3	1	1	6	8

SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

AIRPORT ROAD UPTOWN
CAGAYAN DE ORO CITY

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

Allan Ace R. Magdaluyo
Contact Person

02-6386832
Company Telephone Number

12 31
Month Day
Fiscal Year

20-IS
FORM TYPE

06
Month Day
Annual Meeting

Definitive Information Statement

Secondary License Type, if applicable

MSRD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
2,097 (March 31, 2019)	₱1,284,896,456 (Dec. 31, 2018)	- 0 -

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

A BROWN COMPANY, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be informed that the annual meeting of the Corporation's stockholders will be held on **July 4, 2019 (Thursday)** at **1:00 o'clock in the afternoon** at the **Xavier Sports and Country Club, Xavier Estates, Balulang, Cagayan de Oro City**, to consider the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Previous Meeting of Stockholders
4. President's Report and Presentation of Audited Financial Statements
5. Ratification of all Acts of the Board of Directors and Officers
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Only stockholders of record as of May 17, 2019 (Friday) shall be entitled to notice and attend and vote at the said meeting.

Registration will start at 12:00 noon and end promptly at 1:00 p.m. To facilitate the registration process, please bring some form of identification document such as driver's license, passport, or voter's ID.

Should you be unable to attend the stockholders' meeting but wish to send a representative/proxy, you are advised to please send your proxy letter to the Corporate Secretary at least two (2) business days prior to the date of meeting, or on or before July 2, 2019 (Tuesday). All proxies to be submitted shall be validated on July 3, 2019 (Wednesday) at the Corporation's principal office.

For details and rationale of each agenda item, and the draft resolutions, if applicable, please refer to the attached sheet.

Pasig City, Metro Manila, May 9, 2019.

Very truly yours,

JASON C. NALUPTA
Corporate Secretary

DETAILS AND RATIONALE OF THE AGENDA

1.) Call to Order

The Chairman of the Board of Directors, and the chairman of the meeting, Walter W. Brown, will call the meeting to order.

2.) Certification of Notice and Quorum

The Corporate Secretary will certify the date when written notice of the date, time, place, and purpose of the meeting was sent to all stockholders of record as of May 17, 2019.

The Corporate Secretary will further certify the presence of a quorum. The holders of record for the time being of a majority of the stocks of the Company then issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of the business.

The following are the Rules of Conduct and Voting Procedures:

a. Anyone who wishes to make a remark or to make a query shall identify himself after being acknowledged by the Chairman and shall limit his remarks and query to the item in the agenda under consideration.

b. Voting shall be done viva voce or by raising of hands and the votes for or against the matter submitted per item in the agenda.

c. All the items in the agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting capital stock. Each outstanding share of stock entitles the registered stockholder to one vote. All votes received shall be tabulated by the Office of the Corporate Secretary, and the results shall be validated by an independent party to be announced at the meeting.

   In the forthcoming annual stockholders' meeting, stockholders shall be entitled to elect nine (9) members to the Board of Directors. Each stockholder may vote such number of shares for as many as nine (9) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine (9) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine (9).

   The election of the directors shall be by plurality of votes and every stockholder shall be entitled to cumulate his votes.

3.) Approval of the Minutes of the Previous Meeting of Stockholders

Copies of the minutes of the stockholders meeting held on June 28, 2018 will be distributed to the stockholders upon their registration for this meeting. The minutes are also available at the Company website, http://www.abrown.ph.

The stockholders will be requested to approve the draft minutes of previous stockholders' meeting and to acknowledge the completeness and accuracy thereof.

Below is the proposed resolution for this agenda item:

"RESOLVED, to dispense with the reading of the minutes of the previous Annual Shareholders' Meeting of June 28, 2018 and to approve the same as circulated."

4.) President's Report and Presentation of Audited Financial Statements

The Annual Report contains summaries on operations and the audited financial statements of the Company for the calendar year ended December 31, 2018.

The President and Chief Executive Officer, Mr. Robertino E. Pizarro will deliver their reports on the highlights of the Year 2018 Company performance as reflected in the audited financial statements and the outlook for Year 2019.

The Chairman will request the stockholders' approval of the annual report and the audited financial statements as of December 31, 2018.

The stockholders will be given opportunity to ask questions prior to submitting the Annual Report and the Audited Financial Statements for approval by the stockholders. Copies of the Annual Report and the Audited Financial Statements will be distributed to the stockholders before the meeting. Further, the Audited Financial Statements is released by the Company and made available at the Company's website, http://www.abrown.ph.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the Company's operations and results for 2018 together with the Audited Financial Statements and the accompanying notes thereto."

5.) Ratification of all Acts of the Board of Directors and Officers

The Chairman will request the stockholders to ratify all acts and resolutions adopted during the preceding year by the Board of Directors, the Board Committees, Management Committee and the officers of the Company.

The acts and resolutions of the Board and its Committees are reflected in the minutes of meetings and they include approval of contracts and agreements, projects and investments, treasury matters and acts and resolutions covered by disclosures to the SEC and PSE. The acts of the Management and officers were those taken to implement the resolutions of the Board or its Committees or taken in the general conduct of business.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve and ratify all acts and resolutions of the Board of Directors, all the Board Committees, as well as all the acts of the Management and officers of the Company taken or adopted from the date of the last stockholders' meeting up to the present (from June 28, 2018 until July 4, 2019)."

6.) Election of Directors

In accordance with Section 2, Article II of the Company's By Laws, the directors shall be elected annually by the stockholders at the annual meeting and shall hold office until their successors are elected and qualified, unless removed from office as provided by law. The Nomination Committee, in the exercised of its assigned task under its charter and the Manual of Corporate Governance of the Company, shall evaluate and determine whether the nominees for election to the Board of Directors including the independent directors, have all the qualifications and none of the disqualifications before submitting the nominees for election by the stockholders of the nine (9) members of the Board of Directors including the independent directors.

Copies of the curriculum vitae and profiles of the candidates to the Board of Directors are provided in the Preliminary Information Statement and in the Definitive Information Statement.

7.) Appointment of External Auditor

The external auditor of the Company is tasked with the issuance of audit opinion of the Company's annual financial statements based on its audit.

The stockholders approval for the re-appointment of Sycip Gorres & Velayo (SGV & Co.), the Company's external auditor, will be sought at the meeting.

The Audit Committee will endorse to the stockholders the re-appointment of SGV & Co. as external auditor for the ensuing year. The profile of the external auditor is provided in the Preliminary Information Statement and the Definitive Information Statement.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the re-appointment of the firm of Sycip Gorres & Velayo as external auditor of the Company for the fiscal year 2019."

8.) Other Matters

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may also propose to consider such other relevant matters and issues.

9.) Adjournment

Upon determination by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman shall declare the meeting adjourned.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
of the Securities Regulation Code

1. Check the appropriate box:
( ) Preliminary Information Statement
(✔) Definitive Information Statement

2. Name of the Registrant as specified in its charter:
A BROWN COMPANY, INC. (ABCI)

3. Province, country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines

4. SEC Identification Number**: 31168**

5. BIR Tax Identification Code: **002-724-446-000**

6. Address of Principal Office : **Xavier Estates Uptown**
Airport Road, Balulang, Cagayan de Oro City
Postal Code : **9000**

7. Registrant's telephone number, including area code:
(63)(088)-8588784 or **(63)(02) 638-6832 (Liaison Office)**

8. Date, time and place of the meeting of security holders:
Date : **04 July 2019**
Time : **1 o'clock p.m.**
Place : **Xavier Sports and Country Club**
Xavier Estates, Balulang,
Cagayan de Oro City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **13 June 2019**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Titles of each Class	*Number of Shares of Stock Outstanding*
Common Shares as of March 31, 2019	**2,477,667,911**
Amount of Debt Outstanding as of December 31, 2018	**₱1,977,510,423**

11. Are any or all of the registrant's securities listed on the Philippine Stock Exchange?
(✔) Yes ( ) No

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place Meeting of security holders.

