estate held for sale amounting to ₱5.8 million was reclassified to land and improvements (see Note 16). The reclassifications has no impact on the consolidated statements of cash flows.

10. Prepayments and Other Current Assets

This account consists of:

	Note	2017	2016
Deposit for land acquisition		₱106,758,303	₱106,758,303
Creditable withholding taxes	24	81,609,180	54,973,680
Prepaid expenses		18,337,383	17,677,555
Input VAT		8,782,808	7,820,634
Inventories – Aggregates		230,294	611,004
Other deposits		34,261,229	29,517,808
		₱249,979,197	₱217,358,984

The Parent Company entered into several contracts to sell with several sellers of land. Installment payments made by the Parent Company to the seller were presented as deposit for land acquisition as the Transfer Certificates of Title were not yet transferred to the name of the Parent Company.

Prepaid expenses significantly include prepaid commission related to the sale of real estate and prepaid taxes and licenses.

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

11. Available-for-Sale Investments

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

	2017			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	Total
Carrying value:				
December 31, 2016	₱1,134,537,278	₱11,881,018	₱115,979,001	₱1,262,397,297
Cost of sold investment during the year	(454,705,784)	–	–	(454,705,784)
Realized gain from disposal	(265,837,561)	–	–	(265,837,561)
Impairment loss on sold investment	263,140,783	–	–	263,140,783
Unrealized loss	(347,980,348)	–	–	(347,980,348)
December 31, 2017	₱329,154,368	₱11,881,018	₱115,979,001	₱457,014,387

	2016			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	Total
Carrying value:				
December 31, 2015	₱824,275,828	₱48,684,575	₱115,979,001	₱988,939,404
Unrealized gain (loss)	310,261,450	(36,803,557)	–	273,457,893
December 31, 2016	₱1,134,537,278	₱11,881,018	₱115,979,001	₱1,262,397,297

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

  As of December 31, 2017 and 2016, the related subscriptions payable on the above investment in listed companies amounted to ₱0.165 million and ₱70.0 million, respectively.

In 2017, the Parent Company sold its 176,236,000 shares and 278,469,784 shares of Apex Mining Corporation's (AMC) and Phil. Realty & Holdings Corporation (RLT) investments for ₱311.4 million and ₱146 million, respectively. Total gain recognized was ₱265.8 million.

- On November 29, 2011, the Parent Company acquired investment in shares of stock of Phigold Limited (Phigold), with 22.87% ownership wherein it exercises significant influence over its operations. The Parent Company's equity in Phigold was reclassified to AFS investments upon losing significant influence in 2013. As of December 31, 2014, the Parent Company's interest in Phigold was reduced to 18.7% with the entry of new investors. As of December 31, 2017, the Parent Company still has 18.7% equity interest in Phigold.

The net change in unrealized gain (loss) on available-for-sale investments shown in other comprehensive income (loss) amounted to a loss of ₱347,980,348 in 2017 and a gain of ₱273,457,893 in 2016.

12. Investment in an Associate

This pertains to investment in Peakpower Energy, Inc. (PEI), a company incorporated in the Philippines. The carrying value at cost of the investment in PEI amounted to ₱110,000,000 as of December 31, 2017 and 2016.
Ii
The Parent Company holds 20% equity ownership as of December 31, 2017 and 2016.

Management believes that there is no indication of impairment on the Parent Company's investment in associate.

Summarized financial information of PEI based its on consolidated financial statements follows:

	2017	2016
Total Assets		
Current assets	₱807,016,560	₱332,722,405
Noncurrent assets	3,142,997,759	3,007,380,597
	₱3,950,014,319	₱3,340,103,002
Total Liabilities		
Current liabilities	₱1,754,220,249	₱1,517,212,493
Noncurrent liabilities	1,274,665,368	1,079,120,626
	₱3,028,885,617	₱2,596,333,119
Total Equity		
Share capital	₱550,000,000	₱550,000,000
Retained earnings	371,128,702	193,769,883
	₱921,128,702	₱743,769,883
Gross revenues for the year	₱613,785,445	₱624,953,154
Net profit for the year	₱177,299,645	₱124,675,962

13. Investments in Subsidiaries

This account consists of investments in shares of stocks of the following subsidiaries:

	Percentage of Ownership	Amount
A Brown Energy and Resources Dev't., Inc. (ABERDI)	100%	₱449,999,995
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	100%	109,000,000
Blaze Capital Limited (BCL)	100%	25,000,000
Hydro Link Projects Corp. (HLPC)	100%	16,000,000
AB Bulk Water Company, Inc. (ABWCI)	100%	5,000,000
Masinloc Consolidated Power, Inc. (MCPI)	49%	4,900,000
Simple Homes Development, Inc. (SHDI)*	100%	999,500
Total cost		₱610,899,495

**Formerly Andesite Corporation (AC)*

- The subsidiaries were incorporated and with business addresses in the Philippines.

- In December 2014, the Parent Company executed a deed of sale of shares of stock with ABERDI to acquire 100% of ABERDI's shareholding in SHDI at net book value.

- On August 30, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Articles and Plan of Merger of the ABERDI and Nakeen Corporation (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 April 5, 2018, the motion for reconsideration is still pending before the SEC.

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

  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.

On April 30, 2012, the Parent Company entered into a Deed of Assignment of Subscription rights with the 5% shareholder of PTCHC to purchase the 5% rights of the shareholder.

As discussed in Note 1, the Parent Company transferred all of its equity interest in PCLHC to PTCHC in September 2012. In view also of the subscription agreement and subsequent disposal of 30.46% equity interest in PCPC, the Parent Company's equity holdings, through PTCHC, was reduced to 39.54% 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 is retained at 30% interest in the outstanding capital of PCPC as of December 31, 2014.

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, 2016 and 2015.

- 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 93.75% of the resulting total issued and subscribed share capital of 40,000 shares. In December 2011, a deed of assignment was entered into by the Parent Company and HLPC's stockholder, assigning the remaining 6.25% shares of HLPC to the Parent Company.

- In 2015, the Parent Company invested ₱5.0 million in ABWCI representing 100% of the equity holdings.

- In 2007, the Parent Company invested ₱4.9 million in MCPI representing 49% equity holdings. However, control over the operating and financial policies of MCPI is exercised by the Parent Company through its representations in the Board of Directors. Accordingly, MCPI qualifies as a subsidiary of the Parent Company.

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

- In May 22, 2017, the Parent Company acquired 100% of stockholdings of Blaze Capital Limited (BCL), a company incorporate by the laws of British Virgin Island (BVI) for ₱25 million.

As of December 31, 2017 and 2016, outstanding deposits for future stock subscriptions to its subsidiaries are as follows:

	Note	2017	2016
PTCHC		₱826,606,837	₱818,444,221
ABERDI		548,815,431	430,073,584
HLPC		23,699,073	16,218,820
SHDI*		9,600,000	9,600,000
BCL		5,000,000	–
Total deposits	8	₱1,413,721,341	₱1,274,336,625

**Formerly AC*

These deposits will either be converted to equity or returned to the Parent Company in consideration for a possibility of an incoming new investor. Management has reviewed the investments in and deposits for future stock subscriptions to subsidiaries for any impairment, and believes that the carrying amounts as of December 31, 2017 and 2016 are recoverable.

14. Investment Properties – Net

This account consists of:

	2017	2016
Properties held for capital appreciation	₱168,067,894	₱180,421,374
Properties held for lease	1,610,064	1,660,064
	₱169,677,958	₱182,081,438

The Parent Company's investment properties are stated at cost less any impairment. Investment properties have a fair market value of about ₱393.7 million as of December 31, 2017 and 2016, as determined by Cuervo Appraisers, Inc., an SEC accredited independent firm of appraisers. Land and building in 2015 which was sold in January 2016 has a fair value of ₱12.5 million based on the net recoverable amount of the sale.

The excess of the fair value over the carrying amount of the asset is not recognized in the financial statements.

The details of properties held for capital appreciation follows:

	2017		
	Land and improvements	Building	Total
Cost:			
Balance at beginning of year	₱180,421,374	₱–	₱180,421,374
Reclassification to real estate held for sale	(12,113,961)	–	(12,113,961)
Adjustment	(415,393)	–	(415,393)
Addition	175,874	–	175,874
Balance at end of year	168,067,894	–	168,067,894
Net carrying value	₱168,067,894	₱–	₱168,067,894

	2016		
	Land and improvements	Building	Total
Cost:			
Balance at beginning of year	₱186,111,450	₱30,532,806	₱216,644,256
Additions	150,575	–	150,575
Disposal	(5,840,651)	(30,532,806)	(36,373,457)
Balance at end of year	180,421,374	–	180,421,374
Allowance for impairment loss:			
Balance at beginning of year	–	20,869,471	20,869,471
Disposal	–	(20,869,471)	(20,869,471)
Balance at end of year	–	–	–
Net carrying value	₱180,421,374	₱–	₱180,421,374

The disposals in 2016 include sale of building located in Davao City and land properties which resulted to a total gain of ₱2,353,157 and sale of land and building at the carrying value of ₱12.5 million.

In 2017, the Parent Company reclassified investment properties to real estate held for sale amounting to ₱12.1 million (see Note 9).

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

	2017	2016
Taxes and licenses	₱1,931,114	₱4,648,536
Professional fee	1,128,889	29,745
Security	890,110	847,522
Litigation	101,518	–
Insurance	14,657	3,487
Repairs and maintenance	6,122	–
Utilities	4,549	461,167
Transportation	190	5,049
	₱4,077,149	₱5,995,506

The details of the properties held under lease follows:

		2017		
	Note	Land	Building and improvements	Total
Cost:				
Balance at beginning and end of year		₱1,610,063	₱7,142,747	₱8,752,810
Accumulated depreciation:				
Balance at beginning of year		–	7,092,746	7,092,746
Additions	21	–	50,000	50,000
Balance at end of year			7,142,746	7,142,746
Net carrying value, December 31, 2017		₱1,610,063	₱1	₱1,610,064

		2016		
	Note	Land	Building and improvements	Total
Cost:				
Balance at beginning of year		₱15,423,023	₱87,753,964	₱103,176,987
Disposals		(13,812,960)	(80,611,217)	(94,424,177)
Balance at end of year		1,610,063	7,142,747	8,752,810
Accumulated depreciation:				
Balance at beginning of year		–	80,118,451	80,118,451
Disposals		–	(75,169,014)	(75,169,014)
Additions	21	–	2,143,309	2,143,309
Balance at end of year		–	7,092,746	7,092,746
Net carrying value, December 31, 2016		₱1,610,063	₱50,001	₱1,660,064

The disposal in 2016 pertains to sale of land, and building and improvements which resulted to a gain of ₱70.0 million.

Rental income generated from investment properties held under lease amounted to ₱2.1 million in 2017 and ₱5.1 million in 2016 (see Note 23).

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

	Note	2017	2016
Depreciation	21	₱45,833	₱2,143,309
Taxes and licenses		7,084	4,470
Insurance		4,536	12,693
Transportation		–	468
		₱57,453	₱2,160,940

The Parent Company collateralized investment properties with a carrying amount of ₱21.2 million as of December 31, 2017 and 2016, respectively, on its long-term debts from AUB, and Maybank (see Note 18).

There are no restrictions on the remittance of income and no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance or enhancements as of December 31, 2017 and 2016.

15. Property and Equipment – Net

The net carrying value of this account is as follows:

	2017	2016
Land	₱9,606,847	₱9,606,847
Building and improvements	1,002,795	1,378,787
Leasehold improvements	26,944	95,830
Machinery and equipment	36,340,116	30,352,120
Furniture and fixtures	5,599,397	3,828,936
Transportation equipment	1,686,979	1,806,772
Tools and other equipment	197,548	382,009
Others	3,561,149	4,179,615
	₱58,021,775	₱51,630,916

Rollforward analysis of this account is shown below:

	2017			
	At beginning of year	Additions	Disposals/ Write - off/ Reclassification	At end of year
Cost:				
Land	₱9,606,847	₱–	₱–	₱9,606,847
Building and improvements	40,553,252	–	156,826	40,710,078
Leasehold improvements	2,668,173	–	–	2,668,173
Machinery and equipment	149,417,245	11,141,250	–	160,558,495
Furniture and fixtures	19,866,716	3,847,607	–	37,603,498
Transportation equipment	33,755,891	368,102	–	20,234,818
Tools and other equipment	2,945,080	49,204	(156,826)	2,837,457
Others	16,335,623	1,370,335	–	17,705,958
	275,148,827	16,776,498	–	291,925,325

(Forward)

(Carryforward)

	2017			
	At beginning of year	Additions	Disposals/ Write - off/ Reclassification	At end of year
Accumulated depreciation:				
Building and improvements	₱39,174,465	₱532,818	₱–	₱39,707,283
Leasehold improvements	2,572,343	68,886	–	2,641,229
Machinery and equipment	119,065,125	5,153,254	–	124,218,379
Furniture and fixtures	29,926,954	2,007,146	–	32,004,101
Transportation equipment	18,059,944	487,895	–	18,547,839
Tools and other equipment	2,563,071	76,839	–	2,639,910
Others	12,156,008	1,988,801	–	14,144,808
	223,517,910	10,385,639	–	233,903,550
Net carrying value	₱51,630,916	₱6,390,859	₱–	₱58,021,775

	2016			
	At beginning of year	Additions	Disposals/ write-off	At end of year
Cost:				
Land	₱9,606,847	₱–	₱–	₱9,606,847
Building and improvements	40,189,947	–	(429,202)	40,553,252
Leasehold improvements	2,653,642	14,531	–	2,668,173
Machinery and equipment	149,417,244	1	–	149,417,245
Furniture and fixtures	18,611,223	1,255,493	–	19,866,716
Transportation equipment	33,727,180	28,711	–	33,755,891
Tools and other equipment	2,893,555	51,525	–	2,945,080
Others	15,568,155	767,468	–	16,335,623
	273,460,300	2,117,729	(429,202)	275,148,827
Accumulated depreciation:				
Building and improvements	38,898,852	671,634	(396,021)	39,174,465
Leasehold improvements	2,421,848	150,495	–	2,572,343
Machinery and equipment	113,180,597	5,884,528	–	119,065,125
Furniture and fixtures	17,329,628	730,316	–	18,059,944
Transportation equipment	27,361,340	2,565,615	–	29,926,955
Tools and other equipment	2,523,423	39,648	–	2,563,071
Others	9,931,982	2,224,026	–	12,156,008
	211,647,670	12,266,262	(396,021)	223,517,911
Net carrying value	₱61,812,630	(₱10,148,533)	(₱33,181)	₱51,630,916

The Parent Company's management had reviewed the carrying values of the property and equipment for any impairment as of December 31, 2017 and 2016. Based on the evaluation, there are no indications that the property and equipment might be impaired.

There are no contractual commitment to purchase property and equipment. There are also no property and equipment that are pledged as securities for liabilities. Further, there is no property whose title is restricted from use of the Parent Company in both periods.

The depreciation and amortization expense is presented as part of the following accounts:

	Notes	2017	2016
Real estate held for sale	9	₱5,349,809	₱8,659,192
General and administrative expenses	21	5,035,830	3,607,070
		₱10,385,639	₱12,266,262

16. Land and Improvements

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

The rollforward analysis of this account is shown below:

	2017		
	Land	Improvements	Total
Balance at beginning of year	₱312,333,545	₱376,396,439	₱688,729,984
Reclassifications	(55,575,123)	5,840,083	(49,735,040)
Additions	–	157,673	157,673
Balance at end of year	₱256,758,422	₱382,394,195	₱639,152,617

	2016		
	Land	Improvements	Total
Balance at beginning of year	₱328,458,990	₱375,940,478	₱704,399,468
Reclassifications	(23,049,870)	–	(23,049,870)
Additions	6,924,425	455,961	7,380,386
Balance at end of year	₱312,333,545	₱376,396,439	₱688,729,984

The Parent Company reclassified land and improvements with a total cost of ₱55.6 million and ₱23.0 million to real estate held for sale in 2017 and 2016, respectively (see Note 9). In 2017, the Parent Company reclassified real estate held for sale amounting to ₱5.8 million to land and improvements. The reclassification has no impact on the statements of cash flows.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2017	2016
Accounts payable		₱206,989,928	₱264,015,831
Accrued expenses		16,792,735	14,747,127
Accrued interest	18	7,073,136	7,343,245
Contracts payable		4,346,335	4,346,336
Others		33,831,705	35,098,098
		₱269,033,839	₱325,550,638

The above accrued expenses significantly include accrual for contractual services, recurring maintenance expenses incurred by the Parent Company and advances from and lease payable to related parties with outstanding balances totaling to ₱2,887,988 and ₱3,871,096 as of December 31, 2017 and 2016, respectively (see Note 8).

Details of other accounts payable and accrued expenses are as follows:

	Notes	2017	2016
Construction bond payable		₱11,985,920	₱9,696,872
Output VAT payable		9,303,014	12,851,416
Withholding tax payable		5,106,888	3,182,663
Retention payable		4,565,614	5,006,480
SSS, HDMF, PHIC premium payable		387,224	–
Others	8, 32	2,483,045	4,360,668
		₱33,831,705	₱35,098,099

Other payables in 2017 and 2016 include unearned income on land lease and payable to shareholders for treasury shares.

18. Short-term and Long-term Debt

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

	2017	2016
Financial Institutions:		
China Banking Corp. (CBC)	₱390,000,000	₱390,000,000
Union Bank of the Philippines (UBP)	90,000,000	90,000,000
United Coconut Planters Bank (UCPB)	50,000,000	20,000,000
Philippine Bank of Communications (PBCOM)	–	60,229,167
Others	27,345,275	206,100,000
	₱557,345,275	₱766,329,167

- The loan from CBC pertains to a clean term loan availed by the Parent Company 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 Parent Company 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 Parent Company 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. On January 29, 2015, the Parent Company 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%. Prior to the renewal of the ₱100 million outstanding balance as of December 31, 2015, ₱10 million was repaid in 2016 and remaining balance of ₱90 million was renewed for another year maturing on October 12, 2017 with annual interest of 5.75%. The Parent Company also availed additional loan on various dates within February to March 2016 totaling ₱300 million and will mature on February 16, 2017 with an annual interest rate of 5.75%. The outstanding loans of ₱300 million were subsequently renewed on February 16, 2017 under the same term and interest rate.

- The loan from UBP pertains to the term loans availed by the Parent Company 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 annually in December 2013 up to 2017 under the same term and interest rate. In December 2017 and 2016, ₱10.0 million of the total outstanding balance was repaid before the renewal of the balance ₱90.0 million of for another year. The loan balance as of December 31, 2017 and 2016 is unsecured.

- A clean term loan amounting to ₱65 million was obtained by the Parent Company 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 Parent Company availed additional loan amounting to ₱15 million payable after one year from the date of availment which bears annual interest rate of 5.5%. Also, in April 2016, loans totaling ₱65 million was renewed for another year of which ₱19.8 million was already repaid in 2016. In July 2016, the Parent Company availed two (2) additional loans from PBCOM totaling to ₱16.25 million. The loans consist of ₱3.75 million with annual interest rate of 5.625% maturing on January 4, 2017 of which ₱1.0 million was already repaid during 2016, and ₱12.5 million with annual interest of 5.75% maturing on January 17, 2017 with ₱0.2 million already repaid during the year. Total outstanding loan balance in 2016 was repaid in 2017.

- On March 18, 2013, the Parent Company 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 Parent Company availed additional loan amounting ₱10 million payable after one year from the date of availment with 5.5% interest rate. The outstanding loans of ₱20.0 million were subsequently renewed in 2016 under the same term and interest rate. The Parent Company availed additional loans on June 2, 2016 and July 30, 2016 amounting to ₱6 million and ₱2 million, respectively, with 5.5% interest rates, which were subsequently paid by the Parent Company on July 1, 2016 and October 24, 2016, respectively. On January 13, 2017, the Parent Company availed a clean loan amounting to ₱40 million with 5.50% interest rate maturing on January 8, 2018.

- Other loans include loan availment from XSCCI and a third party in 2015. On June 14, 2015, the Parent Company obtained a noninterest-bearing and unsecured loan amounting to ₱1.0 million from XSCCI payable on June 14, 2016 (see Note 8). This was renewed for another year maturing on June 14, 2017. This loan was paid in 2017.

  On December 17, 2015, the Parent Company obtained a noninterest-bearing and unsecured loan amounting to ₱3.0 million from a third party payable on June 14, 2016. This was subsequently paid before maturity period. The Parent Company availed additional loan on various dates within April to July 2016 totaling ₱13.0 million of which repayments of loan in 2016 amounted to ₱5.0 million in 2016. Total outstanding loan balance in 2016 was repaid in 2017.

- The Parent Company availed additional loan from shareholders on various dates within February to December 2016 totaling ₱197.1 million with six (6) months term subject to renewal upon maturity. This loans was paid in 2017.

On various dates within April and August 2017, the Parent Company obtained additional noninterest-bearing loans amounting to ₱102.3 million from shareholders payable within the year.

On July 13, 2017, the Parent Company also availed a short term noninterest - bearing loan from a subsidiary amounting to $1,500,000 with a peso equivalent of ₱75.9 million.

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

	2017	2016
Financial Institutions:		
Asia United Bank (AUB)	₱169,968,825	₱218,910,325
Union Bank of the Philippines (UBP)	176,512,949	257,735,858
United Coconut Planters Bank (UCPB)	132,840,788	198,588,364
BPI Family Savings Bank (BPIF)	108,070,385	144,220,027
Philippine Bank of Communications (PBCOM)	86,914,595	–
Development Bank of the Philippines (DBP)	30,773,360	35,000,000
Bank of the Philippine Islands (BPI)	28,800,000	45,600,000
Maybank Phils., Inc. (Maybank)	13,333,333	33,333,333
China Banking Corp. (CBC)	1,489,801	1,089,033
Total loans from financial institutions	748,704,036	934,476,940
Shareholders	–	66,888,208
Total	748,704,036	1,001,365,148
Less current portion due within 1 year	353,139,290	341,906,559
Noncurrent portion of long-term debt	₱395,564,746	₱659,458,589

- On December 2, 2013, the Parent Company 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 Parent Company's investment properties with net carrying amount of ₱0.1 million as of December 31, 2017 and 2016, respectively (see Note 14), and real estate mortgage on the property of the Parent Company's stockholder.

  In January 2014, the Parent Company obtained additional 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, two additional loans totaling ₱83.8 million were obtained by the Parent Company from AUB. The loans consist of ₱65.0 million loans bearing an annual interest rate of 5.0% 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 Parent Company's real estate held for sale assets with carrying amount of ₱34.3 million and ₱35.8 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The loan from UBP pertains to a 7-year loan availed by the Parent Company in 2012 amounting to ₱300 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 rate of 5.56%. On September 23, 2015, the Parent Company availed additional ₱75 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 ₱108.2 million and ₱113.7 million as of December 31, 2017 and 2016, respectively (see Note 9).