Date	:	**July 04, 2019**
Time	:	**1 o'clock p.m.**
Place	:	**Xavier Sports and Country Club** **Xavier Estates, Balulang,** **Cagayan de Oro City**

Registrant's mailing address : **Rm. 3304-C 33rd Floor West Tower**
Ortigas, Pasig City
(Liaison Office)

Approximate date on which the Information Statement is first sent or given to security holders:
13 June 2019

Dissenter's Right of Appraisal

There is no matter or item to be submitted to a vote or acted upon in the annual stockholders' meeting of ABCI which falls under the instances provided by law when dissenting stockholders can exercise their appraisal right. Generally, however, the stockholders of ABCI have the right of appraisal in the following instances: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares of authorizing preferences over the outstanding shares or of extending or shortening the term of corporate existence; (ii) in case any sale, lease, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets as provided in the Corporation Code; and (iii) in case of merger or consolidation.

The appraisal right may be exercised by any shareholder who shall have voted against the proposed corporate action by making a written demand on ABCI within thirty (30) days after the date on which the vote was taken for payment of the fair market value of his share: *Provided*, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, ABCI shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and ABCI cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by ABCI within thirty (30) days after such award is made: *Provided*, that no payment shall be made to any dissenting stockholder unless ABCI has unrestricted retained earnings in its book to cover such payment; *Provided, further*, That upon payment by ABCI of the agreed or awarded price, the stockholder shall forthwith transfer his shares to ABCI.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No current director or officer of ABCI, or nominee for election as director of ABCI or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

No director has informed ABCI in writing that he intends to oppose any action to be taken by the registrant at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) Class of Voting Securities — Common shares

Number of Shares Outstanding as of 31 March 2019 — 2,477,667,911

Common shares are the only equity securities registered and issued by the Company. As of March 31, 2019, 32,812,821 shares or 1.32% of the total outstanding shares are owned by Non-Filipinos.

(b) Record Date: All stockholders of record as of 17 May 2019 are entitled to notice and to vote at the Annual Stockholders' Meeting.

At present, ABCI's Articles of Incorporation (AOI) provide that the Board of Directors shall have nine (9) members.

(c) Manner of Voting: In the forthcoming annual stockholders' meeting, stockholders shall be entitled to elect nine (9) members to the Board of Directors. Each stockholder may vote such number of shares for as many as nine (9) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine (9) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine (9).

(d) Security ownership of Certain Record and Beneficial Owners

1. Owners of more than 5% of any class of registrant's voting securities as of March 31, 2019.

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	799,129,468	32.25%
Common	**Walter W. Brown** No. 10 Giraffe St., Greenmeadows Q. C.	Chairman Emeritus	direct & indirect	Filipino	505,507,185	20.40%
Common	**Annabelle P. Brown** No. 10 Giraffe St., Greenmeadows Q. C.	Director	direct & indirect	Filipino	205,444,488	8.29%
Common	**Brownfield Holdings Inc.** 3301-C PSE Tektite West Tower, Exchange Road, Ortigas Center, Pasig City	Stockholder	direct	Domestic Corp.	647,238,938	26.12%
	Total				2,157,320,079	87.07%
	*** PCD Nominee Corporation has a total shares of 1,683,339,324 or 67.9405% o f 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*				*683,900,070*	*27.60%*
	Campos, Lanuza & Company, Inc. *Unit 2003B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*				*374,746,107*	*15.12%*
	Maybank ATR-Kim Eng Securities, Inc. *17F, Tower One & Exchange Plaza, Makati City*				*151,647,220*	*6.12%*
	*** 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 Giraffe St., Greenmeadows Q. C.*				*327,073,982*	*13.20%*
	Annabelle P. Brown (direct and indirect) *No. 10 Giraffe St., Greenmeadows Q. C.*				*131,135,874*	*5.29%*
	Brownfield Holdings Inc. *3301-C PSE Tektite West Tower, Exchange Road, Ortigas Center, Pasig 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 Phil.
- Brownfield Holdings Incorporated is represented by its authorized officer as approved by its Board of Directors to vote or direct the voting or disposition of its shares

2. Security Ownership of Management

Shares held by Directors and Executive Officers as of 31 March 2019.

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	r/b -direct & indirect	20.4025%
Common	Annabelle P. Brown	Filipino	205,444,488	r/b -direct & indirect	8.2918%
Common	Robertino E. Pizarro	Filipino	3,631,549	r/b -direct & indirect	0.1466%
Common	Thomas G. Aquino	Filipino	3,500	r/b	0.0001%
Common	Elpidio M. Paras	Filipino	1,581	r/b	0.0001%
Common	Antonio S. Soriano	Filipino	911,581	r/b	0.0368%
Common	Joselito H. Sibayan	Filipino	146,400	r/b	0.0059%
Common	Renato N. Migriño	Filipino	120	r/b	0.0000%
Common	Paul Francis B. Juat	Filipino	5,703,410	r/b	0.2302%
Common	Marie Antonette U. Quinito	Filipino	120	r/b	0.0000%
Common	John L. Batac	Filipino	-		0.0000%
Common	Jason C. Nalupta	Filipino	-		0.0000%
Common	Daniel Winston C. Tan-Chi	Filipino	6,447,600	r/b	0.2602%
Common	Allan Ace R. Magdaluyo	Filipino	-		0.0000%
	Total		727,797,534		

(e) Changes in 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.

(f) Voting Trust Holder. No person holds 5% or more of the common stock of the company under a voting trust or similar agreement.

Directors and Executive Officers

Incumbent Directors and Executive Officers

The Company's Board of Directors is responsible for the overall management of the business and properties of the Company. The Board of Directors is composed of nine (9) members, each of whom serves for a term of one year until his/her successor is duly elected and qualified. None of the board members and officers is employed with the government as certified by the corporate secretary. Please see Annex D.

The following are the current members of the Board of Directors who have likewise been nominated for re-election to the Board for the ensuing year. The information on the business affiliations and experiences of the above-named directors, officers and new nominee/s, as shown below, are current and/or within the past five years:

WALTER W. BROWN, Director and Chairman[1]

Walter W. Brown, Filipino, 79, is Director and Chairman of A Brown Company, Inc. Prior to his re-election in December 2018 as Chairman of the Company, he was conferred as Chairman Emeritus in September 2016. He is also the Chairman of A Brown Energy & Resources Development Inc., Palm Thermal Consolidated Holdings Corporation, PeakPower Energy Inc. and Monte Oro Resources and Energy, Inc. He is the President and CEO of Apex Mining Co., Inc., a company listed in the Philippine Stock Exchange.

He received two undergraduate degrees: B.S. Physical Science (1959) and B.S. Geology (1960), both from the University of the Philippines, and postgraduate 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 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 Chairman and Director of Family Farm School (PPAI), Chairman and President of Studium Theologiae Foundation, and President of Philippine Mine Safety & Environment Association (PMSEA), and lifetime member of the Geological Society of the Philippines. He was a member of the Board of Trustees of Xavier University from 2003 to 2014, concurrently serving as Vice Chairman from 2006 to 2014.

[1] *On December 7, 2018, Dr. Walter W. Brown was elected as Chairman of the Board.*

ANNABELLE P. BROWN, Director

Ms. Annabelle P. Brown, Filipino, 76. 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, Shellac Petrol Corp and Palm Concepcion Power Corporation. 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 President and Chief Executive Officer[2]

Mr. Robertino E. Pizarro, Filipino, 63, was elected as President and Chief Executive Officer on December 7, 2018. Prior to his current position, he was an Executive Chairman* begining 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). He is the immediate past President and Member of the Board of Directors 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). He was the former President and now Director of Philippine Palmoil Development Council, Inc. (PPDCI). He has no directorship in other publicly-listed companies.

[2]On March 28, 2017, the designation of Mr. Robertino E. Pizarro as Executive Chairman was changed to Chairman. On December 7, 2018, Mr. Pizarro's designation was changed from Chairman of the Board 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, 70, 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 on 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 trade 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 modern 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 is a member of the Philippines APEC Vision Group 2020.

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, 70, 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, 60, 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 32 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.