- In August and December of 2011, the Parent Company 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 obtaining at the time of availment, plus a spread of 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 ₱101.3 million and ₱176.7 million as of December 31, 2017 and 2016, respectively (see Note 9).

- 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 Parent Company with a total carrying value of ₱41.5 million and ₱43.7 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The loans from BPI were obtained on various dates starting 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 1.25% per annum. The interest rate is currently at 4.75% per annum. Outstanding balance was paid by the Company upon maturity of the loan. On June 30, 2016 the Parent Company availed additional 39 months loan amounting to ₱54.0 million with a quarterly principal payment amounting to ₱4.2 million starting September 30, 2016 maturing on September 30, 2019. Interest rate of 5.23% per annum.

  These are collateralized by real estate mortgages over the real estate held for sale of the Parent Company with a total carrying value of ₱94.7 million and ₱98.9 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The Parent Company availed of a ₱60.0 million loan from Maybank 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 Parent Company's investment properties in Binangonan, Rizal with carrying amount of and ₱21.2 million as of December 31, 2017 and 2016 (see Note 14).

- On March 18, 2016, the Parent Company availed a six (6)-year loan from DBP amounting to ₱35 million that will mature on March 18, 2022, with two (2) years grace period on principal. This loan bears an interest rate of 5.25% per annum (exclusive of GRT). Quarterly principal installment payments amounting to ₱2.2 million will start on June 18, 2018. This loan is collateralized by real estate mortgage with net carrying amount of ₱25.4 million and ₱32.5 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The Parent Company 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. Loan payment in 2016 amounted to ₱300.0 million.

The Parent Company obtained loans from CBC which include a 3-year loan with 8.08% annual interest rate amounting to ₱0.9 million availed in July 2015 and a 4-year 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 shareholders represent a 10-year noninterest-bearing loan with a total principal amount of ₱107.3 million availed on various dates from October to November 2012. The loans are repayable in lump sum on or before maturity. The Parent Company recognized discount on loans payable amounting to ₱44.5 million in the statements of income in 2012. In September 2014, the Parent Company 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 ₱3.6 million were recognized as discount on loans payable in the statements of income in 2016. Amortization of discount on loans recognized amounted to ₱23.7 million in 2017 and ₱23.8 million in 2016.

- Total finance costs relative to the foregoing loans amounted to ₱102.8 million in 2017 and ₱118.8 million in 2016. Finance costs amounting to ₱26.8 million in 2017 and 2016 were capitalized to land development cost under real estate held for sale. Total finance costs in the statements of income include interest expense of ₱52.3 million in 2017 and ₱68.2 million in 2016, and amortization of discount on long-term debt of ₱23.7 million in 2017 and ₱23.8 million in 2016.

- The Parent Company obtained loans from PBCOM which includes a 51 months term with 8% annual interest rate amounting to ₱44.2 million availed in June 20, 2017 and a 47 months term with 8% annual interest rate amounting to ₱50.1 million availed in October 20, 2017. These loans are collateralized by real estate mortgages over the real estate held for sale in Initao, Misamis Oriental.

The following table presents the short-term and long-term debt by contractual maturity as of December 31, 2017 and 2016:

	2017	2016
Due within 1 year	₱910,484,565	₱1,108,235,726
Due beyond 1 year, not later than 5 years	395,564,746	626,144,480
Due beyond 5 years	–	33,314,108
	₱1,306,049,311	₱1,767,694,314

The Parent Company's short-term and long-term debts as of December 31, 2017 and 2016 do not include any significant warranties and covenants.

19. Share Capital

In 2017, there is an increase in the Parent Company's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively. In 2016, there is no movement in the number of Company's authorized and subscribed shares of capital. The details are as follows:

	Note	2017	2016
Authorized capital stock:			
Balance at beginning of year		2,000,000,000	2,000,000,000
Increase in authorized capital stock		1,300,000,000	–
Balance at end of year		3,300,000,000	2,000,000,000
Subscribed and issued:			
Balance at beginning of year		1,732,866,536	1,732,865,522
Conversion of debt and deposit for future subscription	29	398,230,088	–
Stock dividend issued – net of 803 fractional shares	29	346,572,301	–
Issuance of fractional shares (see Note 32)	32	–	1,014
Balance at end of year		2,477,668,925	1,732,866,536

On October 12, 2017, the Board of Directors approved the conversion of the Parent Company's debt to Brownfield Holdings Incorporated (BHI) amounting to ₱250,000,000 and deposits for future subscription of Valueleases, Inc. and RME Consulting, Inc. amounting to ₱200,000,000 to equity at ₱1.13 per share resulting to increase the number of issued shares by 398,230,088 shares.

The Securities and Exchange Commission (SEC) issued the following orders related to the Parent Company'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 Parent Company. As of December 31, 2017 and 2016, there are 2,104 and 2,115 stockholders, respectively, in the records of the transfer agent, Professional Stock Transfers, Inc. (PSTI).

The share price closed at ₱1.00 on December 29, 2017 and ₱1.04 on December 29, 2016.

20. Sales, Other Income and Cost of Sales

a. Sales primarily consists of real estate property development sold, water service fees and aggregates sold during the period as follows:

	2017	2016
Sale of real estate	₱470,355,294	₱352,538,122
Water service income	18,244,766	17,791,359
Sale of aggregates	–	4,851,339
	₱488,600,060	₱375,180,820

Deposit from customers representing cash received from buyers when conditions for recording sales are not met and excess collection amounted to ₱53,413,923 and ₱37,052,627 as of December 31, 2017 and 2016, respectively.

Deposits are forfeited when customers cancelled their reservation fee. Income from forfeited deposits amounted to ₱4,769,498 in 2017 and ₱7,040,884 in 2016.

b. The cost of sales consists of land and development costs on house and lots sold, water service costs and costs of aggregates sold during the period as follows:

	2017	2016
Land development costs	₱133,482,644	₱95,722,076
Land	56,540,437	41,247,972
Houses	45,000,480	31,569,078
Water	7,642,510	7,417,594
Aggregates	–	5,430,799
	₱242,666,071	₱181,387,519

c. Penalties and surcharges arose from late settlement of balances due from customers related to the sale of real estate which amounted to ₱1,367,860 in 2017 and ₱1,584,085 in 2016.

d. Other income primarily includes water tapping, lot staking, and driving range fees in 2017 and 2016.

21. General and Administrative and Marketing Expenses

a. General and Administrative Expenses

This account consists of:

	Notes	2017	2016
Personnel cost		₱54,838,129	₱30,938,723
Taxes and licenses		30,160,868	15,516,541
Security services		13,270,384	9,259,384
Rental	23	6,572,029	4,974,771
Depreciation and amortization	14, 15	5,085,830	5,750,379
Utilities		3,648,505	1,998,034
Repairs and maintenance		1,853,691	448,962
Supplies		887,029	648,337
Entertainment, amusement and recreation		644,114	980,910
Retirement benefits	22	–	3,649,819
Others		39,428,954	16,650,938
		₱156,389,533	₱90,816,798

Significant components of other operating expenses follow:

	2017	2016
Professional fees	₱10,264,364	₱2,611,999
Transportation and travel	8,148,321	3,127,364
Listing fee	2,754,735	284,139
Directors' fee	2,270,500	1,119,821
Board meetings	817,445	727,697
Insurance	708,922	292,354
Subscription and dues	694,547	1,954,960

(Forward)

(Carryforward)

	2017	2016
Training and seminar	₱555,749	₱114,810
Notarization	422,174	57,171
Litigation fees	256,705	114,990
Bank charges	49,757	149,139
Miscellaneous	12,485,735	6,096,494
	₱39,428,954	₱16,650,938

Miscellaneous includes contractual services and fines, penalties and charges in 2017 and 2016.

Details of depreciation and amortization follows:

	Note	2017	2016
Property and equipment	15	₱5,035,830	₱3,607,070
Investment properties	14	50,000	2,143,309
Depreciation and amortization		₱5,085,830	₱5,750,379

b. Marketing Expenses

Marketing expenses significantly include commission and advertising expenses incurred by the Parent Company.

22. Retirement Benefits Costs

The Parent Company has a funded, noncontributory 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). Contribution and cost are determined in accordance with the actuarial studies made for the plan.

Actuarial valuations are made with sufficient regularity at least every one or two years. The last actuarial valuation dated March 28, 2017 was made for the retirement liability and expense as of and for the year ended December 31, 2017.

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 Company's plan assets are maintained by a trustee bank. The Retirement Plan Trustee, as appointed by the Parent Company in the Trust Agreement executed between the Parent Company 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 Company
There are no unusual significant risks to which the plan exposes the Parent Company. 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 Parent Company to the Retirement Fund.

Plan Amendments, Curtailments, or Settlements
There was no plan amendment or curtailment recognized for the years ended December 31, 2017 and 2016.

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

	2017	2016
Discount rate	5.70%	5.38%
Salary increase rate	5.00%	5.00%

The net retirement liability recognized in the Parent Company statements of financial position as of December 31, 2017 and 2016 was determined as follows:

	2017	2016
Defined benefit obligation	₱28,130,472	₱26,037,220
Less fair value of plan assets	4,746,910	6,866,395
Net retirement liability	₱23,383,562	₱19,170,825

The Parent Company’s plan assets are maintained by a trustee bank. The carrying amount of the plan asset approximates the fair value of plan assets which is allocated as of December 31, 2017 and 2016 as follows:

	2017	2016
Cash and cash equivalents	22.49%	58.79%
Equity instruments	73.44%	42.76%
Debt instruments − government bonds	1.01%	0.70%
Others (market gains (losses), accrued receivables, etc.)	3.06%	(2.25%)
	100.00%	100.00%

The net retirement liability of ₱23.4 million and ₱19.2 million as of December 31, 2017 and 2016, respectively, is presented as part of noncurrent liability in the Parent Company statements of financial position.

The Parent Company’s expected future benefit payments are shown below:

	2017	2016
Within one year	₱14,022,670	₱13,897,731
Beyond one year not later than 5 years	10,901,355	8,227,793
Beyond 5 years	14,960,151	13,443,343

The rollforward of present value of defined benefit obligation follows:

	2017	2016
Balance at beginning of year	₱26,037,220	₱38,957,286
Benefits paid	(3,591,985)	(3,272,548)
Current service cost	2,392,373	2,077,968
Remeasurement loss (gain)	1,892,062	(13,739,578)
Interest expense	1,400,802	2,014,092
Balance at end of year	₱28,130,472	₱26,037,220

The rollforward of fair value of plan assets follows:

	2017	2016
Balance at beginning of year	₱6,866,395	₱10,190,263
Benefits paid	(3,591,985)	(3,272,548)
Contribution on retirement plan	1,000,000	–
Interest income	299,688	442,241
Remeasurement loss	172,812	(493,561)
Balance at end of year	₱4,746,910	₱6,866,395

The retirement benefits expense recognized in the Parent Company statements of income were determined as follows:

	Note	2017	2016
Current service cost		₱2,392,373	₱2,077,968
Interest cost		1,400,802	2,014,092
Interest income on plan assets		(299,688)	(442,241)
	21	₱3,493,487	₱3,649,819

The movements of the cumulative remeasurement loss recognized are as follows:

	2017	2016
Balance at beginning of year	₱11,904,260	₱21,176,472
Actuarial loss (gain) on defined benefit obligation:		
Experience adjustments	2,152,818	(12,870,853)
Changes in financial assumptions	(349,360)	(229,269)
Demographic assumptions	88,604	(639,456)
Remeasurement loss − Return on plan assets	(172,812)	493,561
	1,719,250	(13,246,017)
Less: Deferred tax effect	515,775	(3,973,805)
Remeasurement loss (gain) in OCIL − net of tax	1,203,475	(9,272,212)
Balance at end of year	₱13,107,735	₱11,904,260

The Parent Company has no contributions made to the retirement fund in 2017 and 2016. Moreover, the movements of the net retirement liability recognized in the Parent Company statements of financial position are as follows:

	2017	2016
Balance at beginning of year	₱19,170,825	₱28,767,023
Remeasurement loss (gain) − OCIL	1,719,250	(13,246,017)
Retirement benefit expense − Profit or Loss	3,493,487	3,649,819
Contribution on retirement plan	(1,000,000)	–
Balance at end of year	₱23,383,562	₱19,170,825

Sensitivity analysis on the retirement benefit obligation is as follows:

	2017	
	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	4.00%	₱1,130,581
100 bps decrease in discount rate	(3.60%)	(1,023,353)
100 bps increase in salary increase rate	3.10%	867,676
100 bps decrease in salary increase rate	(2.80%)	(795,561)
Increase in DBO, no attrition rates	7.10%	1,991,098

	2016	
	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	4.40%	₱1,136,802
100 bps decrease in discount rate	(4.00%)	(1,029,039)
100 bps increase in salary increase rate	4.20%	1,093,201
100 bps decrease in salary increase rate	(3.90%)	(1,011,791)
Increase in DBO, no attrition rates	10.90%	2,834,381

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

23. Lease Agreements

As a Lessor

The Parent Company leased its various properties under operating lease with various lessees. The term of the lease agreements is for three to ten years and is renewable upon the agreement of both parties. On November 30, 2016, the lease contract with one of the lessees was terminated due to the disposal of the rented investment property. The lease agreements that are existing as of December 31, 2017 and 2016 will expire in various dates in 2018.

The salient points of the operating lease contracts follow:

- All major repairs, minor repairs, business taxes, and charges for water, light, telephone and other utilities shall be for the account of the lessee.

- The term of the lease will be for five to ten years, renewable upon the agreement of both parties.

Rent income from the 3rd parties amounted to ₱2,140,114 in 2017 and ₱5,058,462 in 2016.

Estimated future minimum rental receipts follow:

	2017	2016
Due within one year	₱169,371	₱516,114

As a Lessee

The Parent Company, entered into an operating lease with a related and non-related party for its warehouses and offices in Cagayan de Oro City and Metro Manila. The term of the lease agreement is for 1 year to 3 years and is renewable upon mutual agreement of the parties.

Breakdown of rental expense recognized under General and administrative expenses in the statements of income are as follows:

	Note	2017	2016
Related parties	8	₱3,522,630	₱3,193,281
Nonrelated parties		3,049,399	1,781,490
	21	₱6,572,029	₱4,974,771

Rent expense capitalized to Real estate held for sale account amounted to ₱213,625 in 2017 and ₱261,469 in 2016 (see Note 9).

Estimated future minimum rental payments follow:

	2017	2016
Due within one year	₱466,814	₱3,453,268
Due beyond one year, not more than five years	–	466,814
	₱466,814	₱3,920,082

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

24. Income Taxes

a. Current income tax expense in 2017 and 2016 pertains to regular corporate income tax. The balance of the creditable withholding tax represents the unutilized portion of the account after applying the current income tax (see Note 10).

b. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax shown in statements of income follows:

	2017	2016
Income tax expense computed at statutory tax rate	₱76,545,501	₱24,188,252
Income tax effects of:		
Nondeductible expenses:		
Amortization of discount on long-term debt	7,117,601	7,149,330
Nondeductible expenses	1,345,678	665,857
Nontaxable income:		
Gain on sale of available-for-sale investments	(79,751,268)	–
Interest income subjected to final tax	(43,441)	(3,295)
Discount on long-term debt	–	(1,069,360)
Dividend income	–	(1,245)
	₱5,214,071	₱30,929,539

c. The components of deferred tax accounts represent the future tax consequences of the following:

	Notes	2017	2016
Deferred tax assets			
Income tax effects of:			
Interest cost		₱7,859,701	₱7,972,676
Retirement liability	22	7,315,068	5,751,248
Unamortized past service cost		955,125	1,275,578
Allowance for doubtful accounts and impairment losses	7, 14	126,439	126,439
Net unrealized foreign exchange loss (gain)		(47,594)	22,880
		₱16,208,739	₱15,148,821

	Notes	2017	2016
Deferred tax liabilities			
Income tax effects of:			
Deferred income on sale of real estate		₱74,103,315	₱75,281,844
Deferred rental income	7	3,514	95,990
		₱74,106,829	₱75,377,834

d. The Parent Company opted for the itemized deduction scheme for its income tax reporting in 2017 and 2016.

25. Earnings per Share (EPS)

Basic and diluted EPS is computed as follows:

	2017	2016
Net profit	₱249,937,600	₱49,697,966
Divided by weighted average number of shares outstanding	2,178,995,345	1,732,865,522
Basic and diluted earnings per share	₱0.11470	₱0.02868

The Parent Company has no dilutive shares as of December 31, 2017 and 2016 (see Note 19).

26. Financial Instruments

Set out below is a comparison by category of carrying values and estimated fair values of Parent Company's financial instruments as of December 31, 2017 and 2016:

		2017				
	Notes	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	₱90,234,913	₱90,234,913	₱–	₱90,234,913	₱–
Receivables - net*	7	409,491,769	409,491,769	–	409,491,769	–
Advances to related parties	8	116,896,516	116,896,516	–	116,896,516	–

(Forward)

(Carryforward)

	Notes	Carrying value	Fair value	2017 Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Refundable deposits	5	₱12,462,873	₱12,462,873	₱–	₱12,462,873	₱–
Investments and deposits	8	1,413,721,341	1,413,721,341	–	1,413,721,341	–
AFS investments	11	457,014,387	457,014,387	329,154,368	–	127,860,019
		₱2,499,821,799	₱2,499,821,799	₱329,154,368	₱2,042,807,412	₱127,860,019
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱250,263,268	₱250,263,268	₱–	₱250,263,268	₱–
Short-term debt	18	557,345,275	557,345,275	–	557,345,275	–
Long-term debt	18	748,704,036	748,704,036	–	748,704,036	–
Subscriptions payable	11	164,505	164,505	–	164,505	–
		₱1,556,477,084	₱1,556,477,084	₱–	₱1,556,477,084	₱–

	Notes	Carrying value	Fair value	2016 Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:						
Cash and cash equivalents	6	₱45,679,338	₱45,679,338	₱–	₱45,679,338	₱–
Receivables - net*	7	438,073,847	438,073,847	–	438,073,847	–
Due from related parties	8	32,595,252	32,595,252	–	32,595,252	–
Refundable deposits	5	17,933,821	17,933,821	–	17,933,821	–
Investments and deposits	8	1,274,336,625	1,274,336,625	–	1,274,336,625	–
AFS investments	11	1,262,397,297	1,262,397,297	1,134,537,278	–	127,860,019
		₱3,071,016,180	₱3,071,016,180	₱1,134,537,278	₱1,808,618,883	₱127,860,019
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱305,156,905	₱305,156,905	₱–	₱305,156,905	₱–
Short-term debt	18	569,229,167	569,229,167	–	569,229,167	–
Long-term debt	18	1,198,465,148	1,198,465,148	–	1,198,465,148	–
Subscriptions payable	11	70,025,817	70,025,817	–	70,025,817	–
		₱2,142,877,037	₱2,142,877,037	₱–	₱2,142,877,037	₱–

**Excluding advances to suppliers and contractors which amounted to ₱822,830 and to ₱360,134 as of December 31, 2017 and 2016, respectively.*

***Excluding statutory payables which amounted to ₱14,409,903 and ₱16,034,079 as of December 31, 2017 and 2016, respectively and unearned income amounted to ₱4,360,668 and ₱4,359,654 as of December 31, 2017 and 2016, respectively.*

Methods and Assumptions Used to Estimate Fair Value

The carrying value of cash and cash equivalents, receivables, due from related parties, accounts payable and accrued expenses, refundable deposits and short-term bank debts approximate the 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 which is determined based on the management's assumptions of what these club shares could potentially worth to a buyer in either an actual or hypothetical market. These assumptions are based on internally generated information. 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 Parent Company has no financial instruments that are carried at FVPL.

There has been no reclassification to or from Level 2 category during 2017 and 2016.

27. Financial Risk Management Objectives and Policies

The Parent Company is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Parent 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 Parent Company's operations. The Parent Company has various other financial assets and liabilities such as refundable deposits, accounts payables and accrued liabilities, receivable from and payable to related parties, which arise directly from operations.

The Parent Company's policies and guidelines cover credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Parent Company's results and financial position. The Parent Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

- *Credit risk*

  Credit risk refers to the risk that counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Parent Company. The Parent Company only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities. Moreover, the Parent Company 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 Parent Company likewise monitors exposures through continuing assessment of creditworthiness of customers, and monitoring of the aged schedules of receivables.

  Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered.

a. Credit Quality

Below is the credit quality by class of financial assets as of December 31, 2017 and 2016, gross of allowance for impairment losses.

		2017					
		Neither past due nor impaired			Past due		
	Notes	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash and cash equivalents	6	₱90,234,913	₱–	₱–	₱–	₱–	₱90,234,913
Receivables*	7	368,638,418	7,360,590	808,913	32,262,385	421,463	409,491,769
Due from related parties	8	116,896,516	–	–	–	–	116,896,516
Refundable deposits	5	12,462,873	–	–	–	–	12,462,873
Investments and deposits	8	1,413,721,341	–	–	–	–	1,413,721,341
Total loans and receivables		2,001,954,061	7,360,590	808,913	32,262,385	–	2,042,807,412
AFS investments							
Equity securities	11	457,014,387	–	–	–	–	457,014,387
		₱2,458,968,448	₱7,360,590	₱808,913	₱32,262,385	₱421,463	₱2,499,821,799

		2016					
		Neither past due nor impaired			Past due		
	Notes	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash and cash equivalents	6	₱45,679,338	₱–	₱–	₱–	₱–	₱45,679,338
Receivables*	7	378,890,070	6,614,915	438,074	52,130,788	421,463	438,495,310
Due from related parties	8	32,595,252	–	–	–	–	32,595,252
Refundable deposits	5	17,933,821	–	–	–	–	17,933,821
Investment and deposits	8	1,274,336,625	–	–	–	–	1,274,336,625
Total loans and receivables		1,749,435,106	6,614,915	438,074	52,130,788	421,463	1,809,040,346
AFS investments							
Equity securities	12	1,262,397,297	–	–	–	–	1,262,397,297
		₱3,011,832,403	₱6,614,915	₱438,074	₱52,130,788	₱421,463	₱3,071,437,643

**Excluding advances to suppliers and contractors which amounted to ₱822,830 and ₱360,134 as of December 31, 2017 and 2016, respectively.*

High grade cash in banks and cash equivalents are short-term placements and working capital cash fund placed and 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 of 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:

	2017			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Receivables	₱8,232,545	₱5,362,905	₱18,666,935	₱32,262,385

	2016			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Receivables	₱1,677,528	₱2,726,865	₱47,726,395	₱52,130,788

As of December 31, 2017 and 2016, financial assets at nominal value of ₱421,463 were impaired and were fully provided for with allowance for doubtful accounts (see Note 7).

b. Credit risk exposure

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

	Note	2017	2016
Cash and cash equivalents*	6	₱89,631,872	₱45,058,131
Receivables – net**	7	409,491,769	438,073,847
Due from related parties	8	116,896,516	32,595,252
Refundable deposits	5	12,462,873	17,933,821
Investments and deposits	8	1,413,721,341	1,274,336,625
AFS investments	11	457,014,387	1,262,397,297
		₱2,499,218,758	₱3,070,394,973

**Excluding cash on hand amounting to ₱603,041 and ₱621,207 as of December 31, 2017 and 2016, respectively.*

***Excluding advances to suppliers and contractors which amounted to ₱822,830 and ₱360,134 as of December 31, 2017 and 2016, respectively.*

The Parent Company'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 Parent Company's contract receivable consists of significant number and various customers/lot buyers. Customers 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.