RENATO N. MIGRIÑO, Director and Treasurer[3]

Mr. Renato N. Migriño, Filipino, 69, is currently the Treasurer of Apex Mining Co., Inc. and an Independent Director of Mabuhay Vinyl Corporation, both listed companies. Mr. Migrino is also a Director and the Treasurer of Monte Oro Resources & Energy, Inc. and MORE Electric & Power Corporation. Prior to his joining A Brown, Mr. Migriño was Treasurer, Chief Financial Officer, Senior Vice President for Finance, and Compliance Officer of Philex Mining Corporation, Director and Chief Financial Officer of Philex Gold Inc., and Director of FEC Resources Inc., Silangan Mindanao Mining Co., Inc., Brixton Energy & Mining Corporation and Lascogon Mining Corporation. He was also formerly Senior Vice President & Controller of Benguet Corporation.

He was formerly the Treasurer (from September 1, 2015 to March 28, 2017) and Director (from September 28, 2016 to March 28, 2017) of A Brown Company, Inc.

[3]*Mr. Renato N. MIgriño assumed the position as Director and Treasurer on January 2, 2019.*

<u>New Nominee</u>

JUN HOU, Nominee as New Director

Mr. Jun Hou, Chinese, 47, holds the position of Executive Chairman of Huli Fund Philippines, a firm that specializes in buyout investments especially in real estate, energy, minerals, and health industries. He is the President of Yi Ding Tai International Corporation from 2012 to present, a company which conducts its operations in the Philippines and based in the People's Republic of China.

Mr. Hou has been with Bank of America Merrill Lynch in both the United States and Hong Kong branches. He has extensive experience in international investment banking.

Mr. Hou obtained his Bachelor of Science degree from Northeastern Financial University and attended SBEP at the University of Asia & the Pacific.

Nomination of Independent Directors and Procedure for Nomination

Messrs. Elpidio Paras and Thomas Aquino, qualify as independent directors of the Company pursuant to Rule 38 of the Implementing Rules of the Securities Regulation Code and the Corporation's Manual on Corporate Governance.

In compliance with the requirements of the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws, the Corporate Governance Committee, in a meeting held on 05 April 2019, considered the nominations given in favor of Messrs. Paras (by Mr. Dante M. Agustin) and Aquino (by Mr. Paul Francis B. Juat). The Corporate Governance Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code. The nominated independent directors are in no way related to the stockholders who nominated them.

The Members of the Corporate Governance Committee are as follows:

Chairman: Engr. Elpidio M. Paras, Independent Director
Members: Dr. Thomas G. Aquino, Independent Director
Annabelle P. Brown, Director
Robertino E. Pizarro, Director and President & Chief Executive Officer

Please see pages 23 to 25 for the Certification of Qualification of Independent Directors

<u>Company Officers of ABCI</u>

WALTER W. BROWN, Chairman - **December 7, 2018** (refer above for his profile)

ROBERTINO E. PIZARRO, President & Chief Executive Officer - December 7, 2018
(refer above for his profile)

RENATO N. MIGRIÑO, Director and Treasurer – January 2, 2019 (refer above for his profile)

MARIE ANTONETTE U. QUINITO, From Vice-President – Comptroller to Chief Finance Officer[7]

Atty. Marie Antonette U. Quinito, Filipino, 42, 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 assumed the Chief Finance Officer effective March 1, 2019 upon the resignation of Ignacio A. Manipula. 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.

[7]*Atty. Marie Antonette U. Quinito was appointed as Vice President-Comptroller in January 2018 and assumed as Chief Finance Officer effective March 1, 2019.*

JOHN L. BATAC, Vice-President – Construction and Development & Chief Operating Officer

Engr. John L. Batac, Filipino, 50, AVP from Aug 2008 until he was appointed as VP effective June 2014. He was elected concurrently as Chief Operating Officer starting January 1, 2019. 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).

PAUL FRANCIS B. JUAT, Vice President[8]

Mr. Paul Francis B. Juat, Filipino, 26, is appointed as Vice President of A Brown Company Inc. effective January 1, 2019. He is a director of Atok-Big Wedge Co., a publicly listed company since May 31, 2018. He is also a director of Brownfield Holdings Corporation, North Kitanglad Agricultural Company, Inc., PBJ Corporation, and Pacific Bougainville Holdings Corporation. He also currently serves as Assistant to the President of Apex Mining Co., Inc. He holds a Bachelor's degree in Industrial Engineering from the University of the Philippines Diliman.

[8]*On December 20, 2018, Mr. Paul Francis B. Juat has been appointed as Vice President effective January 1, 2019.*

JASON C. NALUPTA, Corporate Secretary

Jason C. Nalupta, Filipino, 47, is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms Asia United Bank, 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, 40, 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 another 33 non-listed companies.

He has 15 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, 39, 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.

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.

Significant Employees

The Company values its human resources. It expects every employee to perform the function assigned to him and to contribute in achieving the Company's goals. While each employee's role is important, there is no employee, other than the executive officers, who is expected by the Company to make a significant contribution to the business.

Family Relationships

Walter W. Brown, the Chairman of the Company, is married to Annabelle Pizarro Brown. Robertino E. Pizarro, the President and Chief Executive of the Corporation, is the brother of Annabelle Pizarro Brown. Paul Francis B. Juat is the grandson of Walter W. Brown and Annabelle P. Brown.

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.

Certain Relationships 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 which was converted to equity. 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.

Related Party Transactions are also discussed in Note 15 of the Audited Consolidated Financial Statements.

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

Disagreement with Director

None of the directors have resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation

Name	Position	As of December 31, 2018			2019 (Estimates)		
		Salary	Per Diem*	Others/Bonus	Salary	Per Diem*	Others/Bonus
Walter W. Brown	Chairman						
Roel Z. Castro	President**						
Robertino E. Pizarro	Chairman then President & CEO						
Ignacio A. Manipula	Sr. VP / Chief Finance Officer***						
Marie Antonette Quinito	Comptroller						
all above-named Directors & Officers as a group		29,705,369	242,000	2,763,010	13,680,000	299,200	1,140,000
all other officers including managers and directors as a group unnamed		18,588,135	1,037,000	1,847,249	30,089,140	1,041,700	2,507,428

** includes travel allowance*
*** resigned as President as of November 30, 2018*
**** resigned as Sr. VP/CFO as of February 28, 2019*

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

<u>Directors</u>

The regular directors receive P10,000 while the Chairman of the Board and 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 and approved by SEC on June 13, 2012), 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.

<u>Officers</u>

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.

INDEPENDENT PUBLIC ACCOUNTANTS

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, including but not limited to the appointment, compensation, retention, rotation and oversight of the independent auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. Representatives of the external auditors 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.

Per SEC Memo Circular 19 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…"

External Auditor Prior to 2018

The accounting firm Constantino Guadalquiver and Co. ("CG & Co"), a member practice of Baker Tilly International with address at Citibank Office 22nd Floor,Citibank Tower, 8741 Paseo De Roxas, Salcedo Village, Makati City. CG & Co. was the Corporation's external auditor since 28 August 2009. For five consecutive years, from 2009 to 2013, Rogelio M. Guadalquiver had been the Partner-In-Charge of the independent examination. For the audit year 2014 and 2015, Annalyn B. Artuz was the Partner-In-Charge. After the two (2) years cooling off period, Rogelio M. Guadalquiver was again the Partner-In-Charge. There was no instance that CG & Co and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

External Auditor Beginning 2018

In 2018, the principal independent accountant and external auditor of the Company is the accounting firm of Sycip Gorres Velayo & Co. ("SGV & Co."), a member practice of Ernst & Young International with address at SGV Building, 6760 Ayala Avenue, 1226 Makati City. SGV & Co. has been retained as the Corporation's external auditor since 28 June 2018 during the Company's Annual Stockholders' Meeting after the approval of the Board of Directors on 02 May 2018. There was no instance that SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

The company is compliant with SRC Rule 68, paragraph 3(b) on the five (5) year rotation requirement for external auditors.

In the interest of greater transparency and in accordance with good corporate governance practices mandated by SRC Rule 68(3)(b), as amended, the Board of Directors upon the recommendation of the Audit Committee has decided to re-appoint **Sycip Gorres Velayo & Co**. (SGV & Co.) as the external auditor for 2019 for approval of the stockholders of ABCI at the forthcoming Annual Stockholders' Meeting on July 04, 2019.