The Parent Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

AFS investments significantly include investment in shares that are actively traded in the stock market. The Parent Company uses other publicly available financial information to monitor its investments.

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

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 Parent Company'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 Parent Company's financial strength and undermine public confidence.

Given the Parent Company's diverse base of counterparties, mostly various individual buyers of real estates, it is not exposed to large concentration of credit risks.

d. Impairment assessment

The Parent Company 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 Parent Company in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Parent Company 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 Parent Company 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 Parent Company will not be able to meet its financial obligations as they fall due. The Parent Company ensures that investments have ample liquidity to finance operations and capital requirements and yield good returns. The Parent Company 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, 2017 and 2016, the available credit lines and outstanding balances are as follows:

	2017		
	Available credit line	Drawable line	Unpaid
UBP	₱475,000,000	₱10,000,000	₱266,512,909
UCPB	460,000,000	10,000,000	182,840,788
CBC	410,000,000	15,389,200	390,572,129
AUB	348,748,000	–	169,968,825
BPIF	275,983,414	–	108,070,385
BPI	189,000,000	–	28,800,000
PBCOM	94,242,601	–	86,914,595
Maybank	60,000,000	–	13,333,333
DBP	35,000,000	–	30,773,360
	₱2,347,974,015	₱35,389,200	₱1,277,786,323

	2016		
	Available credit line	Drawable line	Unpaid
UBP	₱475,000,000	₱10,000,000	₱347,735,858
UCPB	420,000,000	–	218,588,364
CBC	410,000,000	10,000,000	390,000,000
AUB	348,748,000	–	218,910,325
BPIF	275,983,414	–	144,220,027
PBCOM	81,250,000	–	60,229,167
Maybank	60,000,000	–	33,333,333
BPI	54,000,000	–	45,600,000
DBP	35,000,000	–	35,000,000
	₱2,159,981,414	₱20,000,000	₱1,493,617,074

  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 Parent Company's non-derivative financial assets and liabilities by contractual maturity and settlement dates as of December 31, 2017 and 2016. These have been based on the undiscounted cash flows and on the earliest date on which the Parent Company will earn and/or will be required to pay.

		2017				
	Notes	On demand	Due within 3 months	Due within one year	Due beyond one year	Total
Financial assets:						
Cash and cash equivalents	6	₱90,234,913	₱–	₱–	₱–	₱90,234,913
Accounts receivable - net*	7	8,232,545	9,734,559	255,618,436	135,906,229	409,491,769
Due from related parties	8	116,896,516	–	–	–	116,896,516
Refundable deposits	5	–	–	–	12,462,873	12,462,873
Investments and deposits	8	1,413,721,341	–	–	–	1,413,721,341
AFS investments	11	–	–	–	457,014,387	457,014,387
		₱1,629,085,315	₱9,734,559	₱255,618,436	₱605,383,489	₱2,499,821,799
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱–	₱250,263,268	₱–	₱–	₱250,263,268
Short-term debt	18	–	27,345,275	530,000,000	–	557,345,275
Long-term debt	18	–	51,187,900	301,951,390	395,564,746	748,704,036
Subscription payable	11	164,505	–	–	–	164,505
		₱164,505	₱328,796,443	₱831,951,390	₱395,564,746	₱1,556,477,084

		2016				
	Notes	On demand	Due within 3 months	Due within one year	Due beyond one year	Total
Financial assets:						
Cash and cash equivalents	6	₱45,679,338	₱–	₱–	₱–	₱45,679,338
Accounts receivable - net*	7	2,588,735	45,790,208	182,724,916	206,969,988	438,073,847
Due from related parties	8	32,595,252	–	–	–	32,595,252
Refundable deposits	5	–	–	–	17,933,821	17,933,821
Investments and deposits	8	1,274,336,625	–	–	–	1,274,336,625
AFS investments	11	–	–	–	1,262,397,297	1,262,397,297
		₱1,355,199,950	₱45,790,208	₱182,724,916	₱1,487,301,106	₱3,071,016,180
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱–	₱305,156,905	₱–	₱–	₱305,156,905
Short-term debt	18	–	11,020,833	558,208,334	–	569,229,167
Long-term debt	18	–	85,585,831	453,420,728	659,458,589	1,198,465,148
Subscription payable	11	70,025,817	–	–	–	70,025,817
		₱70,025,817	₱401,763,569	₱1,011,629,062	₱659,458,589	₱2,142,877,037

**Excluding advances to suppliers and contractors.*

***Excluding statutory payables and unearned income*

- *Interest rate risk*

  The Parent Company is exposed to interest rate fluctuations on their cash in banks, 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 fluctuations relative to its cash in banks are minimal. Interest rates in 2017 and 2016 ranged from 0.25% to 0.65%.

Interest-bearing long-term debt carries interest rates which ranged from 5% to 8.5% in 2017 and 5.5% to 7.33% in 2016. 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 ₱0.6 million and ₱0.7 million as of December 31, 2017 and 2016, respectively. An equal change in the opposite would increase equity by the same amount.

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 2017 and 2016, 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.

- *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 ₱3.3 million and ₱11.3 million as of December 31, 2017 and 2016, if equity prices for listed shares will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

- *Foreign Currency Risk*
  The Parent Company's exposure to foreign currency risk is very minimal.

  The Parent Company's policy is to maintain a level of foreign currency-denominated cash in banks that would not significantly affect the Parent Company's financial position and results of operations due to movements in foreign exchange rates.

  The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso – US dollar exchange rate, with all variables held constant, the Parent Company's income before tax and the Parent Company's equity on December 31, 2017.

Reasonably Possible Changes in US Dollar – Philippine Peso Exchange Rate	Effect on Income before tax	Effect on Equity
22%	₱28,629	20,040
(22%)	(28,629)	(20,040)

  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 Parent Company's currency risk.

28. Capital Management

The primary objective of the Parent Company'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 Parent Company manages capital on the basis of debt-to equity ratio which is calculated as total debt dividend by total equity. Lastly it is also discussed that the Parent Company had not been subjected to externally imposed capital requirements in 2017 and 2016. No changes were made in the objectives, policies, and processes during the years then ended.

The Parent Company considers the following accounts as its capital:

	2017	2016
Share capital	₱2,477,668,925	₱1,732,866,536
Additional paid-in capital	637,968,859	586,198,947
Stock dividend distributable	–	346,573,104
Retained earnings	492,009,400	242,071,800
	₱3,607,647,184	₱2,907,710,387

The Parent Company 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 of December 31, 2017 and 2016 follow:

	2017	2016
Total debt	₱1,727,151,969	₱2,294,872,056
Total equity	3,607,647,184	2,907,710,387
Debt-to-equity ratio	0.48:1:00	0.79:1.00

The Parent Company had not been subjected to externally imposed capital requirements in 2017 and 2016. No changes were made in the objectives, policies, and processes during the years ended December 31, 2017 and 2016.

29. Dividend Declaration

On May 19, 2016, the Parent Company's BOD declared a 20% stock dividend equivalent to 346,573,104 shares of the Company's outstanding shares to be distributed to the stockholders of record as of February 10, 2017 and issued from the ₱1.3 billion increase in the Parent Company's authorized capital stock approved by the SEC on January 11, 2017 (see Note 30).

On June 7, 2013, the Parent Company declared stock dividends equivalent to 25% of outstanding capital stock of the Corporation for the shareholders record as of September 12, 2013 and distributed the shares to the stockholders on October 2013.

Unpaid dividends in 2012 amounted to ₱2.4 million. In 2013, the ₱2.4 million unpaid dividends of the Parent Company was closed to other income due to significant amount of time that has lapsed since the payment dates of the cash dividends declared by the Parent Company.

30. Amendments to the Articles of Incorporation

- In the BOD Meeting held on May 19, 2016, the BOD approved the amendment of Article VII of the Articles of Incorporation to increase its authorized capital stock from the current ₱2.0 billion divided into 2.0 common shares up to ₱4.0 billion divided into 4.0 billion common shares.

  The increase in the Parent Company's authorized capital stock is to be implemented in two tranches, as follows:

  a. First, an increase by ₱1.3 billion divided into 1.3 billion common shares will be implemented immediately and out of said increase, the twenty percent (20%) stock dividend declaration will be issued.

  b. Second, an increase of up to ₱700.0 million divided into 700.0 million common shares, to be issued, together with the remaining authorized but unissued capital stock of the Parent Company in a capital raising exercise to be undertaken by the Parent Company subsequent to the issuance and listing of the 20% stock dividend declaration.

- On August 8, 2016, the Board of Directors amended its previous Board approval of an increase in authorized capital stock of up to ₱4.0 billion divided into 4.0 billion common shares to up to ₱5.0 billion divided into 5.0 billion common shares.

  The increase in the Parent Company's authorized capital stock to up to ₱5.0 billion divided into 5.0 billion common shares is to be implemented in two tranches, as follows:

  a. First, an increase by ₱1.3 billion divided into 1.3 billion common shares will be implemented immediately and out of said increase, the twenty percent (20%) stock dividend declared on May 19, 2016 will be issued.

  b. Second, an increase of up to ₱1.7 billion divided into 1.7 billion common shares, to be issued, together with the remaining authorized but unissued capital stock of the Parent Company in a capital raising exercise that may be undertaken by the Parent Company subsequent to the issuance and listing of the 20% stock dividend declaration.

- During the Annual Stockholders' Meeting on September 28, 2016, stockholders representing at least 2/3 of the outstanding capital stock approved the following amendment in the Articles of Incorporation:

  Amendment to paragraph 7: "That the amount of capital stock of this Parent Company is Three Billion Three Hundred Million Pesos (₱3,300,000,000.00), Philippine Currency and the said capital stock is divided into Three Billion Three Hundred Million (3,300,000,000) 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."

  On January 11, 2017, the SEC approved the Parent Company’s increase in its authorized capital stock of ₱1.3 billion consisting of 1.3 billion shares with a par value of ₱1 from ₱2.0 billion consisting of 2.0 billion shares with a par value of ₱1 to ₱3.3 billion consisting of 3.3 billion shares with par value of ₱1. The Parent Company’s subscribed share capital increased from ₱1.7 billion to ₱2.1 billion.

- 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 Parent Company 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 Parent Company shall be Nine (9)"

  c. Amendment to paragraph 7: "That the amount of the capital stock of this Parent Company 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.

31. Litigation Settlement

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 ₱14.1 million 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 Parent 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 last March 10, 2016.

The plaintiff and the respondent reached an amicable settlement. The respondent paid the plaintiff ₱7.2 million on March 9, 2016.

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 into the Parent Company's name.

On June 23, 2016, the Regional Trial Court of Malolos, Branch 12 ("Trial Court") granted the Plaintiff's Motion for the Surrender of Owner's Duplicate Transfer Certificate of Title. Accordingly, Mr. Antonio U. Lustre of HIDC, or whoever actually possesses the duplicate copies as ordered by the Trial Court to deliver/surrender the same to the mentioned Branch of Court within fifteen days from the receipt of the Order. In this regard, the Deputy Sheriff of the Trial Court was directed to make a necessary return as to the implementation of the said Order. On August 19, 2016, the Court released the same to the Parent Company.

As of December 31, 2017, the title of the property is already in the name of A Brown Company, Inc.

32. Treasury Shares

On November 28, 2016, pursuant to the authority granted under Section 41 of the Corporation Code, the Parent Company has acquired all of the unissued fractional shares arising from the 2013 stock dividend declaration, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed shares and recognized as treasury shares at cost equal to par value. The related payables to shareholders are included in Other payables under "Accounts payable and accrued expenses" (see Notes 8 and 17).

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.

33. Supplementary Information Required by the Bureau of Internal Revenue

On November 25, 2010, the BIR issued RR No. 15-2010 amending certain provisions of RR No. 21-2002, as amended and implementing Section 6 (H) of the Tax Code of 1997 which authorize the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. On January 24, 2014, RR 2-2014 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2013.

The following information on taxes, duties and license fees paid or accrued during the taxable years 2017 and 2016 is presented for purposes of compliance with the disclosure requirement by the BIR as provided for in its Revenue Regulation 15-2010 and is not a required part of the basic financial statements in accordance with PFRS:

a. Net sales declared in the Parent Company's VAT returns filed for 2017 and 2016

	2017	
	Net sales/Receipts	Output VAT
VATable sales	₱189,495,228	₱22,739,427
Exempt sales	331,461,528	–
Sale to government	968,335	116,200
Input VAT claimed against output VAT	(48,366,800)	(5,804,016)
	₱473,558,291	₱17,051,611

	2016	
	Net sales/Receipts	Output VAT
VATable sales	₱106,218,793	₱12,746,255
Exempt sales	160,187,617	–
Sale to government	458,075	54,969
Input VAT claimed against output VAT	(67,347,717)	(8,081,726)
	₱199,516,768	₱4,719,498

In accordance with pertinent tax laws and revenue regulations, exempt sales include sale of real properties utilized for low-cost housing as defined by RA No. 7279, otherwise known as the Urban Development and Housing Act of 1992 and other related laws, such as RA No. 7835 and RA No. 8763. It also includes sale of residential lots valued at 1.9 million and below and/or house and lot and other residential dwellings valued at 3.2 million and below.

The amount of input VAT claimed in 2017 and 2016 follows:

	2017	2016
Balance at beginning of year	₱7,820,634	₱4,800,831
Purchases during the year:		
Services	11,911,057	6,849,364
Goods other than capital goods during the year	12,307,985	4,694,725
Capital goods	1,556,834	103,045
Claims against output VAT	(24,813,702)	(8,627,331)
Balance at end of year	₱8,782,808	₱7,820,634

b. Documentary stamp tax paid in 2017 and 2016 follows:

Nature	2017	2016
Certification/registration/CTC titles	₱5,939,654	₱21,649
Loan availments	4,314,982	2,706,712
Stock dividend	4,103,360	–
Real equity mortgage annotation	294,139	70,010
Insurance	–	100
Others	–	1,958,573
	₱14,652,135	₱4,757,044

c. Taxes lodged under cost and expenses in 2017 and 2016:

Nature	2017	2016
Documentary stamp tax (see item 2 above)	₱14,652,135	₱4,757,044
Business taxes and permits	8,553,733	4,181,194
Real property tax	4,161,973	2,437,400
Fringe benefit tax	1,535,948	141,912
Commitment fee	250,311	–
Contractor's tax	186,975	27,750
Motor vehicle registration	158,002	151,019
Community tax certificate	33,856	10,500
Certification fee	21,956	121,129
SEC filing fee	7,745	10,140
Developer's tax	3,834	–
Deficiency tax	–	2,545,158
Extraction fee	–	674,400
Collateral registration	–	251,252
Regulatory fee	–	79,041
Excise tax	–	4,426
Others	594,400	124,176
	₱30,160,868	₱15,516,541

d. Withholding taxes paid in 2017 and 2016

Nature	2017	2016
Tax on compensation and benefits	₱11,144,653	₱11,239,482
Expanded withholding taxes	8,117,206	1,948,859
Fringe benefit taxes	382,504	408,187
	₱19,644,363	₱13,596,528

e. Open Cases

On November 5, 2015, the Parent Company received a letter of authority from the Bureau of Internal Revenue dated October 29, 2015 to examine the books of accounts and other accounting records of the Parent Company for the taxable year 2014. The examination of the Parent Company's books is still ongoing as of April 5, 2018.

f. The Parent Company has no Capital Gains Tax, Customs duties and tariff fees in 2017 and 2016.

CG&Co

an independent member of
BAKER TILLY
INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants

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SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of A Brown Company, Inc. (the Parent Company) for the years ended December 31, 2017 and 2016 and have issued our report thereon dated April 5, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Summary of PAS, PFRS and Interpretations and Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 22, 2020

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
SEC A.N. 0017-AR-3, valid until April 30, 2018 (Group A)
TIN 123-305-015-000
BIR A.N. 08-001507-1-2017, valid until December 21, 2020
PTR No. 6678749, issued on January 31, 2018, Makati City

Makati City, Philippines
April 5, 2018

A BROWN COMPANY, INC.
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning	₱	242,071,800
Reconciliation:		
Less:		
Deferred tax assets, beginning		10,046,995
Discount on long-term debt (net of amortization)		22,354,229
Unappropriated parent company retained earnings, as adjusted, beginning		209,670,576
Add: Actual net profit		
Net profit during the year		249,937,600
Add (deduct): Non-actual losses /(unrealized income or non-actual income or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS)		
• Amortization of discounts on long-term debt		23,725,336
• Discount on long-term debt		-
• Change in deferred tax assets (excluding net change in deferred tax asset in Other comprehensive income and loss)		(544,143)
Actual net profit		273,118,793
Actual unapproriated retained earnings before any dividend declarations		
Less: Dividend declaration during the year		-
Issuance of fractional shares during the year		-
Unappropriated Retained Earnings, as adjusted, ending	**₱**	**482,789,369**

A BROWN COMPANY, INC.

SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

DECEMBER 31, 2017

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		✓		
PFRS 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			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for Firsttime adopters*		✓	
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, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
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			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance 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			✓

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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*		✓	
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 Interest in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments for Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PFRS 12 – Clarification of the Scope of the Standard*		✓	
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			✓**
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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): 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	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓**
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
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	✓		

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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	✓		
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	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PAS 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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 Assets			✓**
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓**
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			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	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	✓		
	Annual Improvements (2011-2013 Cycle): Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants			✓
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			✓**
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓**
IFRIC 12	Service Concession Arrangements			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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			✓**
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
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			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

COVER SHEET
for
GENERAL FORM FOR 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
GFFS	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)
2,104	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 ADDRESS

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 person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

A BROWN COMPANY, INC.

April 05, 2018

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 including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Constantino Guadalquiver & Co., the independent auditor appointed by the stockholders, has audited 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 audit.

ROBERTINO E. PIZARRO
Chairman

ROEL Z. CASTRO
President and Chief Finance Officer

IGNACIO A. MANIPULA
SVP-Chief Finance Officer

APR 12 2018

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
Robertino E. Pizarro	P4275745A	September 06, 2017	DFA - Cagayan de Oro City
Roel Z. Castro	P3734806A	July 20, 2017	DFA - Manila
Ignacio A. Manipula	EB9660802	November 23, 2013	DFA - NCR South

Doc. No. 93
Page No. 19
Book No. 17
Series of 2018

FERDINAND D. AYAHAO
For Pasig City, Pateros and San Juan City
4F Goldloop Tower A, Jose Ma. Escriva Drive
Origas Center, Pasig City

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 AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of A Brown Company, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 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 period ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016 and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition on Sale of Real Estate
The amount of revenue from sales of real estate forms a significant portion of the revenues recognized by the Group for each reporting period. The timing of revenue recognition is dependent upon a certain condition to be met. Such condition pertains to the established threshold of collection over total contract price which is the Group's basis of determination that the collectability of sales price is reasonably assured. The amount of revenue recognized is also dependent on the percentage of completion of the sold units. Because of these factors, we considered the revenue recognition of the sales of real estate to be a key audit matter.

The Group's accounting policy on revenue recognition of sale of real estate is fully described in Note 4 to the consolidated financial statements.

Audit Response
We tested the percentage of total collections received over the total contract price of selected samples to determine whether the Group's policy on collection threshold as basis for revenue recognition was observed. We also conducted physical site visits of selected major projects and compared our physical observations of the completion phase with the project status reports. We then checked the accuracy of the application of the percentage of completion to the total contract price of selected samples of sold units. Also, we checked the accuracy of the outstanding customer balances taking into consideration the total contract price and collections received from customers.

Consolidation Process
The Group's consolidated financial statements comprise the financial statements of A Brown Company, Inc. and its Subsidiaries. The Group's consolidation process is a key audit matter because of the complexity of the process which involves identifying and combining of like items in the financial statements of the Parent Company and subsidiaries, and identifying and eliminating intercompany transactions and balances to properly reflect the consolidated financial position and its consolidated financial performance and consolidated cash flows in accordance with PFRS.

Audit response
Our audit procedure involves obtaining an understanding of the Group's corporate structure and its consolidation process and policy, such as identifying intercompany transactions and reconciliation of intercompany balances. We checked the Group's combination of like items of assets, liabilities, equity, income, costs and expenses, and cash flows of the Parent Company with those of the subsidiaries. We checked the appropriateness of the intercompany elimination entries of the carrying amount of the Parent Company's investments in each subsidiary and the Parent Company's portion of equity of each subsidiary, and the recognition of the noncontrolling interest. We further checked the elimination in full of intercompany assets and liabilities including deposits for future stock subscriptions, income, costs and expenses, and cash flows relating to transactions involving companies within the Group. We also evaluated whether uniform accounting policies for like transactions and events are adopted by all entities within the Group in preparing the consolidated financial statements. We further evaluated the sufficiency of the disclosures in the Group consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report are expected to be made available to us after the auditor's report date.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Rogelio M. Guadalquiver.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 22, 2020

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
SEC A.N. 0017-AR-3, valid until April 30, 2018 (Group A)
TIN 123-305-015-000
BIR A.N. 08-001507-1-2017, valid until December 21, 2020
PTR No. 6678749, issued on January 31, 2018, Makati City

Makati City, Philippines
April 5, 2018

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity accordance with Philippine Financial Reporting and reports as required by accounting and auditing standards for **A BROWN COMPANY, INC & ITS SUBSIDIARIES** for the period ended December 31, 2017.

In discharging this responsibility, I hereby declare that I am the VP COMPTROLLER **A BROWN COMPANY, INC & ITS SUBSIDIARIES**.

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services **CONSTANTINO GUALDAQUIVER & Company, Inc.** who is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

ATTY MARIE ANTONETTE U. QUINITO, CPA MBA
CPA License No. 95994
BOA No. 8020
November 21, 2017 to December 11, 2020
PTR No. 3758587 March 12, 2018 CDO City
TIN No. 205-738-452

Doc. No. 242
Page No. 49
Book No. 12
Series of 2018

ALMIRA B. VALDEZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
PTR NO. 3567274/12-19-2017
IBP NO. 1080052/10-26-2017/MIS.OR.CHAPTER
TIN. 95[illegible]-237/ROLL NO. 54957
MCLE COMPLIANCE NO. VI-0000832/04-14-2022

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 and 2016

(Amounts in Philippine Pesos)

	Notes	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	6	₱93,812,552	₱48,831,511
Current portion ofreceivables − net	7	282,946,969	239,942,295
Real estate held for sale	8	776,747,504	692,910,637
Inventories	8	84,943,191	46,694,821
Prepayments and other current assets	9	302,779,043	281,698,086
Advances to a related party	18	163,156,701	29,721,000
Total Current Assets		1,704,385,960	1,339,798,350
Noncurrent Assets			
Noncurrent portion of receivables	7	139,171,066	210,598,167
Available-for-sale investments	10	457,014,387	1,262,397,297
Goodwill	2	43,007	–
Investments in associates	11	1,073,210,253	906,306,991
Investment properties − net	12	171,833,958	184,237,438
Property and equipment − net	2, 13	913,920,940	904,228,455
Land and improvements	14	648,752,617	698,329,984
Leasehold rights - net	15	31,773,429	33,011,123
Deferred tax assets	27	38,430,497	27,692,091
Refundable deposits	5	12,462,873	17,933,821
Total Noncurrent Assets		3,486,613,027	4,244,735,367
		₱5,190,998,987	₱5,584,533,717

	Notes	2017	2016
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	16	₱417,505,716	₱391,171,478
Short-term debt	17	544,500,000	782,929,167
Current portion of long-term debt	17	390,139,290	378,906,559
Deposit from customers	20	57,188,217	41,328,215
Subscription payable	10, 11	164,505	70,025,817
Total Current Liabilities		1,409,497,728	1,664,361,236

(Forward)

(Carryforward)

	Note	2017	2016
Noncurrent Liabilities			
Noncurrent portion of long-term debt	17	₱502,559,746	₱803,453,589
Retirement liability	25	26,809,512	23,092,323
Deferred tax liabilities	27	74,109,199	75,380,155
Total Noncurrent Liabilities		603,478,457	901,926,067
Total Liabilities		2,012,976,185	2,566,287,303
Equity	31		
Equity attributable to equity holders of Parent Company			
Capital stock	19	2,477,668,925	1,732,866,536
Additional paid-in capital	19	637,968,859	586,198,947
Stock dividend distributable	31	–	346,573,104
Retained earnings (deficit)		259,592,539	(61,743,399)
Treasury shares, at cost		(1,014)	(1,014)
Net cumulative unrealized gain on fair value of available-for-sale investments	10	(189,358,490)	424,459,419
Net cumulative remeasurement loss on retirement benefits	25	(14,841,898)	(13,629,399)
Cumulative foreign translation		3,480,210	–
		3,174,509,131	3,014,724,194
Non-controlling interests		3,513,672	3,522,220
Total Equity		3,178,022,802	3,018,246,414
		₱5,190,998,987	₱5,584,533,717

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
INCOME				
Sales	20	₱551,424,891	₱484,069,409	₱621,351,823
Gain (loss) on sale of:				
Available-for-sale investments	10	265,837,561	–	–
Property and equipment	13	(29,673)	1,461,023	–
Investment properties	12	–	72,350,527	15,671,727
Net assets of deconsolidated subsidiaries	2	–	–	104,604
Equity in net profit of associates	11	92,018,263	–	7,539,793
Financial income	21	6,411,751	10,503,310	14,746,667
Rental income	12, 26	2,140,115	5,058,462	14,048,602
Discount on long-term debt	17	–	3,564,536	16,718,115
Dividend income	33	–	4,150	12,874
Others	22	10,731,223	11,833,752	22,564,837
		928,534,131	588,845,169	712,759,042
COST AND EXPENSES				
Cost of sales and services	23	293,552,898	264,520,483	365,818,697
General and administrative expenses	24	210,511,903	145,276,354	179,438,554
Finance costs	17	85,542,204	102,196,839	109,408,927
Marketing	24	43,141,610	33,319,862	21,481,327
Equity in net loss of associates	11	–	85,626,953	–
Provision for impairment loss on investment properties	12	–	–	4,054,869
Loss on sale of property and equipment	13	–	–	263,417
		632,748,615	630,940,491	680,465,791
PROFIT (LOSS) BEFORE INCOME TAX		295,785,516	(42,095,322)	32,293,251
INCOME TAX EXPENSE	27			
Current		7,678,114	33,009,366	13,519,933
Deferred		(11,474,487)	1,702,228	9,210,227
		(3,796,373)	34,711,594	22,730,160
NET PROFIT (LOSS)		₱299,581,889	(₱76,806,916)	₱9,563,091
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱299,590,438	(₱76,963,204)	₱10,025,365
Non-controlling interests		(8,549)	156,288	(462,274)
		₱299,581,889	(₱76,806,916)	₱9,563,091
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE				
Attributable to:				
Equity holders of the Parent Company	28	₱0.137490	(₱0.044414)	₱0.005785

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Philippine Pesos)

	Note	2017	2016	2015
NET PROFIT (LOSS)		₱299,581,889	(₱76,806,916)	₱9,563,091
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to profit or loss				
Net change in unrealized gain (loss) on fair value of available-for-sale investments	10	(347,980,348)	273,457,893	(25,771,437)
Item that will not be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits – net of deferred tax	25	(1,212,499)	9,669,005	(1,177,719)
Total other comprehensive income (loss)		(349,192,847)	283,126,898	(26,949,156)
TOTAL COMPREHENSIVE INCOME (LOSS)		(₱49,610,958)	(₱17,386,065)	₱206,319,982
Attributable to:				
Equity holders of the Parent Company		(₱49,602,409)	₱206,163,694	(₱16,923,791)
Non-controlling interests		(8,549)	156,288	(462,274)
		(₱49,610,958)	₱206,319,982	(₱17,386,065)

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, 2017, 2016 AND 2015

(Amounts in Philippine Pesos)

	Note	2017	2016	2015
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				
CAPITAL STOCK - ₱1 par value	19			
Authorized − 3,300,000,000 shares in 2017 and 2,000,000,000 shares in 2016				
Subscribed −2,477,668,925 shares on 2017 and 1,732,866,536 shares in 2016 and 1,732,865,522 shares in 2015				
Balance at beginning of year		₱1,732,866,536	₱1,732,865,522	₱1,732,865,522
Issuances during the year	37	744,802,389	1,014	–
Balance at end of year		2,477,668,925	1,732,866,536	1,732,865,522
ADDITIONAL PAID-IN CAPITAL	19			
Balance at beginning of year		586,198,947	586,198,947	586,198,947
Additions during the year		51,769,912	–	–
Balance at end of year		637,968,859	586,198,947	586,198,947
STOCK DIVIDEND DISTRIBUTABLE				
Stock dividend declared during the year	32	–	346,573,104	–
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		(61,743,399)	361,793,923	347,042,787
Net profit (loss) during the year		299,590,438	(76,963,204)	10,025,365
Increase due to acquisition during the year		21,745,500	–	–
Stock dividend declared during the year	32	–	(346,573,104)	–
Issuance of shares	37	–	(1,014)	–
Effect of deconsolidation of subsidiaries during the year		–	–	4,725,771
Balance at end of year	32	259,592,539	(61,743,399)	361,793,923
TREASURY SHARES, AT COST				
Balance at beginning of year	37	(1,014)	–	–
Treasury shares acquired during the year	37	–	(1,014)	–
Balance at end of year	32	(1,014)	(1,014)	–

(Forward)

(Carryforward)

	Note	2017	2016	2015
NET CUMULATIVE UNREALIZED GAIN ON FAIR VALUE OFAVAILABLE-FOR-SALE INVESTMENTS				
Balance at beginning of year		₱424,459,419	₱151,001,526	₱176,572,963
Net change in unrealized gain (loss) during the year	10	(347,980,348)	273,457,893	(25,771,437)
Realized gain on sale of AFS		(265,837,561)	–	
Reclassification due to deconsolidation of a subsidiary during the year	1	–	–	200,000
Balance at end of year		(189,358,490)	424,459,419	151,001,526
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS	25			
Balance at beginning of year		(13,629,399)	(23,298,404)	(22,624,441)
Remeasurement gain (loss) during the year		(1,212,499)	9,669,005	(1,177,719)
Reclassification due to deconsolidation of a subsidiary during the year		–	–	503,756
Balance at end of year		(14,841,898)	(13,629,399)	(23,298,404)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT		3,480,210	–	–
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		3,174,509,131	3,014,724,194	2,808,561,514
NON-CONTROLLING INTERESTS				
Balance at beginning of year		3,522,220	3,365,932	3,828,206
Increase (decrease) during the year		(8,549)	156,288	(462,274)
Balance at end of year		3,513,671	3,522,220	3,365,932
		₱3,178,022,802	₱3,018,246,414	₱2,811,927,446

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before income tax and non-controlling interest		₱295,785,516	(₱42,095,322)	₱32,293,254
Adjustments for:				
Loss (gain) on sale of:				
Available-for-sale investments	10	(265,837,561)	–	–
Investment property	12	–	(72,350,527)	(15,671,727)
Property and equipment	13	–	(1,461,023)	263,417
Net assets of deconsolidated subsidiaries	2	–	–	(104,604)
Equity in net loss (profit) of an associate	12	(92,018,263)	85,626,953	(7,539,793)
Finance costs	17	85,542,204	102,196,839	109,408,927
Depreciation and amortization	13, 14	19,101,763	25,075,442	30,663,997
Financial income	21	(6,411,751)	(10,503,310)	(14,746,667)
Provisions for:				
Retirement benefits	25	3,498,204	4,691,139	4,458,824
Impairment of investment properties	12	–	–	4,054,869
Cumulative foreign translation		3,480,210	–	–
Amortization of leasehold rights	16	1,237,694	1,233,484	1,288,221
Non-cash expense		415,393	–	–
Unrealized foreign exchange loss (gain)	30	(347,371)	70,965	(14,837)
Discount on long-term debt	17	–	(3,564,536)	(16,718,115)
Operating income before working capital changes		44,475,711	88,920,104	127,635,766
Decrease (increase) in:				
Receivables	7	(100,013,274)	95,320,884	(17,386,594)
Inventories	8	(38,248,370)	(2,026,778)	(17,424,712)
Prepayments and other current assets	9	5,240,920	2,153,568	(27,177,813)
Real estate held for sale	8	4,762,134	27,827,673	50,671,368
Increase (decrease) in:				
Accounts payable and accrued expenses	16	29,863,232	13,188,512	51,888,307
Deposit from customers	20	15,860,002	(902,770)	(5,353,287)
Cash provided by operations		(38,059,645)	224,481,193	162,853,035
Income tax paid		(33,999,991)	(17,168,849)	(19,639,922)
Interest received		6,411,751	10,503,310	14,812,778
Contributions to plan assets	27	1,000,000	(129,317)	–
Retirement benefits paid	27	(528,389)	(215,652)	–
Net cash provided by operating activities		(67,176,274)	217,470,685	158,025,891

(Forward)

(Carryforward)

	Notes	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Available-for-sale investments	10	₱387,541,250	₱–	₱–
Property and equipment	13	246,964	2,272,467	547,059
Investment properties	12	–	107,109,676	₱35,140,801
Investment in associate from acquired subsidiary		(53,139,499)	–	–
Additions (deductions) to:				
Property and equipment	13	(29,020,885)	(51,725,642)	(158,464,497)
Refundable deposits		5,470,948	(6,881,164)	(2,053,106)
Investment properties	12	(175,874)	(150,575)	–
Land and improvements	14	(157,673)	(7,380,386)	–
Advances made to a related party	18	(5,000,000)	(5,000,000)	(24,721,000)
Net assets of deconsolidated subsidiaries	2	–	–	31,825,000
Goodwill	2	(43,007)	–	–
Payment of subscription payable	10, 11	–	–	(6,204,000)
Cash of deconsolidated subsidiaries	2	–	–	(4,419,467)
Collection of notes receivable	7	–	–	347,316
Net cash provided by (used in) investing activities		305,722,224	38,244,376	(128,001,894)
CASH FLOWS FROM FINANCINGACTIVITIES				
Payments of:				
Long-term debt	17	(408,529,049)	(725,286,807)	(322,323,599)
Short-term debt	17	(205,730,392)	(57,020,833)	(21,204,579)
Proceeds from:				
Short-term debt	17	217,301,225	550,950,000	45,204,579
Long-term debt	17	95,142,601	89,000,000	323,734,400
Receipts from issuance of share capital	20	200,000,000	–	–
Finance costs paid	17	(92,096,665)	(108,375,426)	(104,574,216)
Net cash provided by (used in) financing activities		(193,912,280)	(250,733,066)	(79,163,415)

(Forward)

(Carryforward)

	Notes	2017	2016	2015
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6	₱347,371	(₱70,965)	₱14,837
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		44,981,041	4,911,030	(49,124,581)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		48,831,511	43,920,481	93,045,062
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	₱93,812,552	₱48,831,511	₱43,920,481

	Notes	2017	2016	2015
SUPPLEMENTAL DISCLOSURE ON NON-CASH TRANSACTIONS				
INVESTING ACTIVITIES				
Conversion of debt to equity during the year		₱250,000,000	₱–	₱–
Settlement of subscription payable on sold investment		69,861,312	–	–
Real estate held for sale:				
Reclassification from land and improvement	8, 14	55,575,123	23,049,870	–
Capitalized interest expense	8, 14	26,750,000	26,750,000	–
Reclassification from investment properties	8, 12	12,113,961	–	–
Reclassification to land and improvements	8, 14	5,840,083		
Capitalized depreciation expense		5,349,809	8,659,192	–
Investments and deposits:	11, 19			
Reclassification to available-for-sale investments		–	–	388,694,697
Application to subscription payable		–	–	165,452,221
		₱425,490,288	₱58,459,062	₱554,146,918

See accompanying Notes to Consolidated Financial Statements.

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
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)*	Developing, constructing and operating power generating plants

(Forward)

(Carryforward)

Name of Subsidiary	Principal Activity
Blaze Capital Limited (BCL)*	Investing in infrastructure projects including but not limited to mass transport

**Has not yet started commercial operations as of December 31, 2017*

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.

The SEC also approved on December 28, 2012 the amendment of Article IV of the Articles of Incorporation, "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".

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 BOD declared a 20% stock dividend or an equivalent to ₱346.6 million of the Parent Company's outstanding shares on May 19, 2016. The shares were distributed to the stockholders of record as of February 10, 2017 and issued from the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion common shares with par value of ₱1 to ₱3.3 billion divided into 3.3 billion common shares with a par value of ₱1. On January 11, 2017, the SEC approved the Parent Company's application for increase in authorized capital stock (see Note 34).

On October 12, 2017, the Board of Directors approved the conversion of the Parent Company's debt and deposits for future subscription amounting to ₱450,000,000 to equity at ₱1.13/share to three (3) subscribers. The number of issued shares increase by 398,230,088 shares resulting to 2,477,668,925 outstanding shares.

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

The accompanying consolidated financial statements of the Parent Company and the above mentioned subsidiaries (collectively referred herein as "the Group") as of December 31, 2017 and 2016,and for each of the three years in the period ended December 31, 2017 were authorized for issue by the Board of Directors on April 5, 2018.

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. The functional currency of BCL is United States dollar, which is the currency of the primary economic environment BCL operated. All values are rounded to the nearest peso, except when otherwise indicated.

The Group presents a third consolidated statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statements of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by Securities and Exchange Commission (SEC).

Principles of Consolidation

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, and (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	2017	2016	2015
ABERDI	Manufacturing and trading/Service/Agriculture	100	100	100
BAC*	Agriculture	100	100	100
NC	Agriculture	100	100	100
SHDI, *Formerly AC**	Real estate	100	100	100
ABBWCI*	Water service	100	100	100
PTCHC	Holdings	100	100	100
HLPC*	Power plant operations	100	100	100
BCL*	Infrastructure	100	–	–
MCPI*	Power plant operations	49	49	49

**Has not yet started commercial operations as of December 31, 2017*

All of the above subsidiaries except BCL were incorporated in the Philippines,

Investment in ABERDI

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, 2017 and 2016.

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:

a. Issuance of the ABERDI shares to NC shareholders in exchange of the net assets of the latter as result of the merger.
b. 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 April 5, 2018 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 April 5, 2018, 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. As of April 5, 2018, ABBWCI has not started its operations.

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, 2017 and 2016 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 11).

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, 2017 and 2016.

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 BCL
In May 22, 2017, the Parent Company acquired 100% stockholdings of BCL, a British Virgin Islands company, incorporated and registered on August 8, 2011 for ₱25 million which resulted to a goodwill of ₱43,007. BCL has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project. The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in Manila.

On July 12, 2017, a new investor was given the option to participate in the PNR East West Railway Project as an additional consortium member subject to certain conditions and approval of the PNR.

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 2017:

- PAS 7, *"Cash Flow Statements": Disclosure Initiative*
  The amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:

  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and

  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the Statements of financial position including those changes identified immediately above.

  The amendment does not have significant impact on the Group financial statements.

- PAS 12, *"Income Taxes": Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

  These amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. As transition relief, an entity may recognize the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity.

  The amendments do not have significant impact on the Group's financial statements.

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

- PFRS 12, *"Disclosure of Interest in Other Entities": Clarification of the Scope of the Standard*
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  These amendments is not applicable to the Group.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2017

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 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  These amendments are currently not applicable to the Group as it has no share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are currently not applicable to the Group since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- 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 Group'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. The Company is currently assessing the impact of this new standard to its financial statements.

  This is not expected to have a significant impact on the Group’s financial statements.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

- PFRS 15, *Clarifications to PFRS 15, Revenue from Contracts with Customers*
  These amendments, which are effective from January 1, 2018, clarify how companies:

  - identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;

  - determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
  - determine whether the revenue from granting a license should be recognized at a point in time of over time.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The amendment is not expected to have a significant impact on the Groups' financial statements.

- *Annual Improvements to PFRS and PAS (2014 - 2016 Cycles)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not expected to have significant impact on the Group's financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective in 2019

- PFRS 16, *"Leases"*
  On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations. Under the new standard (renamed as PFRS 16), lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their Statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in the Group's Consolidated Statements of financial position.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

  The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

  The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Philippine Interpretations IFRIC 23, *Uncertainty over Income Tax Treatments*
  The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances

  Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

  The interpretations were adopted by the FRSC on July 12, 2017 but are still subject to the approval by the Board of Accountancy.

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 have no 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. The amendments are currently not expected to have significant impact on the Group's financial statements.

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.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on whether it is current and noncurrent.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:
- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- Not subject to unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

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 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, 2017 and 2016, 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.

  As of December 31, 2017 and 2016, the Group's cash on hand and in banks, receivables (including advances to employees for car loans; excluding advances to suppliers and contractors), notes receivable, due from a related party, investments and deposits and refundable deposits under noncurrent assets are included in this category (see Notes 6, 7, 18 and 29).

- *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, 2017 and 2016, 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 which the Group does not have significant influence and control are included in this category (see Note 10).

Financial Liabilities
- *Financial liabilities 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, 2017 and 2016, 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. As of December 31, 2017 and 2016, these include liabilities arising from operations (e.g. accounts payable and accrued expenses including payable to related parties, if any; excluding statutory regulated payables) or borrowings (e.g., short term and long-term debt), and subscription payable (see Notes 10, 16 and 17).

  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 16 and 17).

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 statements of income, is transferred from consolidated equity to the consolidated statements of income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the consolidated statements 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 statements of income, is removed from consolidated equity and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements 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 Suppliers and Contractors
Advances to suppliers and contractors 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. Current noninterest–bearing advances to employees for personal cash advances, if any, are stated at the expected cash consideration to be received.

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 and improvements are measured at the carrying values of the assets transferred.

Inventories

Inventories are initially recorded at cost. Cost consists of direct costs in bringing the inventories to their present location and condition. 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 of purchases 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:

- Value Added Tax (VAT). VAT is recognized when an entity in the Group purchases goods or services from a VAT-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized. Input VAT 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 consolidated 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. Prepayments and other current assets are stated at their realizable value (cost less impairment).

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 Associates
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 consolidated statements of income, and its share of post-acquisition movements in reserves is recognized in reserves, if any. The cumulative post-acquisition movements are adjusted against the carrying amount of investment. The carrying value is also decreased for any cash or property dividends received.

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

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

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

Property and Equipment

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, crushing equipment included in machinery and equipment, which is depreciated using units of production method based on estimated recoverable reserves, and bearer plants which are depreciated based on output method:

Category	Estimated useful life
Refined bleached deodorized(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.

Intangible Assets

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 "bearer plants under property and equipment" account in the in the consolidated statements of financial position consistent with the function of the intangible asset.

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, investments in associates, investment properties, property and equipment, 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.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group 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.

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

Stock dividend distributable are stock dividends declared and approved by the BOD, but not yet issued.

Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit) include all current and prior period results of operations as disclosed in the consolidated statements of income, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any.

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

Net cumulative 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.

<u>Non-controlling Interests</u>
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.

<u>Earnings (loss) per Share (EPS)</u>
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 and distributed 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.

<u>Revenue Recognition</u>
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 of 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.

- *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 on sale of property and equipment and investment property*
  Realized gains and losses are recognized when the sale transaction occurs.

- *Penalties, surcharges and other income*
  Revenue is recognized as this accrues.

- *Income from forfeited deposits*
  Revenue is recognized when the customer cancel their reservation as this accrues in accordance with the substance of agreement relative to the receipt of deposit.

- *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 charged to expense 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 statements 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 statements 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.

Borrowing Cost

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

All other borrowing costs are expensed as incurred.

Foreign Currency Transactions and Translations

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.

Current income 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 income tax
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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current liabilities, and the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 33. 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 consolidated 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 20 and 23, 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, 2017 and 2016 is shown in Note 29.

- *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 2017 and 2016 are shown in Notes 24 and 26.

- *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 – the Group as a Lessor*
  The Group has entered into various lease agreements as a lessor. The Group 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 – the Group as a Lessee*
  The Group 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 Group 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 goods, 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 ₱12,462,873 and ₱17,933,821 as of December 31, 2017 and 2016, 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 Impairment of Receivables and Deposits*
  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. 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 Group's allowance for doubtful accounts amounted to ₱474,380 and ₱453,225 as of December 31, 2017 and 2016, respectively (see Note 7). The carrying values of receivables and notes receivable as of December 31, 2017 and 2016 are shown in Notes 7 and 8, respectively.

- *Estimation of Impairment of Available-for-Sale Investments*
  The computation for the impairment of available-for-sale investments 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.

  The carrying values of available-for-sale investments amounted to ₱457.0 million and ₱1.3 billion as of December 31, 2017 and 2016, respectively (see Note 10).

- *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, 2017 and 2016 are shown in Notes 12, 13 and 15, respectively.

  As of December 31, 2017 and 2016, 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, 2017 and 2016, the carrying values of real estate held for sale, inventories and land and improvements are shown in Notes 8 and 14, respectively.

- *Estimation of Impairment and Recoverable Values of Non-financial Assets*
  The Group reviews prepayments and other current assets, investment in associates, investment properties, property and equipment, leasehold rights, and 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 carrying amounts of prepayments and other current assets, investment in associates, investment properties, property and equipment, leasehold rights, and investments and deposits are disclosed in Notes 9, 11, 12, 13 and 15, respectively.