Members of the Audit Committee are as follows:

Chairman: Engr. Elpidio M. Paras, Independent Director
Members: Dr. Thomas G. Aquino, Independent Director
Atty. Antonio S. Soriano, Director

ISSUANCE AND EXCHANGE OF SECURITIES

Financial and Other Information

Please see Management Report and Annexes:

Annex A – Management's Discussion and Analysis
Annex B – Audited Consolidated Financial Statements for 2018
Annex C – Sample Proxy Form
Annex D – Certification that none of the board members and officers is employed with the Government
Annex E – SEC 17-Q for the 1st Quarter of 2019

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

The Corporation issued only one class of equity securities which is Common Stock. As of December 31, 2018, the authorized capital stock is Three Billion Three Hundred Million Pesos (₱3,300,000,000.00) divided into Three Billion Three Hundred Million (3,300,000,000) Common Shares with subscribed and issued capital stock of Two Billion Four Hundred Seventy Seven Million, Six Hundred Sixty Eight Thousand Nine Hundred Twenty Five Pesos (₱2,477,668,925) divided into Two Billion Four Hundred Seventy Seven Million, Six Hundred Sixty Eight Thousand Nine Hundred Twenty Five (2,477,668,925) Common Shares.

The company's Revised Manual on Corporate Governance listed the following shareholders' rights: Voting Right, Pre-emptive Right, Power of Inspection, Right to Information, Right to Dividends and Appraisal Right among others.

The Seventh Article of the Amended Articles of Incorporation provided that, "shareholders have no Pre-emptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors as provided for in Section 39 of the Corporation Code of the Philippines.

Other stockholders' rights concerning Annual/Special Stockholders' Meeting are as follows: Right to attend and vote in person or by proxy; Right to elect and remove directors; Right to adopt and amend or repeal the by-laws or adopt new by-laws; Right to approve certain corporate acts; Right to compel the calling of meetings of stockholders when for any cause there is no person authorized to call a meeting; Right to be furnished the most recent financial statement and to receive a financial report of corporation's operations.

AMENDMENTS OF CHARTER. BY-LAWS & OTHER DOCUMENTS

The increase in the Corporation's authorized capital stock is to 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 and out of said increase, the Twenty Percent (20%) stock dividend declaration is to be issued which is approximately 346,573,104 Common Shares.

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 12, 2019.

OTHER MATTERS

Action with Respect to Reports

The Company will seek the approval by the stockholders of the 2018 Operations and Results, contained and discussed in the annual report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of Management and of the Board of Directors for the past year.

Other Proposed Actions

The following are to be proposed for approval during the stockholders’ meeting:
1. Minutes of the Previous Meeting of Stockholders
2. 2018 Operations and Results
3. Ratification of all Acts of the Board of Directors and Officers
4. Election of Directors for 2019-2020
5. Appointment of External Auditor
6. Other Matters

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

a.) Membership in the relevant committees such as the Executive, Audit, Risk, Related Party Transaction and Corporate Governance including its subsumed Committees on Nomination, Compensation, and Corporate Culture and Values Formation Committees and;
b.) Designation of authorized signatories;
c.) Financing activities;
d.) Opening of accounts;
e.) Appointments in compliance with corporate governance policies; and
f.) Funding support for projects

Management reports which summarize the acts of management for the year 2018 are included in the company’s Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Voting Procedure

The procedure to be followed will be in accordance with the By-Laws (Article 1, Section 5) Voting: “At every meeting of stockholders, every stockholder with voting privilege shall be entitled to one vote for each share of stock standing in his name on the books of the Company, provided, however, that in the case of the election of Directors every stockholder with voting privilege shall be entitled to accumulate his votes in the manner provided by law. Every Stockholder entitled to vote any meeting of stockholders may vote by proxy, provided that the proxy shall have been appointed in writing by the stockholders himself, or by his duly authorized attorney. The instrument appointing a proxy shall be exhibited to the Secretary and the Inspectors of election shall be lodged with the Secretary at the time of the meeting if he shall so request."

For motions on other corporate matters that will be submitted for approval and for such other matters as may properly come before the Meeting, a vote of the majority of the shares present or represented by proxy at the meeting is necessary for their approval. Voting shall be done viva voce or by raising of hands and the votes for or against the matter submitted shall be tallied by the Corporate Secretary and shall be validated by an independent party.

OMITTED ITEMS

Items 10, 12, 13, and 14 are not responded to herein the Corporation not intending to take any action with regard to the same during the stockholders' meeting.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ELPIDIO M. PARAS**, Filipino, of legal age with address at 12 Gemini St., Villa Ernesto, Gusa, Cagayan de Oro City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee as Independent Director of **A BROWN COMPANY, INC.** and I have holding said position since June 2002.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Parasat Cable TV, Inc.	President & CEO	1991 - present
Arriba Telecontact, Inc.	President & CEO	2005 - present
Phil. Cable TV Association	Chairman of the Board	2000 - 2008
Phil. Cable TV Association	President	2010 - 2012
Phil. Cable TV Association	Vice President for Mindanao Area	2015 - 2017
Phil. Cable TV Association	Director	2017 - present
Promote Northern Mindanao Foundation, Inc.	Trustee	2005 - present
Cagayan de Oro Chamber	President	2007 - 2008
Xavier University	Chairman of the Board of Trustees	2007 - 2016
CDO ICT Committee	Member	2005 - present
Cagayan de Oro International Trade and Convention Center Foundation, Inc.	Director	2005 - 2010
UC-1 Corporation	President & CEO	2002 - present
Philippine Association of Amusement Park & Attractions	Member	2012 - present
Jade Cable TV Systems, Inc.	President & CEO	1991 - present
Accolade Resources, Inc.	Director	2012 - present
Maria Reyna – Xavier University Hospital, Inc.	Member of the Board of Trustees	2012 - present
Southbank	Independent Director	2014 - present
Tourism Congress of the Philippines	Trustee	2017 - present
Paras Machinery Works Corporation	Chairman	2015 – present
Camiguin Island Resorts, Inc.	Chairman	2015 - present
G&P Builders Inc.	Chairman	1999 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **A Brown Company, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the other director/officer/substantial shareholder of **A BROWN COMPANY INC. and its subsidiaries and affiliates** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not affiliated with any agency or instrumentality of the Philippine Government, including any of the government-owned and controlled corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

8. I shall inform the Corporate Secretary of **A BROWN COMPANY, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done, this ____ day of MAY 17 2019, at MANDALUYONG CITY.

ELPIDIO M. PARAS
Affiant

SUBSCRIBED AND SWORN to before me this MAY 17 2019 day of ________ at MANDALUYONG CITY, affiant personally appeared before me and exhibited to me his Passport No. P7154412A issued on May 12, 2018 as his competent evidence of identity.

Doc. No. 263;
Page No. 54;
Book No. 60;
Series of 2019

ATTY. JAMES H. ABUGAN
NOTARY PUBLIC
Appt. No. [illegible]-19
Until Dec [illegible] 2020
IBP No. [illegible] 2018
Roll [illegible]
[illegible] 4/14/2022
[illegible]
PTR No. [illegible] 1-3-2019
Tel No. [illegible]

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **THOMAS G. AQUINO,** Filipino, of legal age with address at 24 Barcelona St., Merville Park, Paranaque City 1709, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee as Independent Director of **A BROWN COMPANY, INC.** and I have holding said position since March 2012.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
NOW Corporation	Chairman	2011 - present
Alsons Consolidated Resources, Inc.	Independent Director	2011 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **A Brown Company, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the other director/officer/substantial shareholder of **A BROWN COMPANY INC. and its subsidiaries and affiliates** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not affiliated with any agency or instrumentality of the Philippine Government, including any of the government-owned and controlled corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

8. I shall inform the Corporate Secretary of **A BROWN COMPANY, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 17 2019 day of __________, at MANDALUYONG CITY.

THOMAS G. AQUINO
Affiant

SUBSCRIBED AND SWORN to before me this MAY 17 2019 day of ________ at MANDALUYONG CITY, affiant personally appeared before me and exhibited to me his Passport No. P3599859A issued on July 6, 2017 as his competent evidence of identity.