- *Estimation of 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 26, 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 retirement obligations. Any changes in assumptions would increase or decrease the net retirement liability and the amount recognized in total comprehensive income.

  Retirement liability amounted to ₱26.8 million and ₱23.1 million as of December 31, 2017 and 2016, respectively (see Note 25).

- *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 ₱38.4 million and ₱27.7 million as of December 31, 2017 and 2016, respectively. The Group's deferred tax liabilities amounted to ₱74.1 million and ₱75.4 million as of December 31, 2017 and 2016, respectively (see Note 27).

- *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 consolidated financial statements, no provision for probable losses is recognized in the Group's consolidated 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. On August 16, 2016, the Group received the Final Assessment Notice amounting to ₱3.1 million which was recognized in the Group's consolidated financial statements in 2016.

- *Estimation of Production and Amortization of Bearer plants*
  The total estimated production of the Group's bearer plants 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, 2017 and 2016, the net carrying value of the Group's bearer plants reported under property and equipment, amounted to ₱439.1 million and ₱433.3 million, respectively (see Note 13).

6. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱881,666	₱850,643
Cash in banks	92,930,886	47,980,868
	₱93,812,552	₱48,831,511

Cash in banks pertain to savings and current accounts that generally earn 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 Philippine Peso equivalents amounting to ₱13,183,700 and₱6,113,436 as of December 31, 2017 and 2016, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of ₱49.923/$1 and ₱49.813/$1.00 as of December 31, 2017 and 2016, respectively.

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, 2017 and 2016, total cash in bank set-aside as project deposit account amounted to ₱6.4 million and ₱0.2 million, respectively.

Financial income recognized in the consolidated statements of income on cash in banks and cash equivalents amounted to ₱157,559 in 2017, ₱14,710 in 2016 and ₱64,506 in 2015 (see Note 21).

7. Receivables- Net

This account consists of:

	2017	2016
Contract receivables on sale of real estate	₱332,736,812	₱380,632,750
Trade receivables	11,134,814	8,070,103
Advances to officers and employees	2,838,371	2,475,895

(Forward)

(Carryforward)

	2017	2016
Others	₱75,882,418	₱59,814,939
Total receivables	422,592,035	450,993,687
Less: Allowance for doubtful accounts	(474,380)	453,225
Net carrying amount	422,118,035	450,540,462
Less: Noncurrent portion of receivables	139,171,066	210,598,167
Current portion receivables	₱282,946,969	₱239,942,295

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 2017 and 2016. The transfer 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 ₱6,247,133 in 2017, ₱10,457,160 in 2016 and ₱14,571,176 in 2015 (see Note 21).

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

Advances to officers and employees include car loans to employees. Interest income pertaining these loans amounted to ₱7,059 in 2017, ₱31,440 in 2016 and ₱110,985 in 2015 (see Note 21).

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.

No receivable is collateralized to any of the Group's debt as of December 31, 2017 and 2016.

The movement of allowance for doubtful accounts is as follows:

	2017	2016
Balance at beginning of year	₱453,225	₱453,225
Additional provision during the year	21,155	–
Balance at end of year	₱474,380	₱453,225

8. Real Estate Held for Sale and Inventories

a. 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:

	2017	2016
Land	₱186,707,747	₱168,175,564
Development cost and materials	590,039,757	524,735,073
	₱776,747,504	₱692,910,637

Real estate held for sale with carrying value of ₱405.5 million and ₱501.3 million as of December 31, 2017 and 2016, respectively, are collateralized to the loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 17).

The Group reclassified land and improvements with a total cost of ₱55,575,123 and ₱23,049,870 to real estate held for sale in 2017 and 2016, respectively (see Note 14). The Group also reclassified investment properties amounting to ₱12,113,961 to real estate held for sale (see Note 12). In 2017, real estate held for sale amounting to ₱5,840,084 was reclassified to land and improvements (see Note 8). The reclassifications has no impact on the consolidated statements of cash flows.

b. Inventories

This account consists of:

	2017	2016
Crude palm oil	₱27,331,496	₱9,267,225
Palm olein	21,660,351	13,154,674
Refined bleached deodorized oil	19,427,826	12,672,243
Palm stearin	9,043,073	5,979,256
Palm acid oil and fatty acid distillate	5,803,530	5,131,051
Fresh fruit bunches	1,442,996	–
Aggregates and water meter	230,294	410,772
Palm kernels	3,625	79,600
	₱84,943,191	₱46,694,821

No allowance for inventory obsolescence was recognized as of December 31, 2017 and 2016. There are no inventories that are pledged as collateral for any of the Group’s debt.

9. Prepayments and Other Current Assets

This account consists of:

	2017	2016
Deposit for land acquisition	₱106,758,303	₱106,758,303
Creditable withholding taxes	83,160,895	56,839,018
Value-added input taxes	45,146,398	43,988,237
Other deposits	41,105,888	44,235,153
Prepaid expenses	24,541,757	27,481,606
Supplies and materials	2,065,802	2,395,769
	₱302,779,043	₱281,698,086

The Group entered into several contracts to sell with several sellers of land. Installment payments 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.

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.

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.

10. Available-for-Sale Investments

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

	2017			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	Total
Carrying value:				
December 31, 2016	₱1,134,537,278	₱11,881,018	₱115,979,001	₱1,262,397,297
Cost of sold investment during the year	(454,705,784)	–	–	(454,705,784)
Unrealized gain (loss)	(347,980,348)	–	–	(347,980,348)
Realized gain from disposal	(265,837,561)	–	–	(265,837,561)
Impairment loss on sold investment	263,140,783	–	–	263,140,783
December 31, 2017	₱329,154,368	₱11,881,018	₱115,979,001	₱457,014,387

	2016			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	Total
Carrying value:				
Balance at beginning of year	₱824,275,828	₱48,684,575	₱115,979,001	₱988,939,404
Unrealized gain (loss) on fair value changes	310,261,450	(36,803,557)	–	273,457,893
Balance at end of year	₱1,134,537,278	₱11,881,018	₱115,979,001	₱1,262,397,297

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 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.

  The related subscriptions payable on the above investments in listed companies amounted to ₱0.165 million and ₱70.0 million as of December 31, 2017 and 2016, respectively.

  In 2017, the Group sold its 176,236,000 shares and 278,469,784 shares of Apex Mining Corporation's (AMC) and Phil. Realty & Holdings Corporation (RLT) investments, listed companies, for ₱311.4 million and ₱146 million, respectively. Total gain recognized was ₱265.8 million.

- 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, 2017, the Group's equity interest to Phigold remains at 18.70%.

The net change in unrealized gain (loss) on available-for-sale investments follows:

	2017	2016	2015
Balance at beginning of year	₱424,459,419	₱151,001,526	₱176,572,963
Net unrealized gain (loss) on fair value during the year	(347,980,348)	273,457,893	(25,771,437)
Net unrealized loss on fair value of sold investments removed from equity and included in profit or loss	(265,837,561)	–	–
Reclassification due to deconsolidation of a subsidiary during the year	–	–	200,000
Balance at end of year	(₱189,358,490)	₱424,459,419	₱151,001,526

11. Investments in Associates

This account consists of the Group’s investments in the following companies as of December 31, 2017 and 2016.

	Percentage of ownership	Amount	
		2017	2016
Palm Concepcion Power Corporation (PCPC)	20%	₱849,284,689	₱755,866,238
Peakpower Energy, Inc. (PEI)	20%	169,590,597	150,440,753
East West Rail Transit Corporation (EWRTC)	33.33%	54,334,967	–
		₱1,073,210,253	₱906,306,991

The rollforward analysis of this account follows:

	2017	2016
Carrying value at beginning of year	₱906,306,991	₱991,933,944
Equity in net profit (loss) for the year	92,018,263	(85,626,953)
Acquisition during the year	74,884,999	–
Carrying value at end of year	₱1,073,210,253	₱906,306,991

- 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, 2017 and 2016.

- 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 and PEI as to common shares and preferred shares is as follows:

Type of Shares	PCPC	PEI
Common	210,000,000	40,000,000
Redeemable Preferred	647,200,000	70,000,000
Total	857,200,000	110,000,000

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

The financial information of the associates is summarized below:

a. PCPC

	2017	2016
Total Assets		
Current assets	₱2,963,388,267	₱2,242,158,799
Noncurrent assets	11,651,808,955	12,302,107,055
	₱14,615,197,222	₱14,544,265,854
Total Liabilities		
Current liabilities	₱1,822,568,946	₱1,161,770,573
Noncurrent liabilities	8,914,743,521	9,890,152,355
	₱10,737,312,467	₱11,051,922,928
Total Equity		
Capital stock	₱4,286,000,000	₱4,286,000,000
Accumulated losses	(408,115,245)	(793,657,074)
	₱3,877,884,755	₱3,492,342,926
Gross revenues for the year	₱3,759,702,545	₱643,181,968
Net income (loss) for the year	₱385,541,829	(₱552,810,726)

b. PEI

	2017	2016
Total Assets		
Current assets	₱807,016,560	₱332,722,405
Noncurrent assets	3,142,997,759	3,007,380,597
	₱3,950,014,319	₱3,340,103,002
Total Liabilities		
Current liabilities	₱1,754,220,249	₱1,517,212,493
Noncurrent liabilities	1,274,665,368	1,079,120,626
	₱3,028,885,617	₱2,596,333,119
Total Equity		
Capital stock	₱550,000,000	₱550,000,000
Retained earnings	371,128,702	193,769,883
	₱921,128,702	₱743,769,883
Gross revenues for the year	₱613,785,445	₱624,953,154
Net profit for the year	₱177,299,645	₱124,675,962

c. EWRTC

	2017	2016
Total Assets		
Current assets	$1,839,068	$7,620
Total Liabilities		
Current liabilities	$5,835,442	$5,226,493
Total Equity		
Capital stock	$3,000,030	$3,000,030
Share Premium	500,000	500,000
Retained earnings	(7,496,404)	(8,718,903)
	($3,996,374)	($5,218,873)
Gross revenues for the year	$1,594,004	$–
Net profit (loss) for the year	$1,222,500	($663,569)

12. Investment Properties- Net

This account consists of:

	2017	2016
Properties held for capital appreciation – net	₱170,223,894	₱182,577,374
Properties held under lease	1,610,064	1,660,064
	₱171,833,958	₱184,237,438

Investment properties are stated at cost less any impairment. Investment properties have a fair value of about ₱395.9 million as of December 31, 2017 and 2016, respectively. The fair value as of December 31, 2017 and 2016 was based on appraisal report as determined by Cuervo Appraisers, Inc., an SEC accredited independent firm of appraisers.

The rollforward analysis of investment properties held for capital appreciation as of and for the years ended December 31, 2017 and 2016 follows:

	2017		
	Land and improvements	Building	Total
Cost:			
Balance at beginning of year	₱182,577,374	₱–	₱182,577,374
Reclassification	(12,113,961)	–	(12,113,961)
Adjustment	(415,393)	–	(415,393)
Additions	175,874	–	175,874
Balance at end of year	170,223,894	–	170,223,894
Allowance for impairment loss:			
Balance at beginning and end of year	–	–	–
Net carrying value	₱170,223,894	₱–	₱170,223,894

	2016		
	Land and improvements	Building	Total
Cost:			
Balance at beginning of year	₱188,267,450	₱30,532,806	₱218,800,256
Additions	150,575	–	150,575
Disposal	(5,840,651)	(30,532,806)	(36,373,457)
Balance at end of year	182,577,374	–	182,577,374
Allowance for impairment loss:			
Balance at beginning of year	–	20,869,471	20,869,471
Disposal	–	(20,869,471)	(20,869,471)
Balance at end of year	–	–	–
Net carrying value	₱182,577,374	₱–	₱182,577,374

The disposals in 2016 include sale of building located in Davao City and land properties which resulted to a total gain of ₱2,353,157, and sale of land and building at the carrying value of ₱12.5 million.

In 2017, the Parent Company reclassified investment properties to real estate held for sale amounting to ₱12.1 million (see Note 8).

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

	2017	2016	2015
Taxes and licenses	₱1,931,114	₱4,648,536	₱1,680,684
Professional fee	1,128,889	29,745	47,059
Security	890,110	847,522	1,856,752
Litigation	101,518	–	–
Insurance	14,657	3,487	2,864
Repairs and maintenance	6,122	–	552,029
Utilities	4,549	461,167	38,727
Transportation	190	5,049	8,411
Provision for impairment	–	–	4,054,869
	₱4,077,149	₱5,995,506	₱8,241,395

The details of the properties held under lease follows:

	2017		
	Land	Building and improvements	Total
Cost:			
Balance at beginning and end of year	₱1,610,063	₱7,142,747	₱8,752,810
Accumulated depreciation:			
Balance at beginning of year	–	7,092,746	7,092,746
Additions	–	50,000	50,000
Balance at end of year	–	7,142,746	7,142,746
Net carrying value	₱1,610,063	₱1	₱1,610,064

	2016		
	Land	Building and improvements	Total
Cost:			
Balance at beginning of year	₱15,423,023	₱87,753,964	₱103,176,987
Disposals	(13,812,960)	(80,611,217)	(94,424,177)
Balance at end of year	1,610,063	7,142,747	8,752,810
Accumulated depreciation:			
Balance at beginning of year	–	80,118,451	80,118,451
Additions	–	2,143,309	2,143,309
Disposals	–	(75,169,014)	(75,169,014)
Balance at end of year	–	7,092,746	7,092,746
Net carrying value	₱1,610,063	₱50,001	₱1,660,064

In 2016, the Group sold land, land and improvements, and building and improvements which resulted to a gain of ₱69,997,370.

Rental income generated from investment properties held under lease amounted to ₱2.1 million in 2017, ₱5.1 million in 2016 and ₱14.0 million in 2015 (see Note 26).

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

	Notes	2017	2016	2015
Depreciation under general and administrative expense	24	₱45,833	₱2,143,309	₱2,561,971
Taxes and licenses		7,084	4,470	43,416
Insurance		4,536	12,693	6,369
Transportation and travel		–	468	520
Others		–	–	223
		₱57,453	₱2,160,940	₱2,612,499

The Group collateralized investment properties with a carrying amount of ₱21.2 million as of December 31, 2017 and 2016, respectively, on its long-term debts from AUB and MPI (see Note 17).

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, 2017 and 2016.

13. Property and Equipment - Net

The net carrying value of this account is as follows:

	2017	2016
Land	₱12,967,297	₱12,967,297
Bearer plants	439,081,416	433,340,779
RBD and fractionation machineries	250,763,325	251,143,003
Land improvements	2,779,368	1,279,006
Building and improvements	11,208,749	9,224,797
Leasehold improvements	25,952	30,857

(Forward)

(Carryforward)

	2017	2016
Machinery and equipment	₱136,962,380	₱133,862,975
Furniture, fixtures and equipment	2,083,286	2,330,439
Transportation equipment	5,409,400	5,305,867
Tools and other equipment	134,039	494,899
Packaging equipment	6,894,269	–
Other assets	4,056,098	7,163,604
Construction in progress	41,555,362	47,084,932
	₱913,920,940	₱904,228,455

Rollforward analysis of this account is shown below:

	2017				
	Balance at beginning of year	Additions/ Depreciations	Disposals	Reclassification	Balance at end of year
Cost:					
Land	12,967,297	₱–	₱–	₱–	₱12,967,297
Bearer plants	442,029,650	5,740,637	–	–	447,770,287
RBD and fractionation machineries	252,770,963	432,394	–	(160,394)	253,042,963
Land improvements	2,410,830	–	–	1,592,175	4,003,005
Building and improvements	53,831,471	–	–	3,135,096	56,966,567
Leasehold improvements	2,970,241	–	–	–	2,970,241
Machinery and equipment	301,831,042	11,141,250	–	–	312,972,292
Furniture, fixtures and equipment	23,177,585	374,397	–	–	23,551,982
Transportation equipment	52,801,367	3,847,607	(680,955)	–	55,968,019
Tools and other equipment	3,121,710	62,595	–	(156,826)	3,027,479
Packaging equipment	–	–	–	6,894,269	6,894,269
Other assets	35,729,358	1,695,047	–	(47,791)	37,376,614
Construction in progress	47,084,932	5,958,694	–	(11,488,264)	41,555,362
	1,230,726,446	29,252,621	(680,955)	(231,735)	1,259,066,376
Accumulated depreciation and amortization:					
RBD and fractionation machineries	1,627,960	651,678	–	–	2,279,638
Bearer plants	8,688,871	–	–	–	8,688,871
Land improvements	1,131,824	91,813	–	–	1,223,637
Building and improvements	44,606,674	1,151,144	–	–	45,757,818
Leasehold improvements	2,939,384	4,905	–	–	2,944,289
Machinery and equipment	167,968,067	8,041,845	–	–	176,009,912
Furniture, fixtures and equipment	20,847,146	621,550	–	–	21,468,696
Transportation equipment	47,495,500	3,467,437	(404,318)	–	50,558,619
Tools and other equipment	2,626,811	266,629	–	–	2,893,440
Packaging equipment	–	–	–	–	–
Other assets	28,565,754	4,754,762	–	–	33,320,516
	326,497,991	19,051,763	(404,318)	–	345,145,436
Net carrying value	₱904,228,455	₱10,200,858	(₱276,637)	(₱231,735)	₱913,920,940

	2016				
	Balance at beginning of year	Additions/ Depreciations	Disposals	Reclassification	Balance at end of year
Cost:					
Land	₱12,967,297	₱–	₱–	₱–	₱12,967,297
Bearer plants	411,335,046	30,694,604	–	–	442,029,650
RBD and fractionation machineries	248,622,268	2,975,780	–	1,172,915	252,770,963
Land improvements	2,410,830	–	–	–	2,410,830
Building and improvements	54,260,673	–	(429,202)	–	53,831,471
Leasehold improvements	2,955,709	14,532	–	–	2,970,241
Machinery and equipment	302,931,042		(1,100,000)	–	301,831,042
Furniture, fixtures and equipment	21,892,003	1,285,582	–	–	23,177,585
Transportation equipment	57,570,513	28,711	(4,797,857)	–	52,801,367
Tools and other equipment	2,914,494	207,216	–	–	3,121,710
Other assets	32,706,694	3,022,664	–	–	35,729,358
Construction in progress	34,761,294	13,627,308	–	(1,303,670)	47,084,932
	1,185,327,863	51,856,397	(6,327,059)	(130,755)	1,230,726,446
Accumulated depreciation and amortization:					
Bearer plants	7,668,628	1,020,243	–	–	8,688,871
RBD and fractionation machineries	–	1,627,960	–	–	1,627,960
Land improvements	1,040,011	91,813	–	–	1,131,824
Building and improvements	43,746,906	1,255,789	(396,021)	–	44,606,674
Leasehold improvements	2,784,022	155,362	–	–	2,939,384
Machinery and equipment	160,145,011	8,923,055	(1,099,999)	–	167,968,067
Furniture, fixtures and equipment	19,904,644	942,502	–	–	20,847,146
Transportation equipment	47,273,432	4,241,663	(4,019,595)	–	47,495,500
Tools and other equipment	2,344,151	282,660	–	–	2,626,811
Other assets	24,174,668	4,391,086	–	–	28,565,754
	309,081,473	22,932,133	(5,515,615)	–	326,497,991
Net carrying value	₱876,246,390	₱28,924,264	(₱811,444)	(₱130,755)	₱904,228,455

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

As of December 31, 2017 and 2016, the Company has 85,955 palm oil trees planted on a land under leasehold (see Note 16). Amortization of bearer plants was suspended starting 2014 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 bearer plants was charged to cost of sales in the consolidated statement of comprehensive income.

The Group sold property and equipment which resulted to a loss of ₱29,673 in 2017, gain of ₱1,461,023 in 2016 and a loss of ₱263,417 in 2015.

The RBD and fractionation machineries, machineries and equipment, and land with carrying value totaling to ₱330.6 million and ₱336.5 million as of December 31, 2017 and 2016, respectively were used as collateral to the Group’s loans availed from UCPB and BPI (see Note 17).

There are no contractual commitments to purchase property and equipment.

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

	Notes	2017	2016	2015
General and administrative expenses	24	₱11,689,258	₱10,082,784	₱13,947,455
Real estate held for sale	8	5,349,809	8,659,192	10,523,384
Cost of sales and services	23	2,006,592	4,164,324	3,631,187
Capitalized to bearer plants		6,104	25,833	–
		₱19,051,763	₱22,932,133	₱28,102,026

The Group's management had reviewed the carrying values of the property and equipment for any impairment as of December 31, 2017 and 2016. 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.

14. Land and Improvements

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

The rollforward analysis of this account is shown below:

		2017		
	Note	Land	Improvements	Total
Balance at beginning of year		₱321,933,545	₱376,396,439	₱698,329,984
Reclassifications	8	(55,575,123)	5,840,083	(49,735,040)
Additions		–	157,673	157,673
Balance at end of year		₱266,358,422	₱382,394,195	₱648,752,617

		2016		
	Note	Land	Improvements	Total
Balance at beginning of year		₱338,058,990	₱375,940,478	₱713,999,468
Reclassifications	8	(23,049,870)	–	(23,049,870)
Additions		6,924,425	455,961	7,380,386
Balance at end of year		₱321,933,545	₱376,396,439	₱698,329,984

The Group reclassified land and improvements with a total cost of ₱55,575,123 and ₱23,049,870 to real estate held for sale in 2017 and 2016, respectively (see Note 8). The Group also reclassified real estate held for sale amounting to ₱5,840,084 to land and improvements (see Note 8). The reclassifications has no impact on the consolidated statements of cash flows.

15. Leasehold Rights – Net

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 36).

Rollforward analysis of this account is shown below:

	Notes	2017	2016
Cost:			
Balance at beginning and end of year		₱41,665,391	₱41,655,391
Accumulated amortization:			
Balance at beginning of year		8,644,268	7,410,784
Amortization during the year	13, 23	1,237,694	1,233,484
Balance at end of year		9,881,963	8,644,268
Net carrying value		₱31,773,428	₱33,011,123

In 2014, some of the palm oil trees in plantation reached their commercially fruiting stage. The amortization of leasehold rights in these areas was directly charged to other direct costs under cost of sales and services (see Note 23). 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 bearer plants.

As of December 31, 2017, the bearer plants in all the plantation areas are still in their growing stage. Accordingly, the amortization of leasehold rights was fully capitalized to bearer plants (see Note 13). In 2016, the management has re-assessed that bearer plants in Kalabugao Phase 1A have reached their commercially fruiting stage. The amortization of leasehold rights in these areas was directly charged to other direct costs (see Note 23). The amortization of leasehold rights attributable to palm oil trees that were still in growing stage was still capitalized as part of the production costs of the Group's bearer plants.

Amortization of leasehold rights is distributed as follows:

	Note	2017	2016	2015
Capitalized to bearer plants under property and equipment	13	₱772,477	₱1,121,945	₱1,288,221
Charged to other direct costs	23	465,217	111,539	–
Total amortization of leasehold rights		₱1,237,694	₱1,233,484	₱1,288,221

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.

16. Accounts Payable and Accrued Expenses

This account consists of:

	Notes	2017	2016
Accounts payable		₱344,932,701	₱304,974,046
Accrued expenses:			
Third parties		17,181,228	25,560,577
Related parties	18	2,887,988	3,871,096
Retention payable		9,253,676	11,826,298
Accrued interest payable		7,073,136	7,343,245
Contracts payable		4,346,335	4,346,335
Others		31,830,652	33,249,881
		₱417,505,716	₱391,171,478

The above accrued expenses significantly include accrual for contractual services, telephones expenses, rentals, labor and other recurring expenses incurred by the Group from services rendered by the third parties and lease payable to related parties.

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 and payable on demand upon compliance and completion of the terms and conditions of the contracts.

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

	Note	2017	2016
Construction bond payable		₱11,985,920	₱9,637,033
Output VAT payable		9,303,014	12,851,416
Withholding tax payable		5,106,888	3,650,234
SSS, HDMF, PHIC premium payable		2,951,785	2,750,531
Others	37	2,483,045	4,360,667
		₱31,830,652	₱33,249,881

Others include unearned income on land lease and payable to shareholders for treasury shares (see Note 37).

17. Short-term and Long-term Debt

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

	2017	2016
Financial Institutions:		
China Banking Corp. (CBC)	₱390,000,000	₱390,000,000
Union Bank of the Philippines (UBP)	90,000,000	90,000,000
United Coconut Planters Bank (UCPB)	50,000,000	20,000,000
Philippine Bank of Communication (PBCOM)	–	60,229,167
Shareholders	14,500,000	221,700,000
Affiliate	–	1,000,000
	₱544,500,000	₱782,929,167

- The loan from CBC pertains to a clean term loan availed by the Group amounting to ₱70 million in September 2012 with an annual interest rate of 6.0%. The loan matured in July 2013 and was renewed for another year until July 2014 with an annual interest rate of 5.5%. On October 4, 2013, the Group availed term loan amounting to ₱30 million with an annual interest rate of 5.5% which matured on July 31, 2014. In April 2014, the Group availed additional clean loan amounting to ₱5 million with an interest of 5.5% which was repaid in July 2014. In October 2014, a total of ₱100 million loans were renewed for another year until October 23, 2015 of which ₱10 million was already repaid on December 29, 2014. On 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%. ₱10 million was repaid in 2016 and remaining balance of ₱90 million was renewed for another year maturing on October 12, 2017 with annual interest of 5.75%. The Group also availed additional loans on various dates within February to March 2016 totaling ₱300 million and will mature on February 16, 2017 with an annual interest rate of 5.75%.

The outstanding loans of ₱300 million were subsequently renewed on February 16, 2017 under the same term and interest rate.

- The loans from UBP pertain to the term loans availed by the Group totaling ₱100 million in January 2012 and October 2011. The loans bear annual interest rate of 5.5% and will mature one (1) year from the date of availment and were subsequently renewed annually in December 2013, 2014, 2015 and 2016 under the same term and interest rate. In December 2017 an 2016, ₱10.0 million of the total outstanding balance was repaid before the renewal of the balance of ₱90.0 million for another year. The loan balance as of December 31, 2017 and 2016 is unsecured.

- A clean term loan amounting to ₱65 million was obtained by the Group on May 8, 2014 from PBCOM. The loan bears annual interest rate of 5.5% which is subject to renewal and collectible monthly in arrears and will mature on April 30, 2015. Prior to maturity 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%. Also, in April 2016, loans totaling ₱65 million were renewed for another year of which ₱19.8 million was already repaid in 2016. In July 2016, the Group availed two (2) additional loans from PBCOM totaling to ₱16.25 million. The loans consist of ₱3.75 million with annual interest rate of 5.625% maturing on January 4, 2017 of which ₱1.0 million was already repaid during 2016, and ₱12.5 million with annual interest of 5.75% maturing on January 17, 2017 with ₱0.2 million already repaid during the year. Total outstanding loan balance in 2016 was repaid in 2017.

- 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. The outstanding loans of ₱20.0 million were subsequently renewed in 2016 under the same term and interest rate. The Group availed additional loans on June 2, 2016 and July 30, 2016 amounting to ₱6 million and ₱2 million, respectively, with 5.5% interest rates, which were subsequently paid by the Group on July 1, 2016 and October 24, 2016, respectively. On January 13, 2017, the Group availed a clean loan amounting to ₱40 million with 5.50% interest rate maturing on January 8, 2018.

- On December 17, 2015, the Group obtained a noninterest-bearing and unsecured loan amounting to ₱3.0 million from a shareholder payable on June 14, 2016. This was subsequently paid before maturity period. The Group availed additional loans on various dates within April to July 2016 totaling ₱13.0 million of which repayments of loans in 2016 amounted to ₱5.0 million.The Group availed additional loans from other shareholders on various dates within February to December 2016 totaling ₱197.1 million with six (6) months term subject to renewal upon maturity. Also,on various dates within March to August 2016, the Group availed loans totaling ₱16.6 million with an interest rate of 5% payable after 90 days. Total outstanding loan balance in 2016 was repaid in 2017.

- In June 2015, the Group obtained a noninterest-bearing and unsecured loan amounting to ₱1.0 million from XSCCI, an affiliate, payable in June 2016. This was renewed for another year maturing on June 14, 2017. (see Note 18). This loan was paid in 2017.

- On various dates within April and August 2017, the Parent Company obtained a noninterest-bearing loans amounting to ₱102.3 million from shareholders payable within the year.

  On July 13, 2017, the Parent Company also availed a short term noninterest - bearing loan from a subsidiary amounting to $1,500,000 with a peso equivalent of ₱75.9 million.

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

	2017	2016
Financial Institutions:		
Union Bank of the Philippines (UBP)	₱320,507,949	₱257,735,858
Asia United Bank (AUB)	169,968,825	218,910,325
United Coconut Planters Bank (UCPB)	132,840,788	379,583,364
BPI Family Savings Bank (BPIF)	108,070,385	144,220,027
Philippine Bank of Communications	86,914,595	–
Development Bank of the Philippines (DBP)	30,773,360	35,000,000
Bank of the Philippine Islands (BPI)	28,800,000	45,600,000
Maybank Phils., Inc. (MPI)	13,333,333	33,333,333
China Banking Corp. (CBC)	1,489,801	1,089,033
Total loans from financial institutions	892,699,036	1,115,471,940
Shareholders	–	66,888,208
Total long-term debt	892,699,036	1,182,360,148
Less current portion due within 1 year	390,139,290	378,906,559
Noncurrent portion of long-term debt	₱502,559,746	₱803,453,589

- 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 obtaining at the time of availment, plus a spread of 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 ₱101.3 million and ₱176.7 million as of December 31, 2017 and 2016, respectively (see Note 8).

  On September 22, 2015, the Group availed a loan from UCPB amounting to ₱80.1 million to pay the remaining balance of the loan from BPI with interest initially fixed at the rate of 5.50% per annum which is the prevailing market rate at the time of issuance for the first three (3) years. Succeeding rate shall be based on the present prevailing market rate and shall have a term of six (6) years until September 21, 2021. The principal shall be payable in quarterly installments amounting to ₱4.005 million to commence on December 22, 2016. On October 29, 2015, the Group availed additional loan 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 ₱5.245 million to commence on January 29, 2017. The loan is collateralized by the Group’s land, building and machineries with a total carrying value of ₱330.0 million and ₱336.5 million as of December 31, 2017 and 2016, respectively (see Note 13).

- The loan from UBP pertains to a 7-year loan availed by the Group in 2012 amounting to ₱300 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 rate of 5.56%. On September 23, 2015, the Group availed additional ₱75 million loan bearing 5.78% annual interest rate maturing on September 23, 2019. The loans are collateralized by the Group's real estate held for sale assets with carrying amount of ₱108.2 million and ₱113.7 million as of December 31, 2017 and 2016, respectively (see Note 8).

- 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 ₱0.1 million as of December 31, 2017 and 2016, respectively (see Note 12), and real estate mortgage on the property of the Group's stockholder.

  In January 2014, the Group obtained additional 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, two 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% 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 ₱34.3 million and ₱35.8 million as of December 31, 2017 and 2016, respectively (see Note 8).

- 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 ₱41.5 million and ₱43.7 million as of December 31, 2017 and 2016, respectively (see Note 8).

- The loans from BPI were obtained on various dates in 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 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 1.25%per annum. The interest ratein 2016 and 2015 is at 4.75% per annum. Outstanding balance was paid by the Group upon maturity of the loan. On June 30, 2016, the Group availed additional loan amounting to ₱54.0 million payable in 39 months with a quarterly principal payment amounting to ₱4.2 million starting September 30, 2016 maturing on September 30, 2019. Interest rate is 5.23% 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 ₱94.7 million and ₱98.9 million as of December 31, 2017 and 2016, respectively (see Note 8).

- On March 18, 2016, the Group availed a six (6)-year loan from DBP amounting to ₱35 million that will mature on March 18, 2022, with two (2) years grace period on principal. This loan bears an interest rate of 5.25% per annum (exclusive of GRT). Quarterly principal installment payments amounting to ₱2.2 million will start on June 18, 2018. This loan is collateralized by real estate mortgage with net carrying amount of ₱25.4 million and ₱32.5 million as of December 31, 2017 and 2016, respectively (see Note 8).

- 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, 2017 and 2016 (see Note 13).

- 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. Loan payment in 2016 amounted to ₱300.0 million.

  The Group obtained another loans from CBC which include a 3-year loan with 8.08% annual interest rate amounting to ₱0.9 million availed in July 2015 and a 4-year 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 Group obtained loans from PBCOM which includes a 51 months term with 8% annual interest rate amounting to ₱44.2 million availed in June 20, 2017 and a 47 months term with 8% annual interest rate amounting to ₱50.1 million availed in October 20, 2017. These loans are collateralized by the Group's real estate held for sale assets in Initao, Misamis Oriental.

- 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 consolidated 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 Group availed from shareholders additional noninterest-bearing loans totaling ₱62.0 million with 5 and 10-year term. A total of ₱3.6 million was recognized as discount on loans payable in the consolidated statements of income in 2016. Amortization of discount on loans recognized amounted to ₱23.7 million in 2017, ₱23.8 million in 2016 and ₱26.4 million in 2015.

  The following table presents the contractual maturity of short-term and long-term debt as of December 31, 2017 and 2016:

	2017	2016
Due within 1 year	₱934,639,290	₱1,161,835,726
Due beyond 1 year, not later than 5 years	502,559,746	770,139,480
Due beyond 5 years	–	33,314,109
	₱1,437,199,036	₱1,965,289,315

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

	2017	2016
Finance costs under profit or loss	₱85,542,204	₱102,196,839
Real estate held for sale	26,750,000	26,750,000
	₱112,196,043	₱128,946,839

18. 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 18).

b. Advances made to an associate

   The Group made unsecured and noninterest-bearing advances to PEI, an associate, amounting to ₱110,543,761 and ₱29,721,000 as of December 31, 2017 and 2016, respectively.

c. Lease of Group's office space from affiliates

	Notes	2017	2016
Rent expense charged to profit or loss	24	₱4,318,542	₱3,939,315
Rent expense capitalized to REHS	8	213,625	261,469
Total rent expense		₱4,532,167	₱4,200,784
Outstanding balances	16	₱2,887,988	₱3,871,096

d. Loan availed from an affiliate

   In June 2015, the Parent Company availed of ₱1.0 million noninterest-bearing loan from Xavier Sports and Country Club, Inc. (XSCCI) payable within one year from date of availment. This was renewed for another year maturing on June 14, 2017. This loan was paid in 2017 (see Note 17).

e. Treasury shares (see Note 37)

The summary of the above related party transactions follows:

	2017			
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/Provision
Shareholders				
a. Loans received from shareholders (see Note 17)		(₱14,500,000)	Noninterest-bearing and repayable in lump sum in cash on or before maturity after 10 years from 2012	Unsecured; no significant warranties and covenants
• Loans received	(₱178,146,500)			
• Payments made	197,514,769			
• Amortization of discount	(23,725,336)			
• Debt converted o equity	250,000,000			
b. Treasury shares (see Notes 16 and 37)	–	(1,014)	Payable in cash on demand	Unsecured; no significant warranties and covenants
Associate				
c. Advances		110,543,761	Noninterest-bearing; payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Advances made	80,822,761			
Affiliate				
d. Lease of office space from an affiliates (see Notes 16 and 26)		2,887,988	Noninterest-bearing; 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	4,532,167			
e. Loan availed		–	Noninterest-bearing and repayable in cash within 1 year from date of availment;subsequently renewed for another year in 2016	Unsecured; no significant warranties and covenants
• Payment made	1,000,000			

	2016			
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/Provision
Shareholders				
f. Loans received from shareholders (see Note 17)		(₱288,588,208)	Noninterest-bearing and repayable in lump sum in cash on or before maturity after 10 years from 2012	Unsecured; no significant warranties and covenants
• Loans received	(₱221,700,000)			
• Payments made	47,152,453			
• Amortization of discount	(23,831,101)			
• Discount on loans received	3,564,536			
g. Treasury shares (see Notes 16 and 37)	(1,014)	(1,014)	Payable in cash on demand	Unsecured; no significant warranties and covenants
Associate				
h. Advances		29,721,000	Noninterest-bearing; payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Advances made	5,000,000			
Affiliate				
i. Lease of office space from an affiliates (see Notes 17 and 27)		(3,871,096)	Noninterest-bearing; 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	(4,200,785)			
j. Loan availed		(1,000,000)	Noninterest-bearing and repayable in cash within 1 year from date of availment;subsequently renewed for another year in 2016	Unsecured; no significant warranties and covenants
• Payments made	–			

Below are the account balances as of December 31, 2017 and 2016 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

- Receivables/Payables

	2017			
	Receivables			
	ABCI-Parent	ABERDI	SHDC	Total
Payables:				
ABCI-Parent	₱–	₱7,996,604	₱–	₱7,996,604
ABBWCI	13,235,171	–	–	13,235,171
PTCHC	3,077	–	–	3,077
ABERDI	–	–	94,899	94,899
NC	700,075	1,709,210	–	1,779,285
SHDC	380,479	–	–	380,479
MCPI	558	–	–	558
BAC	–	815,386	–	815,386
	₱14,319,360	₱10,521,200	₱94,899	₱24,935,459

	2016			
	Receivables			
	ABCI-Parent	ABERDI	MCPI	Total
Payables:				
ABCI-Parent	₱–	₱8,658,568	₱–	₱8,658,568
ABBWCI	10,613,343	–	–	10,613,343
PTCHC	12,124	–	6,839,244	6,851,368
NC	700,000	1,263,044	–	1,963,044
SHDC	207,343	–	–	207,343
BAC	–	611,534	–	611,534
	₱11,532,810	₱10,533,146	₱6,839,244	₱28,905,200

- Deposits for future stock subscription

	2017		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱826,606,836	₱ –	₱826,606,836
ABERDI	548,815,431	–	548,815,431
HLPC	23,699,073	–	23,699,073
SHDC	9,600,000	–	9,600,000
NC	–	248,037,603	248,037,603
BCL	5,000,000	–	5,000,000
BAC	–	815,386	815,386
Total	₱1,413,721,341	₱248,852,989	₱1,662,574,330

	2016		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱818,444,221	₱ –	₱818,444,221
ABERDI	430,073,584	–	430,073,584
HLPC	16,218,820	–	16,218,820
SHDC	9,600,000	–	9,600,000
NC	–	247,165,103	247,165,103
Total	₱1,274,336,625	₱247,165,103	₱1,521,501,728

The compensation of key management personnel by benefit type follows:

	2017	2016
Salaries and wages	₱37,167,528	₱25,041,056
Short-term employee benefits	375,140	3,543,650
Post-employment benefits	673,250	325,423
	₱38,215,918	₱28,910,129

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 26.

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.

19. Capital Stock

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

	Note	2017	2016	2015
Authorized	1	3,300,000,000	2,000,000,000	2,000,000,000
Subscribed and issued	1	2,477,668,925	1,732,866,536*	1,732,865,522
Treasury shares	37	(1,014)	(1,014)	–

**Includes fractional shares from the 2013 stock dividend totaling 1,014 shares*

The movement of the number of authorized and subscribed and issued capital stock follows:

		Share Capital		
	Note	Authorized	Subscribed and issued	Treasury shares
Balance as of December 31, 2014		2,000,000,000	1,732,866,536	–
Increase in authorized capital stock in 2017		1,300,000,000	–	–
Conversion of debt and deposit for future subscription in 2017		–	398,230,088	–
Stock dividend declared and issued in 2017		–	346,572,301	–
Treasury shares in 2016	37	–	–	(1,014)
Balance as of December 31, 2014, 2015, 2016 and 2017		3,300,000,000	2,477,668,925	(1,014)

In 2017, there is an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively. In 2016, there is no movement in the number of Company's authorized and subscribed shares of capital.

On October 12, 2017, the Board of Directors approved the conversion of the Goup's debt to Brownfield Holdings Incorporated (BHI) amounting to ₱250,000,000 and deposits for future subscription of Valueleases, Inc. and RME Consulting, Inc. amounting to ₱200,000,000 to equity at ₱1.13 per share resulting to increase the number of issued shares by 398,230,088 shares.

Additional paid-in-capital amounted to ₱637,968,859 and ₱586,198,947 as of December 31, 2017 and 2016, respectively.

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 ₱200.0 million; SEC-BED Order No. 847 issued on August 15, 1994 amounting to ₱230.0 million and SEC-CFD Order No. 64 issued on March 12, 1996 totaling ₱530.0 million. Common shares are the only equity securities registered and issued by the Group.

There are 2,104 and 2,115 stockholders as of December 31, 2017 and 2016, respectively, in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱1.00 on December 29, 2017 and ₱1.04 on December 29, 2016.

20. Sales

This account consists of:

	Note	2017	2016	2015
Real estate		₱470,335,294	₱352,538,122	₱454,224,678
Palm olein		17,536,541	46,419,778	24,431,260
Crude palm oil (CPO)		29,114,663	30,543,794	98,604,592
Water service		18,244,766	17,791,359	16,066,623
Palm stearin		4,564,036	15,016,432	7,556,214
Refined bleached deodorized oil		4,202,400	7,423,545	–
Palm acid oil		2,774,694	2,739,244	3,712,363

(Forward)

(Carryforward)

	Note	2017	2016	2015
Palm fatty acid distillate (PFAD)		₱2,514,978	₱2,462,911	₱3,594,263
Kernel nuts		2,072,214	3,891,554	5,535,203
Crops and palm seedlings		45,305	391,331	586,712
Aggregates		–	4,851,339	7,039,915
		₱551,424,891	₱484,069,409	₱621,351,823

Sales of crops include sales of cassava.

Deposits from customers representing cash received from buyers when conditions for recording sales are not met amounted to ₱57,188,217, ₱41,328,215 and ₱42,230,985 as of December 31, 2017, 2016 and 2015, respectively. Reservation fees are forfeited when customers cancelled their reservation. Income from forfeited accounts amounted to ₱4,769,498 in 2017, ₱7,040,884 in 2016 and ₱3,043,441 in 2015 (see Note 21).

21. Financial Income

This account consists of:

	Notes	2017	2016	2015
Interest from:				
Sales of real estate	7	₱6,247,133	₱10,457,160	₱14,571,176
Cash in banks and cash equivalents	6	157,559	14,710	64,506
Notes receivable	7	7,059	31,440	110,985
		₱6,411,751	₱10,503,310	₱14,746,667

22. Other Income

This account consists of:

	Note	2017	2016	2015
Income from forfeited accounts	20	₱4,769,498	₱7,040,884	₱3,043,441
Surcharge income		1,367,860	1,584,085	2,145,639
Others		4,593,865	3,208,783	17,375,757
		10,731,223	₱11,833,752	₱22,564,837

Other income significantly includes revenue from providing services to foreign entity, income from sale of scrap oil and diesel, rental of pay loader and trucking services, lot staking and driving range fees.

23. Cost of Sales and Services

This account consists of:

	Notes	2017	2016	2015
Real estate		₱235,023,561	₱168,539,126	₱253,944,632
Crude palm oil		27,126,746	23,585,499	68,791,946
Palm olein		9,931,842	32,099,917	16,868,326
Water services		7,642,510	5,430,799	5,667,789
Palm stearin		4,689,951	14,080,595	4,949,219
Refined bleached deodorized oil		3,637,743	4,740,466	–
Palm acid oil		2,168,650	1,904,721	2,921,974
Crop and palm seedlings		1,474,723	1,608,863	1,287,755
Kernel nuts and fertilizers		1,294,042	3,191,148	4,436,347
Ube		10,568	297,824	–
Aggregates		–	7,417,594	6,150,588
Cassava		–	695,641	759,121
Other direct costs		552,562	928,290	41,000
		₱293,552,898	₱264,520,483	₱365,818,697

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 property and equipment which were included as part of cost of real estate sold and hotel operations. This also includes amortization charges of bearer plants and leasehold rights which were included as part of cost of sales of crude palm oil.

24. General and Administrative and Marketing Expenses

a. General and Administrative Expenses

This account consists of:

	Notes	2017	2016	2015
Personnel costs	18	₱68,217,305	₱48,447,350	₱68,120,787
Taxes and licenses		34,278,530	20,256,885	23,632,059
Depreciation and amortization	12, 13	11,739,258	12,226,093	16,509,426
Utilities and supplies		8,646,046	7,091,852	7,225,509
Rental	18, 26	7,367,940	5,720,805	6,714,207
Repairs and maintenance		4,609,578	5,044,302	6,242,019
Retirement benefits	25	3,498,204	4,691,139	4,458,824
Entertainment, amusement and recreation		644,114	989,410	475,855
Others		71,510,928	40,808,518	46,059,868
		₱210,511,903	₱145,276,354	₱179,438,554

Personnel costs include salaries and wages, short-term employee benefits and SSS, PHIC and HDMF contributions.

Depreciation and amortization are derived from:

	Notes	2017	2016	2015
Property and equipment	13	₱11,689,258	₱10,082,784	₱13,947,455
Investment properties	12	50,000	2,143,309	2,561,971
		₱11,739,258	₱12,226,093	₱16,509,426

Significant components of other operating expenses follow:

	2017	2016	2015
Professional fees	₱23,720,898	₱6,460,279	₱8,384,902
Security and janitorial services	14,901,111	11,388,296	14,356,837
Transportation and travel	9,561,038	5,792,897	5,385,320
Directors' fees	2,270,500	1,119,821	1,413,882
Insurance	1,716,128	878,792	820,735
Board meetings	817,445	1,152,846	942,807
Subscription and dues	694,547	1,954,960	634,099
Trainings and seminars	610,996	240,865	677,196
Litigation fees	256,705	114,990	342,461
Bank charges	57,459	153,309	54,786
Bad bebts	21,155	–	–
Miscellaneous	16,882,946	11,551,463	13,046,843
	₱71,510,928	₱40,808,518	₱46,059,868

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

b. Marketing Expenses

Marketing expenses significantly include commission on real estate sales and advertising expenses incurred by the Group.