Doc. No. 264;
Page No. 54;
Book No. 60;
Series of 2019

ATTY. JAMES [illegible] ABUGAN
NOTARY PUBLIC
Appt. No. [illegible]
Until [illegible]
IBP No. [illegible] 2018
Roll No. [illegible]
MCLE No. [illegible] 2022
TIN [illegible]
PTR No. [illegible] 2019
Tel No. [illegible]

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. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

Office of the Corporate Secretary
A BROWN COMPANY, INC.
3304-C West Tower, PSE Centre
Exchange Road, Ortigas Center, Pasig City
(Liaison Office)

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on May 31, 2019.

A BROWN COMPANY, INC.
Issuer

By:

ROBERTINO E. PIZARRO
President & Chief Executive Officer

ANNEX A

MANAGEMENT REPORT 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Current Period (2018 & 2017) Operational and Financial Information

Financial Condition

In Thousand Pesos	Audited 2018	Audited 2017 (as restated)	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis Audited 2018	Audited 2017 (as restated)
Current Assets	**2,751,435**	2,319,539	431,896	19%	**50%**	45%
Noncurrent Assets	**2,714,791**	2,871,460	(156,669)	-5%	**50%**	55%
Total Assets	**5,466,226**	5,190,999	275,227	5%	**100%**	100%
Current Liabilities	**1,613,834**	1,414,899	198,935	14%	**30%**	27%
Noncurrent Liabilities	**363,676**	598,077	(234,400)	-39%	**7%**	12%
Capital	**3,488,716**	3,178,023	310,693	10%	**64%**	61%
Total Liabilities and Capital	**5,466,226**	5,190,999	275,227	5%	**100%**	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – December 2018 vs. December 2017

The Group's total assets increased by 5**% or ₱275.2 million,** from a balance of **₱5.2 billion** as of end of the year 2017 to **₱5.5 billion** as of December 31, 2018.

Current Assets increased by 19% or ₱431.9 million as a result of the net effect of the following:

19% or ₱18.1M decrease in Cash – due to the net effect of the net cash provided by operating and investing activities and net cash used by financing activities.

37% or ₱103.2M increase in Current Portion of Receivables and Contract Assets due to the net effect of:

a) **₱310.8M increase in contract assets** – due to classification of land portion of sold inventories
b) **₱80.0M increase in dividend receivable** – due to the declaration of dividends by an associate
c) **87% or ₱290.3M decrease in installment contract receivables on sale of real estate** – due to classification of land portion of sold inventories per PIC Q & A No. 2018-12 and PIC Q & A No. 2018-14
d) **302% or ₱33.8M increase in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products
e) **13% or ₱10.0M increase in other receivables -** various advances to suppliers and contractors

18% or ₱248.7M increase in Real estate held for sale – due to the net effect of the development of four (4) new projects as against units sold in all projects

6% or ₱5.4M decrease in Inventories – due to higher inventory turn-over of crude palm oil

19% or ₱53.5M decrease in Prepayments and other current assets – due to the net effect of:
a) 8% or ₱8.5M increase in deposit for land acquisition – as a result of installment payments to the sellers of land where sales contracts have yet to be executed
b) 23% or ₱19.3M decrease in creditable withholding taxes – as a result of utilization of creditable withholding taxes.
c) 56% or ₱28.8M decrease in input VAT - due to utilization of input VAT against output VAT
d) 3% or ₱0.8M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
e) 30% or ₱2.8M increase in prepaid commission – directly related to increase pre-payments of commission to brokers and marketing agents
f) 7% or ₱0.3M decrease in other refundable deposits

47% or ₱76.3M decrease in Advances to a related party – this pertains to the settlement of related party transactions made during the year

₱233.2M increase in Equity Instruments at Fair Value through Profit and Loss (EIFVPL) – this pertains to the new classification of equity financial instruments upon adoption of PFRS 9

Non-Current Assets decreased by 5% or ₱156.7 million as a result of the net effect of the following:

29% or ₱41.0M increase in Non-current portion of receivables-net – due to the sale of four (4) new projects

100% or ₱457.0M decrease in Available-for-sale investments – this pertains to the new classification of equity financial instruments upon adoption of PFRS 9

₱168.6M increase in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI) – this pertains to the new classification of equity financial instruments upon adoption of PFRS 9

15% or ₱159.1M increase in Investment in Associates – due to the Group's share/equity in the net profit of associates which is higher as compared to dividend received and/or receivable during the year

36% or ₱66.2M decrease in Investment Properties – due to the effect of the transfer of land held for capitalization to real estate held for sale

2% or *₱21.8M decrease in Property, Plant and Equipment* - net due to the net effect in:
a) 5% or ₱4M decrease in Leasehold improvements – net due to depreciation
b) 5% or ₱18M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
c) ₱4k decrease in RBD and Fractionation Machineries - net due to depreciation
d) 15% or ₱1.7M decrease in Building and Improvements - net due to depreciation
e) 5% or ₱6.4M decrease in Machinery and Equipment- net due to higher depreciation as compared to new additions and disposal
f) 3.5% or ₱1.5M increase in Construction in progress – due to additions to the cost of construction
g) 37% or ₱7.8M increase in Other equipment – net due to new purchases is higher than the depreciation and disposal

67% or ₱25.9M decrease in Deferred Tax Assets – directly related to the decrease in the net operating loss carry over (NOLCO) and decrease in tax effect of retirement liability of the group during the year.

67% or ₱45.5M increase in Other Non-current assets – due to the increase in refundable deposits

Current liabilities increased by 14% of ₱199.0 million as a result of the net effect of the following:

28% or ₱115.0M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 17% or ₱60.1M increase in trade accounts payable
b) 117% or ₱23.6M increase in accrued expenses
c) 247% or ₱23.0M increase in output VAT
d) 13% or ₱2.9M increase in retention payable
e) 46% or ₱3.7M increase in statutory payables
f) 41% or ₱2.9M increase in accrued interest payable
g) 16% or ₱1.1M decrease in other payables

20% or ₱11.2M increase in Contract liabilities and Deposit from Customers – due to the net effect of the new sales reservations of four (4) new projects and increase in book sales settled through end buyer's financing.

26% or* ₱142.5*M increase in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year

18% or ₱69.9M decrease in Current portion of long-term debt – effect on the current year due against paid in 2018

Non-Current liabilities decreased by 39% or* ₱234.4 *million as a result of the net effect of the following:

45% or ₱*225.0M decrease in Non-current portion of 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.

26% or ₱6.9M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

22% or ₱16.3M decrease in Deferred tax liabilities - due to the decrease in the tax effect of sales on deferred payment scheme and the adoption of PFRS 15.

Equity increased by *10%* or ₱310.7 million as a result of the net effect of the following:

40% or ₱76.1M increase in Cumulative unrealized loss of AFS investments and EIFVOCI – due to the decrease in market value of available for sale investments

150% or ₱388.6M increase in the Retained Earnings – the increase pertains to the net income of the group (P288.8M)

16% or ₱1.8M decrease in the Other Components of Equity – due to the net effect of the following:

- ***32% or ₱4.8M decrease in Cumulative re-measurement loss on retirement benefits*** – related to the actuarial valuation of retirement benefits obligation
- ***189% or ₱6.6M decrease in Cumulative translation adjustment*** – related to the exchange differences in foreign currency translation