25. 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 dated March 28, 2017 was made for the retirement liability and expense as of and for the year ended December 31, 2017.

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 or curtailments recognized for the years ended December 31, 2017, 2016 and 2015.

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

	2017	2016
Discount rate, beginning of year	5.38%	5.17%
Discount rate, end of year	5.70%	5.38%
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, 2017 and 2016 was determined as follows:

	2017	2016
Present value of defined benefit obligations	₱32,151,135	₱30,505,698
Less fair value of plan assets	5,341,623	7,413,375
	₱26,809,512	₱23,092,323

The carrying amount of the plan assets approximates the fair value of plan assets which is allocated as of December 31, 2017 and2016 as follows:

	2017	2016
Cash and cash equivalents	22.49%	58.79%
Equity instruments	73.44%	42.76%
Debt instruments-government bonds	1.01%	0.70%
Others (market gains (losses), accrued receivables, etc.)	3.06%	(2.25%)
	100%	100%

The rollforward of present value of defined benefit obligation follows:

	2017	2016
Balance at beginning of year	₱30,505,698	₱43,604,338
Benefits paid	(3,591,985)	(3,706,627)
Current service cost	2,943,656	2,758,211
Interest cost	1,645,714	2,369,736
Settlement gain	(778,456)	–
Benefits paid by the Group	(528,389)	(215,652)
Remeasurement loss (gain) on:		
Experience	2,495,832	(13,408,403)
Demographic assumptions	(138,601)	(567,857)
Change in financial position	(402,334)	(328,048)
Balance at end of year	₱32,151,135	₱30,505,698

The rollforward of fair value of plan assets follows:

	2017	2016
Balance at beginning of year	₱7,413,375	₱11,046,552
Benefits paid	(3,591,985)	(3,706,627)
Contributions on retirement plan	1,000,000	129,317
Interest income	312,710	436,808
Remeasurement loss on plan assets	207,523	(492,675)
Balance at end of year	₱5,341,623	₱7,413,375

The retirement benefits expense recognized in the consolidated statements of income included in personnel costs under General and administrative expenses in Note 24 were determined as follows:

	Note	2017	2016	2015
Current service cost		₱4,691,139	₱2,758,211	₱3,185,855
Interest cost		1,645,714	2,369,736	1,893,839
Settlement gain		(778,456)	–	–
Interest income		(312,710)	(436,808)	(620,870)
Total retirement benefits expense	24	₱3,498,204	₱4,691,139	₱4,458,824

The movement of the net retirement liability recognized in the consolidated statements of financial position follows:

	2017	2016
Retirement liability at beginning of year	₱23,092,323	₱32,557,786
Retirement benefits expense – profit or loss	3,498,204	4,691,139
Remeasurement loss (gain) – OCIL on:		
Defined benefit obligation (DBO)	1,954,897	(14,304,308)
Plan assets	(207,523)	492,675
Actual contributions	(1,000,000)	(129,317)
Benefits paid by the Group	(528,389)	(215,652)
Net retirement liability at end of year	₱26,809,512	₱23,092,323

The movements of net remeasurement gain (loss) recognized in "Other Comprehensive Income (Loss)" (OCIL) follow:

	2017	2016	2015
Balance at beginning of year – net	(₱13,629,399)	(₱23,298,404)	(₱22,624,441)
Derecognition due to deconsolidation of a subsidiary	–	–	503,756
	(13,629,399)	(23,298,404)	(22,120,685)
Actuarial gain (loss):			
Experience	(2,495,832)	13,408,403	(848,918)
Changes in financial assumptions	402,334	328,048	179,158
Demographic assumptions	138,601	567,857	434,659
Remeasurement gain (loss) - fair value of plan assets arising from financial assumptions	207,523	(492,675)	(1,430,863)
Remeasurement gain (loss)	(1,747,374)	13,811,633	(1,665,964)
Deferred income tax	534,875	(4,142,628)	488,245
Remeasurement gain (loss) – net of deferred tax	(1,212,499)	9,669,005	(1,177,719)
Balance at end of year – net	(₱14,841,898)	(₱13,629,399)	(₱23,298,404)

Expected future benefit payments of the Group is shown below:

Year	2017	2016
Within one year	₱14,022,670	₱13,897,731
Within 2 to 5 years	10,901,355	8,227,793
Beyond 5 years	14,960,151	13,443,343

Sensitivity analysis on the retirement benefit obligation follows:

	2017	
	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	4.00%	1,303,574
100 bps decrease in discount rate	(3.60%)	(1,175,900)
100 bps increase in salary increase rate	3.10%	1,017,027
100 bps decrease in salary increase rate	(2.80%)	(930,032)
Increase in DBO, no attrition rates	7.10%	2,983,059

	2016	
	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	4.40%	₱874,210
100 bps decrease in discount rate	(4.00%)	(722,869)
100 bps increase in salary increase rate	4.20%	1,385,001
100 bps decrease in salary increase rate	(3.90%)	(1,267,902)
Increase in DBO, no attrition rates	10.90%	3,933,938

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.

26. Lease Agreement

The 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. On November 30, 2016, the lease contract with one of the lessees was terminated due to the disposal of the rented investment property. The lease agreements that are existing as of December 31, 2017 and 2016 will expire in various dates in 2018.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:

	2017	2016
Due within one year	₱169,371	₱516,114

Rental income from non-related parties under these operating leases amounted to ₱2,140,114 in 2017, ₱5,058,462 in 2016 and ₱14,048,602 in 2015 (see Note 12).

The Group as a Lessee

The Group entered into operating lease agreements with related and non-related parties for its warehouse and offices in Cagayan de Oro City and Metro Manila. The term of the lease agreements are for one to three years and are renewable upon the agreement of both parties.

Breakdown of rental expense recognized under General and an administrative expense in the consolidated statements of income is as follows:

	Notes	2017	2016	2015
Related parties	18	₱4,318,542	₱3,939,315	₱3,599,854
Nonrelated parties		3,049,399	1,781,490	3,114,353
	24	₱7,367,941	₱5,720,805	₱6,714,207

Rent expense capitalized to Real estate held for sale account amounted to 213,625 in 2017, ₱261,469 in 2016 and ₱299,954 in 2015 (see Notes 8 and 18).

Estimated future minimum rental payments are as follows:

	2017	2016
Due within one year	₱1,143,902	₱4,130,356
Due beyond one year, not later than five years	–	765,934
	₱1,143,902	₱4,896,290

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

27. 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:

	2017	2016	2015
RCIT	₱7,424,653	₱32,452,535	₱12,429,241
MCIT	253,461	556,831	1,090,692
	₱7,678,114	₱33,009,366	₱13,519,933

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

	2017	2016
Deferred tax assets		
Income tax effects of:		
NOLCO	₱19,563,857	₱8,875,273
Retirement liability and unamortized past service cost	9,025,321	8,031,822
Allowance for doubtful accounts	142,314	135,968
Others	7,859,701	7,972,676
MCIT	1,839,304	2,676,352
	₱38,430,497	₱27,692,091

	2017	2016
Deferred tax liabilities		
Income tax effects of:		
Deferred income on sale of real estate	₱74,103,315	₱75,281,844
Deferred rental income	3,514	95,990
Unrealized foreign exchange gain	2,370	2,321
	₱74,109,199	₱75,380,155

The Group did not recognize the deferred income tax asset on NOLCO amounting to ₱14.5 million as of December 31, 2017 since management believes that this could not be utilized prior to its expiration. NOLCO amounting to ₱65.2 million as of December 31, 2017, can be carried forward and claimed as deduction against regular taxable income for the next three (3) years. The details of NOLCO are shown below:

Date Incurred	Amount	Expired/Applied	Balance	Tax effect	Expiry Date
December 31, 2014	₱3,978,145	(₱3,978,145)	₱–	₱–	December 31, 2017
December 31, 2015	4,719,922	–	4,719,922	1,415,977	December 31, 2018
December 31, 2016	33,958,898	–	33,958,898	10,187,669	December 31, 2019
December 31, 2017	41,046,466	–	41,046,466	12,313,940	December 31, 2020
	₱83,703,431	(₱3,978,145)	₱79,725,286	₱23,917,586	

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, 2014	₱1,222,769	(₱132,260)	₱–	December 31, 2017
December 31, 2015	1,090,692	(61,680)	1,029,012	December 31, 2018
December 31, 2016	556,831	–	556,831	December 31, 2019
December 31, 2017	253,461	–	253,461	December 31, 2020
	₱2,929,813	(₱193,940)	₱1,839,304	

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:

	2017	2016	2015
Income tax expense computed at statutory tax rate	₱88,735,655	(₱12,628,597)	₱9,687,976
Income tax effects of:			
Gain on sale of AFS – net	(79,751,268)	–	–
Equity in net loss (profit) of associates	(27,605,479)	25,688,086	(2,261,938)
Amortization of discount on long-term debt	7,126,834	7,257,462	8,005,410
Nondeductible expenses	1,805,133	1,891,000	711,231
Change in unrecognized deferred tax assets	1,419,283	2,078,676	1,247,606
Write-off of expired NOLCO and other deferred tax assets	309,895	11,483,341	10,270,217
Interest income subject to final tax	(56,504)	(4,413)	(19,301)
Discount on long-term debt	–	(1,069,361)	(5,015,435)
Amortization of discount on notes receivable	–	(108,132)	(94,142)
Dividend income	–	(1,245)	(3,861)
Gain on disposal of net assets of deconsolidated subsidiaries	–	–	(31,381)
Net loss (profit) not subject to income tax	3,129,569	–	–
Applied and expired MCIT	1,090,509	124,777	233,778
	(₱3,796,373)	₱34,711,594	₱22,730,160

d. The Group opted for the itemized deduction scheme for its income tax reporting in 2017, 2017 and 2016.

28. Earnings (Loss) per Share (EPS)

Basic EPS is computed as follows:

	2017	2016	2015
Net profit (loss) attributable to equity holders of Parent Company	₱299,590,438	(₱76,963,204)	₱10,025,368
Divided by weighted average number of shares outstanding	2,178,995,345	1,732,865,522	1,732,865,522
Basic earnings (loss) per share	₱0.137490	(₱0.044414)	₱0.005785

The Group has no dilutive potential shares as of December 31, 2017, 2016 and 2015 (see Note 19).

29. 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, 2017 and 2016:

		2017				
	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 on hand and in banks	6	₱93,812,552	₱93,812,552	₱–	₱93,812,552	₱–
Receivables*	7	417,629,624	417,629,624	–	417,629,624	–
Due from a related party	18	163,156,701	163,156,701	–	163,156,701	–
Refundable deposits	5	12,462,873	12,462,873	–	12,462,873	–
AFS investments	10	457,014,387	457,014,387	329,154,368	–	127,860,019
		₱1,144,076,137	₱1,144,076,137	₱329,154,368	₱687,061,750	₱127,860,019
Financial liabilities:						
Accounts payable and accrued expenses**	16	₱396,265,491	₱396,265,491	₱–	₱396,265,491	₱–
Short-term debt	17	544,500,000	544,500,000	–	544,500,000	–
Long-term debt	17	892,699,036	892,699,036	–	892,699,036	–
Subscriptions payable	10	164,505	164,505	–	164,505	–
		₱1,833,629,032	₱1,833,629,032	₱–	₱1,833,629,032	₱–

		2016				
	Note	Carrying value	Fair value	Quoted Prices in Active Markets (Level1)	Significant Observable Inputs (Level 2)	Significant Unobservabl e Inputs (Level 3)
Financial assets:						
Cash on hand and in banks	6	₱48,831,511	₱48,831,511	₱–	₱48,831,511	₱–
Receivables*	7	446,189,944	446,189,944	–	446,189,944	–
Due from a related party	18	29,721,000	29,721,000	–	29,721,000	–
Refundable deposits	5	17,933,821	17,933,821	–	17,933,821	–
AFS investments	10	1,262,397,297	1,262,397,297	1,134,537,278	–	127,860,01 9
		₱1,805,073,573	₱1,805,073,573	₱1,134,537,278	₱542,676,276	₱127,860,019

(Forward)

(Carryforward)

		2016				
	Note	Carrying value	Fair value	Quoted Prices in Active Markets (Level1)	Significant Observable Inputs (Level 2)	Significant Unobservabl e Inputs (Level 3)
Financial liabilities:						
Accounts payable and accrued expenses**	16	₱367,559,643	₱367,559,643	₱–	₱367,559,643	₱–
Short-term debt	17	782,929,167	782,929,167	–	782,929,167	–
Long-term debt	17	1,182,360,148	1,182,360,148	–	1,182,360,148	–
Subscriptions payable	10	70,025,817	70,025,817	–	70,025,817	–
		₱2,402,874,775	₱2,402,874,775	₱–	₱2,402,874,775	₱–

**Excluding nonfinancial assets amounting to ₱4,488,411 and ₱4,350,518 as of December 31, 2017 and 2016, respectively.*

*** Excluding nonfinancial liabilities amounting to₱21,335,132 and ₱23,611,835 as of December 31, 2017 and 2016, respectively.*

Methods and Assumptions Used to Estimate Fair Value

The carrying value of cash on hand and in banks, receivables, due from 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 which is determined based on the management's assumptions of what these club shares could potentially worth to a buyer in either an actual or hypothetical market. 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.

30. 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 on hand and in banks, receivables, investments 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, due from 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 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:

	Notes	2017	2016
Cash in banks	6	₱92,930,886	₱47,980,868
Receivables - net	7	417,629,624	446,189,944
Due from a related party	18	163,156,701	29,721,000
Available-for-sale investments	10	457,014,387	1,262,397,297
Refundable deposits	5	12,462,873	17,933,821
		₱1,143,194,471	₱1,804,222,930

  The Group's cash in banks 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 investments 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, 2017 and 2016, gross of allowance for impairment losses.

		2017					
		Neither past due nor impaired			Past due		
	Notes	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash on hand and in banks	6	₱93,812,552	₱–	₱–	₱–	₱–	₱93,812,552
Receivables	7	368,931,616	7,361,343	808,913	40,053,462	474,290	417,629,624
Due from a related party	18	142,311,425	–	–	–	–	142,311,425
Refundable deposits	5	12,462,873	–	–	–	–	12,462,873
Total loans and receivables		617,518,466	7,361,343	808,913	40,053,462	474,290	666,216,474
AFS investments							
Equity securities	10	457,014,387	–	–	–	–	457,014,387
		₱1,074,532,853	₱7,361,343	₱808,913	₱40,053,462	₱474,290	₱1,123,230,861

		2016					
		Neither past due nor impaired			Past due		
	Notes	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash on hand and in banks	6	₱48,831,511	₱–	₱–	₱–	₱–	₱48,831,511
Receivables	7	384,595,674	7,503,884	457,347	53,633,039	453,225	446,643,169
Due from a related party	18	29,721,000	–	–	–	–	29,721,000
Refundable deposits	5	17,933,821	–	–	–	–	17,933,821
Total loans and receivables		481,082,006	7,503,884	457,347	53,633,039	453,225	543,129,501
AFS investments							
Equity securities	10	1,262,397,297	–	–	–	–	1,262,397,297
		₱1,743,479,303	₱7,503,884	₱457,347	₱53,633,039	₱453,225	₱1,805,526,798

High grade cash in banks are 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:

	2017			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Receivables	₱8,232,545	₱5,632,905	₱26,458,012	₱40,053,462

	2016			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Receivables	₱1,677,528	₱2,726,865	₱49,228,646	₱53,633,039

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.

d. *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, 2017 and 2016, the available credit lines with banks and outstanding balances are as follows:

	2017		
	Available credit line	Drawable line	Unpaid
UBP	₱475,000,000	₱10,000,000	₱266,512,909
UCPB	460,000,000	10,000,000	182,840,788
CBC	410,000,000	15,389,200	390,572,129
AUB	348,748,000	–	169,968,825
BPIF	275,983,414	–	108,070,385
BPI	189,000,000	–	28,800,000
PBCOM	94,242,601	–	86,914,595
Maybank	60,000,000	–	13,333,333
DBP	35,000,000	–	30,773,360
	₱2,347,974,015	₱35,389,200	₱1,277,786,323

	2016		
	Available credit line	Drawable line	Unpaid
UCPB	₱605,000,000	₱–	₱399,583,364
UBP	475,000,000	10,000,000	347,735,858
CBC	410,000,000	10,000,000	391,089,033
AUB	348,748,000	–	218,910,325
BPIF	275,983,414	–	144,220,027
PBCOM	81,250,000	–	60,229,167
MPI	60,000,000	–	33,333,333
BPI	54,000,000	–	45,600,000
DBP	35,000,000	–	35,000,000
	₱2,344,981,414	₱20,000,000	₱1,675,701,107

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, 2017 and 2016:

		2017				
	Notes	On demand	Less than 3 months	3 to 12 months	Due beyond one year	Total
Financial assets:						
Cash on hand and in banks	6	₱93,812,552	₱–	₱–	₱–	₱93,812,552
Receivables*	7	8,183,108	9,734,559	263,720,891	135,906,229	417,544,787
Due from a related party	18	163,241,538	–	–	–	163,241,538
AFS investments	10	–	–	–	457,014,387	457,014,387
Refundable deposits	5	–	–	–	12,462,873	12,462,873
		₱265,237,199	₱9,734,559	₱263,720,891	₱605,383,489	₱1,144,076,138
Financial liabilities:						
Accounts payable and accrued expenses**	16	₱42,409,812	₱250,263,268	₱103,592,411	₱–	₱396,265,491
Short-term debt	17	8,000,000	6,500,000	530,000,000	–	544,500,000
Long-term debt	17	–	51,187,900	338,951,390	502,559,746	892,699,036
Subscription payable	10	164,505	–	–	–	164,505
		₱50,574,317	₱307,951,168	₱972,543,801	502,559,746	₱1,833,408,457

		2016				
	Notes	On demand	Less than 3 months	3 to 12 months	Due beyond one year	Total
Financial assets:						
Cash on hand and in banks	6	₱48,831,511	₱–	₱–	₱–	₱48,831,511
Receivables*	7	7,421,236	44,765,520	183,405,021	210,598,167	446,189,944
Due from a related party	18	29,721,000	–	–	–	29,721,000
AFS investments	10	–	–	–	1,262,397,297	1,262,397,297
Refundable deposits	5	–	–	–	17,933,821	17,933,821
		₱85,973,747	₱44,765,520	₱183,405,021	₱1,490,929,285	₱1,805,073,573
Financial liabilities:						
Accounts payable and accrued expenses**	16	₱62,402,738	₱305,156,905	₱–	₱–	₱367,559,643
Short-term debt	17	16,600,000	11,020,833	755,308,334	–	782,929,167
Long-term debt	17	–	85,585,831	293,320,728	803,453,589	1,182,360,148
Subscription payable	10	70,025,817	–	–	–	70,025,817
		₱149,028,555	₱401,763,569	₱1,048,629,062	₱803,453,589	₱2,402,874,775

** 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 banks and cash equivalents is minimal. Interest rates in 2017, 2016, and 2015 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 Group, ranged from 10% to 18% 2017 and 2016, depending on the terms and length of payment in years. Any changes in the interest rate have been subjected to thorough review and approval of the management.

Interest-bearing long-term debt carries interest rates which ranged from 5% to 8.5% in 2017 and 5.5% to 7.33% in 2016. 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 ₱0.6 million and ₱0.8 million as of December 31, 2017 and 2016, respectively. 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 ₱3.3 million and ₱11.3 million as of December 31, 2017 and 2016, if equity prices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

c. Foreign Currency Risk

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

The following table demonstrates the sensitivity to a reasonably 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 as of December 31, 2017.

Reasonably Possible Changes in US Dollar – Philippine Peso Exchange Rate	Effect on Profit before tax	Effect on Equity
22%	₱131,837	₱92,286
(22%)	(₱131,837)	(₱92,286)

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.

31. 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:

	2017	2016
Capital stock	₱2,477,668,925	₱1,732,866,536
Additional paid-in capital	637,968,859	586,198,947
Stock dividend distributable	–	346,573,104
Retained earnings (deficit)	259,592,539	(61,743,399)
Treasury shares	(1,014)	(1,014)
	₱3,375,230,323	₱2,603,894,174

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity (excluding net cumulative unrealized gain on fair value of available-for-sale investments and net cumulative remeasurement loss on retirement benefits expense).

The debt-to-equity ratios as of December 31, 2017 and 2016 follow:

	2017	2016
Total debt	₱2,012,976,185	₱2,566,287,303
Divided by total equity	3,375,829,309	2,603,894,174
Debt-to-equity ratio	0.596:1:00	0.99:1.00

The Group had not been subjected to externally imposed capital requirements in 2017 and 2016. No changes were made in the objectives, policies, and processes during the years ended December 31, 2017 and 2016.

32. Dividends

a. Dividend Declaration

On May 19, 2016, the Parent Company's BOD declared a 20% stock dividend equivalent to 346,573,104 shares of the Parent Company's outstanding shares to be distributed to the stockholders of record as of February 10, 2017 and issued from the ₱1.3 billion increase in the Parent Company's authorized capital stock approved by the SEC on January 11, 2017 (see Note 34).

On June 7, 2013, the Parent Company declared stock dividends equivalent to 25% of its outstanding capital stock for the stockholders of record as of September 12, 2013 and distributed the shares to the stockholders in October 2013.

b. Retained earnings of Parent Company available for dividend declaration

The retained earnings of Parent Company available for dividend declaration is as follows:

	Notes	2017	2016
Unappropriated Parent Company retained earnings, beginning		₱242,071,800	₱538,947,952
Reconciliations:			
Less: Deferred tax assets, beginning		10,046,995	15,748,779
Discount on long-term debt (net amortization)		22,354,229	42,620,794
Unappropriated Parent Company retained earnings, as adjusted, beginning		209,670,576	480,578,379
Add: Actual net profit			
Net profit during the year		249,937,600	49,697,966
Add (deduct): Non-actual losses /(unrealized income or non-actual income or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS)			
• Amortization of discounts on long-term debt	17	23,725,336	23,831,101
• Discount on long-term debt	17	–	(3,564,536)
• Change in deferred tax assets (excluding net change in deferred tax asset in Other comprehensive income and loss)		(544,143)	5,701,784
Actual net profit		273,118,793	75,666,315
Actual unappropriated Parent Company retained earnings before any dividend declarations		482,789,369	556,244,694
Less: Dividends declared during the year		–	346,573,104
Issuance of shares during the year	37	–	1,014
Unappropriated retained earnings, as adjusted, ending		₱482,789,369	₱209,670,576

33. 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, Investing in infrastructure projects including but not limited to mass transport
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 2016.
Holding	Holding of properties of every kind and description

The Group generally accounts 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, 2017 and revenue and profit information for each of the three years in the period ended December 31, 2017 (in thousands).