Results of Operation

				Horizontal Analysis Increase (Decrease)				Vertical Analysis		
In Thousand Pesos	Audited 2018	Audited 2017	Audited 2016	Amount 2018 vs 2017	%	Amount 2017 vs 2016	%	Audited 2018	Audited 2017	Audited 2016
Real estate sales	**705,186**	470,335	352,538	234,850	50%	117,797	33%	**85%**	85%	73%
Sale of agricultural goods	**100,440**	62,845	113,740	37,596	60%	(50,895)	-45%	**12%**	11%	23%
Water service income	**20,442**	18,245	17,791	2,197	12%	453	3%	**2%**	3%	4%
REVENUES	**826,068**	551,425	484,069	274,643	50%	67,355	14%	**100%**	100%	100%
Cost of real estate sales	**293,666**	235,024	168,539	58,642	25%	66,484	39%	**36%**	43%	35%
Cost of agricultural goods sold	**82,826**	50,887	90,551	31,939	63%	(39,664)	-44%	**10%**	9%	19%
Cost of water service income	**9,625**	7,643	5,431	1,983	26%	2,212	41%	**1%**	1%	1%
COST OF SALES AND SERVICES	**386,117**	293,553	264,520	92,564	32%	29,032	11%	**47%**	53%	55%
GROSS PROFIT	**439,951**	257,872	219,549	182,079	71%	37,470	21%	**53%**	47%	45%
General, Administrative and Selling Expenses	**318,401**	253,654	178,596	64,748	26%	75,057	42%	**39%**	46%	37%
Share in net income (loss) of associates	**252,093**	92,018	(85,627)	160,075	174%	177,645	-207%	**31%**	17%	-18%
Gain on sale of AFS investments	**-**	265,838	-	(265,838)	-100%	265,838		**0%**	48%	0%
Gain on sale of EIFVPL	**50,039**	-	-	50,039		-		**6%**	0%	0%
Unrealized foreign exchange gain (loss)	**14,705**	347	(71)	14,358	4133%	418	-589%	**2%**	0%	0%
Impairment loss	**(17,560)**	-	-	(17,560)		-		**-2%**	0%	0%
Interest expense	**(84,031)**	(85,542)	(102,197)	1,511	-2%	16,655	-16%	**-10%**	-16%	-21%
Other income-net	**12,033**	18,906	104,847	(6,873)	-36%	(85,941)	-82%	**1%**	3%	22%
Other Income (Expenses)	**227,280**	291,567	(83,048)	(64,287)	-22%	374,615	-451%	**28%**	53%	-17%
Income (Loss) Before Income Tax	**348,830**	295,786	(42,095)	53,044	18%	337,881	-803%	42%	54%	-9%
Provision for (Benefit from) Income Tax	**60,074**	(3,796)	34,712	63,870	-1682%	(38,508)	-111%	7%	-1%	7%
NET INCOME (LOSS)	**288,756**	299,582	(76,807)	(10,826)	-4%	376,389	-490%	35%	54%	-16%
Remeasurement gain (loss) on defined benefit plan-net of tax	**4,806**	(1,212)	9,669	6,019	-496%	(10,882)	-113%			
Exchange difference in foreign currency translation	**(6,585)**	3,480	-	(10,065)	-289%	3,480				
Net change in fair value of EIFVOCI and AFS investments	**28,900**	(613,818)	273,458	642,718	-105%	(887,276)	-324%			
OTHER COMPREHENSIVE INCOME (LOSS)	**27,122**	(611,550)	283,127	638,672	-104%	(894,677)	-316%			
TOTAL COMPREHENSIVE INCOME (LOSS)	**315,878**	(311,968)	206,320	627,846	-201%	(518,288)	-251%			

A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2018

The consolidated financial statements for the year ending December 31, 2018 resulted to an after tax net income of **₱288.9 million** compared to a **₱299.6 million** net income of last year due to the net effect of the following:

50% or ₱274.6M increase in Revenues due to:

a) ***Increase in Real estate Sales by 50% or ₱234.9M*** - Sales in 2018 were mostly high end and economic units compared to last year which were mostly economic and socialized housing units
b) ***Increase in Sales of crude palm oil by 158% or ₱46.1M –*** this is due to the increase in quantity sold by 149% or 1,464 metric tons, from a volume of 983 metric tons in 2017 to 2,446 metric tons in 2018; the average selling price increased by **₱1,113** per metric ton from **₱29,628** per metric ton last year to **₱30,740** per metric ton in 2018.
c) ***Decrease in Palm Fatty Acid Distillate Sales by 85% or ₱2.1M- –*** this is due to the decrease in quantity sold by 19% or 122 metric tons, from a volume of 140 metric tons in 2017 to 18 metric tons in 2018; the average selling price increased by **₱3,487** per metric ton from **₱17,936** per metric ton last year to **₱21,423** per metric ton in 2018.
d) ***Increase in RBDO Sales by 55% or ₱2.3M–*** this is due to the increase in quantity sold by 58% or 60 metric tons, from a volume of 105 metric tons in 2017 to 165 metric tons in 2018; the average selling price decreased by **₱606** per metric ton from P40,000 in 2017 to P39,394 per metric ton in 2018
e) ***Decrease in Palm Olein Sales- net by 52% or ₱9.2M –*** this is due to the decrease in quantity sold by 23% or 62 metric tons, from a volume of 266 metric tons in 2017 to 204 metric tons in 2018; the average selling price decreased by **₱24,915** per metric ton from **₱ 66,026** per metric ton in 2017 to **₱41,111** per metric ton in 2018. CPO and RBDO were sold in its stead rather than further process to palm olein and palm sterin.
f) ***Increase in Palm Stearin Sales by 4% or ₱0.2k -*** this is due to the decrease in quantity sold by 11% or 20 metric tons, from a volume of 181 metric tons in 2017 to 161 metric tons in 2018; the average selling price increased by **₱4,296** per metric ton from **₱25,164** per metric ton in 2017 **₱29,461** per metric ton in 2018
g) ***Increase in Kernel Nuts by 51% or ₱1.1M -*** this is due to the increase in quantity sold by 55% or 80 metric tons, from a volume of 145 metric tons in 2017 to 225 metric tons in 2018; the average selling price decreased by **₱341** per metric ton from **₱14,205** per metric ton in 2017 to **₱13,945** per metric ton in 2018
h) ***Decrease in sale of Palm acid oil by 25% or ₱0.7k -*** this is due to the decrease in quantity sold by 29% or 81 metric tons, from a volume of 283 metric tons in 2017 to 202 metric tons in 2018; the average selling price increased by **₱508** per metric ton from **₱ 9,810** per metric ton in 2017 to **₱10,317** per metric ton in 2018
i) ***Increase in Sales from water services by 12% or ₱2.2M*** due to the increase in the turn-over of units

32% or ₱92.6M increase in Cost of Sales and Services due to:

a) ***25% or ₱58.6M 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 2017 with relatively lower costs
b) ***128% or ₱34.6M increase in cost of production of Crude palm oil –*** the increase is relatively due to the proportionate increase in sales of crude palm oil
c) ***Decrease in cost of Palm Fatty Acid Distillate by 83% or ₱1.2M -*** the decrease is relatively to the proportionate to the decrease in sales of palm fatty acid distillate
d) ***Increase in cost of Kernel Nuts by 105% or ₱1.4M -*** the increase is relatively due to proportionate increase in sales of kernel nuts

e) ***Increase in cost of RBDO by 51% or ₱1.8M--*** the increase is relatively due to proportionate increase in sales in RBDO
f) ***Decrease in cost of Palm Acid Oil by 22% or ₱0.5M –*** the decrease is directly related to the proportionate decrease sale of palm acid oil
g) ***Decrease in cost of Palm Olein by 23% or ₱1.2M*** *- the decrease is directly related to the decrease sale of palm olein*
h) ***Decrease in cost of Palm Stearin by 12% or ₱0.5M-*** *the decrease is directly related to the decrease sale of palm stearin*
i) ***Increase in cost of water services by 26% or ₱2.0M –*** due to the additional costs related to the proportionate to the increase in sales

26% or ₱64.7M increase in General, Administrative and Selling Expenses - due to the following net effect of:

a) ***38% or ₱25.7M increase in Personnel expenses -*** due to the increase in manpower and other benefits in 2018
b) ***30% or ₱12.8M 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
c) **2%** or **₱*0.7M* decrease in Taxes and Licenses** – pertains to the decrease in documentary stamp taxes on loans in 2018 and application of tax credit with LGU and there was issuance of stock dividends in 2017
d) **47%** or ***₱8.3M increase*** in **Outside Services** - due to the increase in requirement due to additional project
e) ***16% or ₱3.8M decrease in Professional Fees*** – directly related to the various consultancy services incurred by the group
f) ***40% or ₱4.7M increase in Depreciation***
g) ***94% or ₱7.2M increase in Rental expense*** – pertains to the escalation of rates related to the office spaces occupied by the parent company
h) ***30% or ₱2.6M increase in Utilities and supplies –*** due to the increase in usage of utilities and supplies during the year.
i) ***3% or P0.3M increase in Transportation and Travel***– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
j) ***65% or ₱3.4M increase in Retirement Benefits expense***
k) ***7% or ₱0.3M increase in Repairs and Maintenance*** – due to the increase in cost of repairs and maintenance during the year.
l). ***23% or ₱0.4M increase in Insurance –*** due to additional properties and units insured
m) ***66% or ₱0.5M increase in Board Meeting expenses –*** due to the increase in the number of meetings conducted by the Board of Directors and Board Committees including various materials and other expenses incurred related to board meetings and annual reports in 2018.
n) ***41% or ₱0.9M decrease in Director Fees –*** directly related to the per diem paid to directors on various directors' meetings conducted during the year.
o) ***29% or ₱0.2M increase in Subscription and Dues***
p) ***36% or ₱0.2M increase in Entertainment, Amusement and Recreation*** – this refers to the cost of providing comfort/convenience (e.g. meals) to the prospective clients.
q) ***42% or ₱0.3M increase in Training and Seminars*** – due to the more training and seminars conducted and attended during the year.
r) ***29% or ₱17k increase in Bank Charges*** – this pertains to the charges related to borrowings.
s) ***100% or ₱21K increase in Bad Debts*** – this is related to bad debts recorded in 2017
t) ***26% or ₱3.1M increase in Others –*** pertain to expenses arising from business and research development and software maintenance

174% or ₱160.1M increase in Share in net income (loss) of associates – this pertains to the group's 20% share on the net income of associates, e.g. PCPC and Peakpower Energy, Inc. totaling to P252.1M, dividends of 93M and 33.33% share in the net loss of EWRTC

100% or ₱265.8M decrease in Gain on sale of available-for-sale investments – this pertains to the sale of investment in stocks in 2017

₱50.0M increase in Gain on sale of equity instruments at fair value through profit and loss (EIFVPL) – this pertains to the sale of equity instruments that are classified as EIFVPL in 2018 upon adoption of PFRS 9

4133% or ₱14.4M increase in Unrealized foreign exchange gain (loss) – this pertains to the related to the foreign exchange translation

₱17.6M increase in Impairment Loss – this pertains to the impairment of bearer plants-trees

2% or ₱1.5M decrease in Interest Expense – directly related to the group's various loan availment

36% or ₱6.9M decrease in Other Income - net – due to the net effect of the following:

a.) ***Increase in Management fees income by ₱16.0M*** – due to the fee received to manage the business operations and administer the associate's affairs
b.) ***Increase in Income from forfeited deposits by 24% or ₱1.1M*** – foreclosed accounts in 2018 is higher compared to that of last year's.
c.) ***Increase in Gain (loss) on disposal of PPE by 10,098% or ₱3.0M*** – this pertains to scrap sales
d.) ***Decrease in Interest income by 64% or ₱4.1M*** – due to the increase in end buyer's financing by the bank leading to decrease in the in-house financing of real estate sales.
e.) **Decrease** in Rental income by ***58%*** or ***₱1.2M*** – due to the sale of an Investment Property for lease in 2017.
f.) ***Increase in Unrealized loss on EIFVPL by ₱23.3M –*** this pertains to the loss in market value of equity instruments that are classified as EIFVPL in 2018 upon adoption of PFRS 9
g.) ***Increase in Other income by 29% or P1.6M*** – income from tapping fees due to increase turn-over of units; transfer fees and other water charges

Key Performance Indicator

Financial Ratios Consolidated Figures	**Audited 12/31/2018**	**Audited 12/31/2017**
Current ratio[1]	1.70:1	1.64:1
Current Debt to Equity ratio[2]	0.46:1	0.45:1
Total Debt to Equity ratio[3]	0.57:1	0.63:1
Return on Assets[4]	5.42%	5.56%
Return on Equity[5]	8.66%	9.67%

The December 31, 2017 figures are based on the restated amount in the 2018 Audited Consolidated FS.
[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 I, page 89.

Prior 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* ₱83.8*M 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* ₱12.4*M 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* ₱238.4*M 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* ₱69.9*M 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* ₱346.6*M 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 Increase (Decrease) Amount	%	Vertical Analysis 2017	2016
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*

Prior Period (2016 & 2015) Operational and Financial Information

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 **₱85.6*****M 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 **₱12.9*****M 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 **₱6.9*****M increase in Refundable deposits*** **–** additional deposits made during the year whch 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 **₱9.9*****M 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 **₱0.9*****M decrease in Deposit from Customers*** – due to increase in book sales settled through end buyer's financing.

171% or **₱493.9*****M 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 **₱326*****million*** 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* ₱346.6*M 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 and the net loss for the year amounting to 77M which was primarily caused by the *increase* in Equity in net loss of an associate, net *(20% share on the net loss of PCPC amounting to P110.6M and net earnings of PEI amounting to P24.9M during the year)*

Results of Operation

In Thousand Pesos	December 31, 2016	December 31, 2015	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2016	2015
			Amount	%		
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 ending 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 P 26,592 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 from the previous 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

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.

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.

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 100% 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 and Cluster B is already 100% 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.

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:

Challenges

New perspective, new hopes and new ways.

This is how Department of Energy (DOE) Secretary Alfonso G. Cusi would like to welcome the power generation industry for 2019.

At present, the country is still on its quest to obtain energy security and equity, considering the affordability and access of electric supply. However, the Philippine Power System remained generally stable despite the natural calamities and man-made disasters experienced from 2018 and the continued occurrences of forced outages of generation and transmission facilities resulting to load dropping incidents in the three major grids.

Demand and Forecast

Increase in energy demand are expected from the distinct growth in the industrial, commercial, and domestic sectors of the country. In addition, electrification continues—households in areas such as parts of Mindanao and Mindoro, which are not fully grid-connected, are likely to gain better access to electricity supply in the coming years with the target to reach 100% electrification across the

Philippines by 2022.

Peak electricity demand is predicted to grow annually by 4.78% from 2016 to 2040 for Luzon, 6.85% annually for Visayas, and 7.54% for Mindanao, according to DOE.

With the additional 237MW on 2017—comprising of 63% coal, 33% solar, and 4% oil-based sources, the energy department is expecting that enough power reserves will meet the demand. In addition, 19,934 MW of capacity is still under development with committed and “indicative” projects until 2025.

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 these projected rise in demand by DOE.

Solutions

To solve the country’s energy security woes, DOE initiated the issuance of policies for resiliency, conducted of performance assessment and technical audit for all energy facilities, and reactivated the Inter-Agency Task Force on Securing Energy Facilities, among others.

Recently, DOE also employed a technology-neutral stance in building the country’s capacity, while frameworks and laws are being laid down to push for other energy sources such as the nuclear energy program, liquefied natural gas (LNG) importation and reviving the oil and gas exploration industry. These explorations by the government on the country’s possible untapped potentials are aimed to ensure affordable, adequate, and reliable power supply while sustaining economic growth.

Coal Power Generation

Coal consumption in the Philippines is relatively high as the energy sector is highly reliant on coal-fired power plants. Coal power plants generated 46.8 million MWh in 2017, making up half of the country’s power generation mix.

According to forecasts, 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.

In conclusion, energy remains a crucial element in economic growth and development of any country. According to the National Economic and Development Authority (NEDA), the potential of the Philippines of reaching high-income status by 2040 provided the economy grows consistently by 7.0 percent annually.

Meanwhile, 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, and still showing great probability of improvement in the energy industry. Strong coordination among energy stakeholders, coupled with the additional power generation capacities, are paving way in responding to the challenges of the industry.

Sources: DOE, NGCP, ADB, NEDA, Philippine Star

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 were already submitted to the Department of Environment and Natural Resources (DENR).

The power plant takes pride with the capability of its CFBC Technology and the sound environmental measures being practiced in the power plant as it maintained its excellent emission performance vis-a-vis the 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 (SOCOTECO II) and 5-megawatt supply with Agusan del Sur Electric Cooperative (ASELCO) 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 is also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. (PBI) which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations on March 2018, and is set to inaugurate by March this year.

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 development of renewable energy resources and to achieve energy self-reliance to reduce the country's dependence on imported fuel.

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 likewise the source of Cantilan National Irrigation System, however, 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 in the environmental preservation and protection by displacing part of the energy generated by fossil-fired power plants.

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 the granting of the Certificate of Commerciality (COC).

The application for Water Permit has also been filed. In the application for water permit, NWRB requires 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, 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.