2017									
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	₱472,495	₱–	₱81,070	₱–	₱–	₱–	₱553,565	₱–	₱553,565
Inter-segment revenues	–	–	–	3,500	–	–	3,500	(3,500)	–
Total revenues	472,495	–	81,070	3,500	–	–	557,065	(3,500)	553,565
Costs and operating expenses	434,271	–	108,237	3,241	4,333	175	550,707	(3,500)	547,207
Operating profit (loss)	37,774	–	(27,167)	259	(4,333)	(175)	6,358	–	6,358
Financial expenses	(76,005)	–	(9,537)	–	–	(31)	(85,573)	31	(85,542)
Financial income	6,399	–	11	–	33	–	6,443	(31)	6,412
Gain (loss) on sale of assets	–	–	(30)	–	–	–	(30)	–	(30)
Equity in net profit of associates	–	–	–	–	–	–	–	92,018	92,018
Gain on sale of AFS investments	265,838	–	–	–	–	–	265,838	–	265,838
Other income	10,369	–	299	–	–	–	10,731	–	10,731
Income tax benefit (expense)	(5,214)	–	9,663	(395)	–	(257)	3,797	–	3,797
Net profit (loss)	₱239,161	₱–	(₱26,698)	(₱136)	(₱4,300)	(₱463)	₱207,564	₱92,018	₱299,582
Net profit attributable to:									
Equity holders of Parent Company	–	–	–	–	–	–	–	–	299,590
Noncontrolling interest	–	–	–	–	–	–	–	–	(9)
	–	–	–	–	–	–	–	–	299,581
Other information									
Segment assets	₱5,101,995	₱22,826	₱1,220,481	₱255,347	₱28,536	₱926,094	₱7,555,279	(2,402,711)	₱5,152,568
Deferred tax assets	16,209	–	21,744	–	–	478	38,431	–	38,431
Total assets	5,118,204	22,826	1,242,225	255,347	28,536	926,572	7,593,710	(2,402,711)	5,190,999
Segment liabilities	1,650,872	11,514	880,992	252,248	23,871	826,692	3,645,829	(1,706,962)	1,938,867
Deferred tax liabilities	74,107	–	–	–	2	–	74,109	–	74,109
Total liabilities	1,724,979	11,514	880,992	252,248	23,873	826,692	3,719,938	(1,706,962)	2,012,976
Segment additions to property and equipment and investment properties	16,776	–	9,964	966	1,546	–	29,252	–	29,252
Depreciation and amortization	(₱9,615)	(₱820)	(₱7,059)	(₱1,097)	(₱510)	₱–	(₱19,101)	₱–	(₱19,101)

	2016								
	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	₱357,597	₱4,851	₱ 126,680	₱–	₱–	₱–	₱489,128	₱–	₱489,128
Inter-segment revenues	–	–	–	3,500	–	–	3,500	(3,500)	–
Total revenues	357,597	4,851	126,680	3,500	–	–	492,628	(3,500)	489,128
Costs and operating expenses	294,627	5,431	136,691	3,162	6,501	205	446,617	(3,500)	443,117
Operating profit (loss)	62,970	(580)	(10,011)	338	(6,501)	(205)	46,011	–	46,011
Financial expenses	(92,027)		(10,170)			(360)	(102,557)	360	(102,197)
Equity in net loss of associates	–	–	–	–	–	–	–	(85,627)	(85,627)
Gain on sale of assets	72,351	–	812	650	–	–	73,813	–	73,813
Financial income	14,063		3		361		14,427	(360)	14,067
Dividends income	4	–	–	–	–	–	4	–	4
Other income	11,483	–	347		4	–	11,834	–	11,834
Income tax benefit (expense)	(30,930)	–	(2,594)	(490)	(1)	(697)	(34,712)	–	(34,712)
Net profit (loss)	₱37,914	(₱580)	(₱21,613)	₱498	(₱6,137)	(₱1,262)	₱8,820	(₱85,627)	(₱76,807)
Net loss attributable to:									
Equity holders of Parent Company	–	–	–	–	–	–	–	–	(₱76,963)
Noncontrolling interest	–	–	–	–	–	–	–	–	156
	–	–	–	–	–	–	–	–	(₱76,807)
Other information									
Segment assets	₱5,586,860	₱ 22,826	₱1,049,361	₱253,863	₱26,663	₱926,017	₱ 7,865,590	(₱2,308,749)	₱5,556,841
Deferred tax assets	15,150	–	11,808	–	–	735	27,693	–	27,693
Total assets	5,602,010	22,826	1,061,169	253,863	26,663	926,752	7,893,283	(2,308,749)	5,584,534
Segment liabilities	2,218,148	11,154	712,772	250,663	17,698	826,409	4,036,844	(1,545,938)	2,490,906
Deferred tax liabilities	75,378	–	–	–	2	–	75,380	–	75,380
Total liabilities	2,293,526	11,154	712,772	250,663	17,700	826,409	4,112,224	(1,545,938)	2,566,286
Segment additions to property and equipment and investment properties	2,118		48,722	1,016	–	–	51,856	–	51,856
Depreciation and amortization	(₱13,589)	(₱820)	(₱8,002)	(₱2,102)	(₱561)	₱–	(₱25,074)	₱–	(₱25,074)

	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
Costs and 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
Financial expenses	(104,937)	–	(4,472)	–	(705)	(314)	(110,428)	1,019	(109,409)
Financial income	31,447	–	16	–	316	705	32,484	(1,019)	31,465
Gain (loss) on sale of assets	15,630	–	224	(445)	–	–	15,409	105	15,514
Equity in net profit of associates	–	–	–	–	–	–	–	7,540	7,540
Dividends income	13	–	–	–	–	–	13	–	13
Gain on sale of AFS investments	–	–	–	–	–	–	–	–	–
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 (loss)	₱3,503	(₱1,713)	₱12,351	(₱6,765)	(₱4,891)	(₱567)	₱1,918	₱ 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	(1,202,456)	2,695,862
Segment additions to property and equipment and investment properties	8,000	–	147,934	–	4,689	–	160,623	–	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)

The Group's external revenues as shown in the preceding tables are analyzed as follows for each major product and service category:

	2017	2016	2015
Real estate:			
Sale of lot – real estate held for sale	₱470,355,294	₱352,538,122	₱454,224,678
Rental – investment properties	2,140,114	5,058,462	14,048,602
	472,495,408	357,596,584	468,273,280
Service/Manufacturing and trading:			
Crude palm oil	29,114,662	30,543,794	98,604,592
Water service	18,244,766	17,791,359	16,066,623
Palm olein	17,536,541	46,419,778	24,431,260
Other by-products of CPO	5,289,672	5,202,155	7,306,626
Palm stearin	4,564,036	15,016,432	7,556,214
Fertilizer	4,202,400	7,423,545	–
Kernel nuts	2,072,214	3,891,554	5,535,203
Crops and palm seedlings	45,305	391,331	586,712
	81,069,597	126,679,948	160,087,230
Quarry/ Mining	–	4,851,339	7,039,915
	₱553,565,005	₱489,127,871	₱635,400,425

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.

34. Amendments to the Articles of Incorporation

- In the BOD Meeting held on May 19, 2016, the BOD approved the amendment of Article VII of the Articles of Incorporation of the Parent Company to increase its authorized capital stock from the current ₱2.0 billion divided into 2.0 common shares up to ₱4.0 billion divided into 4.0 billion common shares.

  The increase in the Parent Company's authorized capital stock is to be implemented in two tranches, as follows:

  a. First, an increase by ₱1.3 billion divided into 1.3 billion common shares will be implemented immediately and out of said increase, the twenty percent (20%) stock dividend declaration will be issued.

  b. Second, an increase of up to ₱700.0 million divided into 700.0 million common shares, to be issued, together with the remaining authorized but unissued capital stock of the Parent Company in a capital raising exercise to be undertaken by the Parent Company subsequent to the issuance and listing of the 20% stock dividend declaration.

- On August 8, 2016, the Board of Directors amended its previous Board approval of an increase in authorized capital stock of up to ₱4.0 billion divided into 4.0 billion common shares to up to ₱5.0 billion divided into 5.0 billion common shares.
  The increase in the Parent Company's authorized capital stock to up to ₱5.0 billion divided into 5.0 billion common shares is to be implemented in two tranches, as follows:

  a. First, an increase by ₱1.3 billion divided into 1.3 billion common shares will be implemented immediately and out of said increase, the twenty percent (20%) stock dividend declared on May 19, 2016 will be issued.

  b. Second, an increase of up to ₱1.7 billion divided into 1.7 billion common shares, to be issued, together with the remaining authorized but unissued capital stock of the Parent Company in a capital raising exercise that may be undertaken by the Parent Company subsequent to the issuance and listing of the 20% stock dividend declaration.

- During the Annual Stockholders' Meeting on September 28, 2016, stockholders representing at least 2/3 of the outstanding capital stock approved the following amendment in the Articles of Incorporation:

  Amendment to paragraph 7: "That the amount of capital stock of this Parent Company is Three Billion Three Hundred Million Pesos (₱3,300,000,000.00), Philippine Currency and the said capital stock is divided into Three Billion Three Hundred Million (3,300,000,000) 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."

  On January 11, 2017, the SEC approved the Parent Company's increase in its authorized capital stock of ₱1.3 billion consisting of 1.3 billion shares with a par value of ₱1 from ₱2.0 billion consisting of 2.0 billion shares with a par value of ₱1 to ₱3.3 billion consisting of 3.3 billion shares with par value of ₱1. The Parent Company's subscribed share capital increased from ₱1.7 billion to ₱2.1 billion.

  The documents required on the application to the increase on authorized capital stock for the second tranche were not yet submitted to the SEC as of March 28, 2017.

- 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 beincreased 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.

35. 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 15).

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.

36. 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 ₱14.1 million 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 Parent 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 last March 10, 2016. The plaintiff and the respondent reached an amicable settlement. The respondent paid the plaintiff ₱7.2 million on March 10, 2016.

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 into the Parent Company's name.

On June 23, 2016, the Regional Trial Court of Malolos, Branch 12 ("Trial Court") granted the Plaintiff's Motion for the Surrender of Owner's Duplicate Transfer Certificate of Title. Accordingly, Mr. Antonio U. Lustre of HIDC, or whoever actually possesses the duplicate copies as ordered by the Trial Court to deliver/surrender the same to the mentioned Branch of Court within fifteen days from the receipt of the Order. In this regard, the Deputy Sheriff of the Trial Court was directed to make a necessary return as to the implementation of the said Order. On August 19, 2016, the Court released the same to the Parent Company.

As of December 31, 2017, the title of the property is already in the name of A Brown Company, Inc.

37. Treasury Shares

On November 28, 2016, pursuant to the authority granted under Section 41 of the Corporation Code, the Parent Company has acquired all of the unissued fractional shares arising from the 2013 stock dividend declaration, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value. The related payables to shareholders are included in Other payables under "Accounts payable and accrued expenses" (see Notes 16 and 18).

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

an independent member of
BAKER TILLY
INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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 of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017, included in this Form 17-A and have issued our report thereon dated April 5, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purpose of complying with the Securities Regulation Code Rule 68 As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respect the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 22, 2020

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
SEC A.N. 0017-AR-3, valid until April 30, 2018 (Group A)
TIN 123-305-015-000
BIR A.N. 08-001507-1-2017, valid until December 21, 2020
PTR No. 6678749, issued on January 31, 2018, Makati City

Makati City, Philippines
April 5, 2018

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2017

TABLE OF CONTENTS

A BROWN COMPANY, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AVAILABLE-FOR-SALE INVESTMENTS

	Beginning balance		Additions				Deductions				Ending Balance	
Description	Number of Shares	Amounts in Pesos	Number of Shares	Amounts in Pesos	Realized loss (gain) during the period	Unrealized gain (loss) during the period	Disposal Number of Shares	Disposal Amounts in Peso	Adjustment due to deconsolidation of subsidiary	Adjustment Amounts in Peso	Number of Shares	Amounts in Pesos
APEX Mining Co., Inc.	388,694,698	1,018,380,108			135,159,703	(647,992,829)	176,236,000	176,236,000	–	–	212,458,698	329,310,982
Philippine Realty & Holdings Corporation	279,470,248	115,980,153	–	–	130,677,860	31,811,771	279,470,248	278,469,784	–	–	–	–
PLDT Communications and Energy Ventures, I	2,700	11,853	–	–		–	–	–	–	–	2,700	11,853
Philippine Long Distance Telephone Company	121	165,164	–	–		13,916	–	–	–	–	121	179,080
Universal Travel Corporation	9,999	999,900	–	–		–	–	–	–	–	9,999	999,900
Phigold Limited	29,376,430	10,881,118	–	–		–	–	–	–	347,546	29,376,430	10,533,572
Xavier Sports and Country Club	586	115,079,001	–	–		–	–	–	–	–	586	115,079,001
Pueblo Golf and Country Club	2	900,000	–	–		–	–	–	–	–	2	900,000
		1,262,397,297		–	265,837,563	(616,167,142)	455,706,248	454,705,784		347,546	241,848,536	457,014,387

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								
	ABCI-Parent	ABERDI	ABBWCI	SHDC	BAC	PTCHC	NC	MASINLOC	Total
Receivables:									
ABCI - Parent	–	(7,966,604)	13,235,171	380,479	–	3,077	700,075	557	6,352,755
ABERDI		-	–	94,899	815,386	–	1,709,210		2,619,495
MCPI	–	–	–	–	–	–	–		–
	–	(7,966,604)	13,235,171	475,378	815,386	3,077	2,409,285		8,972,250

Deposits for Future Subscription

	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	826,606,836	–	826,606,836
ABERDI	548,815,432	–	548,815,432
SHDC	9,600,000	–	9,600,000
HLPC	23,699,073	–	23,699,073
NC	–	248,037,603	248,037,603
BCL	5,000,000		
Total	1,413,721,341	248,037,603	1,661,758,944

A BROWN COMPANY, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

Description	Beginning balance	Charged to Costs and expenses	Ending balance
Leasehold rights	33,011,123	(1,237,694)	31,773,429

A BROWN COMPANY, INC. AND SUBSIDIARIES

SCHEDULE E – SHORT-TERM AND LONG-TERM DEBTS

					Long-term Debt		
						Noncurrent Portion of Long-term Debt	
Title of Issue and Type of Obligation	Amount Authorized by Indenture	Availed	Outstanding balance	Short-term Debt	Current Portion of Long-term Debt	Maturity Date	Amount
In the books of the Parent Company							
Financial Institutions							
China Banking Corporation	10,000,000	410,000,000	390,000,000	390,000,000	-	2017	–
Union Bank of the Philippines	100,000,000	100,000,000	160,833,333	90,000,000	50,000,000	2017	20,833,333
			65,625,000		37,500,000		28,125,000
			40,054,615		21,847,950		18,206,665
Philippine Bank of Communications	81,250,000	175,550,000	38,982,767	–	10,395,405	2017	28,587,362
			47,931,829		13,846,973		34,084,856
United Coconut Planters Bank	20,000,000	60,000,000	50,000,000	50,000,000	-	2017	–
Asia United Bank	85,000,000	85,000,000	21,250,000	–	21,250,000	2017	–
	180,000,000	180,000,000	120,000,000	–	60,000,000	2019	60,000,000
	65,000,000	65,000,000	16,250,000	–	16,250,000	2017	–
	18,748,000	18,748,000	12,468,825	–	6,249,332	2019	6,219,493
United Coconut Planters Bank	300,000,000	300,000,000	93,842,148	–	37,500,000	2021	56,342,148
	100,000,000	100,000,000	38,998,640	–	12,500,000	2021	26,498,640
Bank of the Philippine Island - Family	35,283,860	35,283,860	–	–	-	2017	–
	20,041,839	20,041,839	7,039,861	–	3,940,914	2019	3,098,947
	18,949,461	18,949,461	4,970,609	–	3,820,749	2019	1,149,860
	115,000,000	115,000,000	63,769,923	–	14,657,559	2021	49,112,364
	36,708,254	36,708,254	–	–	-	2017	–
	50,000,000	50,000,000	32,289,992	–	6,116,610	2022	26,173,382
Bank of the Philippine Island - Commercial	54,000,000	54,000,000	28,800,000	–	16,800,000	2019	12,000,000
Development Bank of the Philippines	35,000,000	35,000,000	30,773,360	–	6,562,500	2022	24,210,860
Maybank	60,000,000	60,000,000	13,333,333	–	13,333,333	2018	–
China Banking Corporation	–	1,734,400	1,489,801	–	567,965	2019	921,836
Shareholders	–	439,380,000	6,500,000	6,500,000	-	2025	–
Affiliate - XSCCI	–	1,000,000		–	-		–
In the books of the Subsidiaries							
Shareholders		16,600,000	8,000,000	8,000,000			
UCPB (ABERDI)	185,000,000	185,000,000	143,995,000	–	37,000,000	2021	106,995,000
	1,569,981,414	2,562,995,814	1,437,199,036	544,500,000	390,139,290		502,559,746

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	Noncurrent Portion of Long-term Debt: Maturity Date	Noncurrent Portion of Long-term Debt: Amount
In the books of the Parent Company							
Shareholders	–	439,380,000	6,500,000	6,500,000	–	2025	–
Affiliate - XSCCI	–	–	–	–	–		–
In the books of the Subsidiaries							
Shareholders		16,600,000	8,000,000	8,000,000.00	–	2017	–
	–	455,980,000	14,500,000	14,500,000	–		–

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	3,300,000,000	2,477,667,911	–	1,174,565,318	195,989,973	1,107,112,620
	3,300,000,000	2,477,667,911	–	1,174,565,318	195,989,973	1,107,112,620

A BROWN COMPANY, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FINANCIAL KEY PERFORMACE INDICATOR	DEFINITION	FOR THE YEAR ENDED 2017	2016
Current/Liquidity Ratio			
Current ratio	Current Assets / Current Liabilities	120%	80.5%
Quick ratio	Current Assets - Inventory - Prepayments / Current Liabilities	38%	19.1%
Solvency ratio / Debt to equity ratio	Total Liabilities / Equity	63%	85.0%
Asset to equity ratio	Total Assets / Equity	163%	185.0%
Interest rate coverage ratio	Income (loss) Before Tax / Finance Cost	346%	-41.2%
Profitability Ratio			
Return on assets	Net Income (loss) / Average Total Assets	6%	-1.4%
Return on equity	Net Income (loss) / Average Total Equity	10%	-2.6%

A BROWN COMPANY, INC. AND SUBSIDIARIES

LIST OF TOP 20 STOCKHOLDERS OF RECORD

	Name of Stockholder	Subscribed	Outstanding
1	PCD NOMINEE CORPORATION	1,678,583,618	67.75%
2	BROWNFIELD HOLDINGS INCORPORATED	221,238,938	8.93%
3	WALTER W. BROWN	176,880,000	7.14%
4	JIN NATURA RESOURCES CORPORATION	102,000,000	4.12%
5	RMESCALONA CONSULTING, INC.	88,495,575	3.57%
	VALUELEASE, INC.	88,495,575	3.57%
6	PBJ CORPORATION	74,306,496	3.00%
7	BROWN, WALTER W. OR ANNABELLE P. BROWN	4,585,701	0.19%
8	TAN A. BAYANI K.	2,033,120	0.82%
9	TAN, MA. GRACIA P.	1,123,089	0.45%
10	PIZARRO, ROBERTINO E.	1,060,613	0.43%
11	BROWN, WALTER (SPECIAL FUND)	957,474	0.39%
12	DAVILA, REGINA	938,462	0.38%
13	FERNANDEZ, LUISITO	853,147	0.34%
	GANDIONCO, ANDREA L.	853,147	0.34%
	PIZARRO, LOURDEZ	853,147	0.34%
14	LORENZO, ALICIA P.	750,769	0.30%
15	PIZARO, DANILO E.	710,677	0.29%
16	LAGDAMEO, JR., ERNESTO R.	602,690	0.24%
17	KALINANGAN YOUTH FOUNDATION, INC.	561,123	0.23%
18	KING, JOSEFINA B.	557,334	0.23%
19	GAMILLA, JULIANA	544,615	0.22%
20	EBC SECURITIES CORPORATION	518,221	0.20%
		2,447,503,531	103.47%

A BROWN COMPANY, INC. AND SUBSIDIARIES

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CG&Co

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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
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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 (the Group), as at and for the years ended December 31, 2017 and 2016 and have issued our report thereon dated April 5, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Summary of PAS, PFRS and Interpretations, Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration, and Financial Soundness Indicators are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 21, 2020

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
SEC A.N. 0017-AR-3, valid until April 30, 2018 (Group A)
TIN 123-305-015-000
BIR A.N. 08-001507-1-2017, valid until December 21, 2020
PTR No. 6678749, issued on January 31, 2018, Makati City

Makati City, Philippines
April 5, 2018

A BROWN COMPANY, INC. AND SUBSIDIARIES
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning	₱	242,071,800
Reconciliation:		
Less:		
Deferred tax assets, beginning		10,046,995
Discount on long-term debt (net of amortization)		22,354,229
Unappropriated parent company retained earnings, as adjusted, beginning		209,670,576
Add: Actual net profit		
Net profit during the year		249,937,600
Add (deduct): Non-actual losses /(unrealized income or non-actual income or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS)		
• Amortization of discounts on long-term debt		23,725,336
• Discount on long-term debt		–
• Change in deferred tax assets (excluding net change in deferred tax asset in Other comprehensive income and loss)		(544,143)
Actual net profit		273,118,793
Actual unapproriated retained earnings before any dividend declarations		
Less: Dividend declaration during the year		-
Issuance of fractional shares during the year		-
Unappropriated Retained Earnings, as adjusted, ending	₱	482,789,369

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS
DECEMBER 31, 2017

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		✓		
PFRS 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			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for Firsttime adopters*		✓	
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			✓**
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements (2010-2012 Cycle): Accounting			✓

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	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			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance 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*		✓	
	Amendments to PFRS 9. Prepayment Features with Negative Compensation*		✓	

*These are effective subsequent to December 31, 2017.
**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 Interest in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments for Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PFRS 12 – Clarification of the Scope of the Standard*		✓	
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			✓**
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
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): Clarification of the Requirements for Comparative Information	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓**
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	✓**
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	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	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	✓		
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	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PAS 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
	Amendments to PAS 28, Long Term Interests 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	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	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 Assets			✓**
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓**
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	✓		
	Annual Improvements (2011-2013 Cycle): Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*		✓	

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture	✓		
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants	✓		
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			✓**
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			✓**
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
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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**Adopted but no significant impact.

A BROWN COMPANY, INC. AND SUBSIDIARIES

GROUP CHART