Significant Change in the number of employees

The Brown Group of Companies foresees to maintain the number of employees. Hiring of employees will continue in the regular course of the business as the need arises.

External Audit Fees and Services

A) Aggregate fees billed for the calendar years 2018 and 2017 for the audit of financial statements:

	2018	2017
1) Regular Annual Audit of Financial Statements (inclusive of VAT)	P 1,248,800	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 2018 was ₱864,640 and ₱403,200 in 2017.

B) Aggregate fees billed for the calendar years 2018 and 2017 for Tax Compliance Audit are as follows:

	2018	2017
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.

CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

In the best interest of the Corporation, as well as the shareholders, higher standards of governance have been followed including the change of external auditor as mandated by SRC Rule 68(3)(b), as amended. Accordingly, the Board of Directors on 02 May 2018, upon the recommendation of the Audit Committee, with the approval of the stockholders of A Brown Company, Inc. on 28 June 2018, has appointed SGV & Co. as the new external auditor for the year ended December 31, 2018. The recommendation has not been prompted by any disagreement that has arisen between the Corporation and the previous external auditor.

For the year 2018, the Partner-In-Charge of the independent examination is John T. Villa.

Representatives of the external auditor 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.

Previous External Auditor
The accounting firm of Constantino Guadalquiver & Co., (CG & Co.) was duly appointed as the Independent Public Accountants on 28 August 2009.

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.

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. The Company submitted its I-ACGR on May 30, 2018 covering the year 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 shall 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										
	Jan 11	April 5	May 2	June 28	June 28***	Aug 2	Oct 18	Nov 28	Dec 7	Dec 20	Dec 28
Walter W. Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annabelle P. Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Robertino E. Pizarro	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Roel Z. Castro*	✓	✓	✓	✓	✓	-	✓	✓	-	-	-
Elpidio M. Paras	✓	✓	✓	-	-	✓	✓	-	-	✓	✓
Thomas G. Aquino	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Antonio S. Soriano	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Joselito H. Sibayan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Joel A. Bañares*	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-
Renato N. Migriño**											

Note: * *Resigned on 28 December 2018 effective 31 December 2018*

** *Elected on 28 December 2018 effective 2 January 2019*

*** *Organizational Meeting*

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. On December 20, 2018, the Board of Directors re-organized its Board Committees, with the Compensation Committee and Corporate Culture and Values Formation Committee being subsumed under the Corporate Governance Committee. The existing Board Committees are as follows: Executive Committee, Audit Committee, Risk Committee, Corporate Governance Committee and Related Party Transaction Committee.

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.

2018 Corporate Social Responsibility

CSR Initiative	Beneficiaries
1.) ABCI Scholarship Program (on going since 2011)	Out of the eight (8) scholars who were recipients of ABCI Scholarship program last year, one (1) completed his studies in "Professional Education" and one (1) graduated with Bachelor of Science in Agriculture degree. The remaining scholars are four (4) college students and two (2) Senior high school students. Of the six (6) ABCI Scholars, one (1) of them is now 3rd year college enrolled at Central Mindanao

	University 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 senior high school program one (1) Grade 11 and one (1) Grade 12 at Opol National High School.
2.) 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
3.) Financial Assistance to St. Joseph Golden Home	The Company's employees extended financial assistance to St. Joseph Golden Home, a non-profit charitable foundation which serves as a home to indigent and abandoned older Filipino men and women, aged 65 years and older. The funds were collected during a Gift Giving activity in January 2018 through Christmas Caroling to the Xavier Estates homeowners.
4.) Tree Planting Activity	ABCI and ABERDI with participation of Envisage Envisage Security Agency, Interserve Management & Manpower Resources Inc. and Service Partners Incorporated conducted **a Tree Planting Activity** last October 11, 2018 at Adelaida, APR-Messina road, Ignatius Enclave & Ventura II. The Company's goal is to bring about noticeable improvements in urban greenery and to enhance and develop the existing areas into quality greening, in line with the planning and development of real estate projects.
5.) Blood-Letting Activity	In partnership with Philippine Red Cross, HR organized/facilitated bloodletting activities in Cagayan de Oro City on April 4, August 13, and December 18, 2018 with a total of 55 bags of blood were donated by 82 employees for 2018. A total of 164,700 cc or almost 400 bags of blood were donated already by ABCI employees in the last nine (9) years. This blood-letting activity is an annual humanitarian activity of A Brown Group of Companies participated by employees of the company.

BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

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 2018, the Parent company holds 2.24% 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 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 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.

On November 28, 2018, the Corporation's Board of Directors approved to amend the Corporation's By-Laws to enshrine the positions of Chairman of the Board of Directors and the Chief Executive Officer shall be held by different persons. Accordingly, Section 3, Article III of the Corporation's By-

Laws shall be amended to delete "shall be the chief executive officer" as part of the functions of the Chairman; while the succeeding Section 4 shall likewise be amended to indicate that the President shall be the Chief Executive Officer.

Article and Section Numbers	From	To
Article III, Section 3	*"The Chairman of the Board shall be the chief executive officer of the Corporation and shall have a general control and management of the business affairs of the Corporation. He shall preside xxxx"*	*"The Chairman of the Board of Directors shall preside xxxx"*
Article III, Section 4	*"The President, subject to the control of the Board, shall have general supervision of the business affairs of the Corporation."*	*"The President, subject to the control of the Board, shall be the chief executive officer and shall have general control of the business and affairs of the Corporation."*

The amendment of the Corporation's By-Laws shall no longer require approval by the shareholders since the power to do so was previously delegated to the Board of Directors by the Corporation's shareholders.

The documents required on the application to the amendment of By-Laws were not yet submitted to the SEC as of April 12, 2019.

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 – *Summary of Significant Accounting Policies - Basis of Preparation and Basis 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. The main purpose is to 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 55 employees as of December 31, 2018.

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 2018 was 13,960.02 MT, with 6% decline compared to 14,866.45 MT in 2017 due to effect of El Niño. A total of 2,691.05 MT of Crude Palm Oil (CPO) was recovered at an oil extraction rate (OER) of 19.70% in 2018 as compared with the extraction rate of 18.51% in 2017. Total kernels produced for the year was 195.15MT. Last year, this was about 145.63 MT. Sales were as follows:

Product	2018 Sales (MT)	2017 Sales (MT)
Crude Palm Oil	2,446.49	982.69
Palm Kernel	224.66	145.06
Palm Acid Oil	201.73	282.85
Refined Bleached Deodorized Oil	165.48	105.06
Palm Fatty Acid Distillate	18.11	140.22
Palm Olein	203.58	265.60
Palm Stearin	161.13	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 12, 2019, 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 2018 posted an increase in net loss from previous year's net loss of ₱26.8 million to ₱41.2 million. The gross profit increased from ₱12.5 million to ₱17.6 million while the general and administrative expenses decreased from ₱39.6 million to ₱31.1 million, with loss before income tax of ₱20.6 million after deducting other charges – net amounting to ₱7.1 million. The sales of crude palm oil increased by 158% from ₱29.1 million in 2017 to ₱75.2 million this year The quantity sold increased by 149% from a volume 982.69 MT in 2017 to 2,446.49 MT in 2018 with the average selling price per MT slightly increased by 4% from ₱29,627.52 per MT last year to ₱30,740.03 per MT this year. Sales from kernels increased by 51% or and have a lower average price of ₱13,944.67 per MT as compared to the ₱14,285.22 per MT from previous year. The quantity sold rose up by 55% or 79.6 MT more than that of last year. Sales variance for palm kernel is ₱1.06 million or 51% favorable. Sale of RBDO increased by ₱2.3 million or 55% from that of 2017. Sales of PFAD decreased by ₱2.1 million from last year. Sales from palm acid oil is 201.73 MT compared from last year of 282.85 MT. Sales Volume variance is ₱796 thousand or 29% unfavorable. The price this year is 5% higher than that of last year. Sales of Palm Olein in 2018 was 52% less than that in 2017. Sale of Palm Stearin also increased by 4% from that of 2017. Cost of sales increased by 65% from last year's ₱50.3 million to ₱82.8 million this year. General and administrative expenses decreased by ₱8.5 million or 21% due to decrease in professional fees, security and janitorial services. The net loss before income tax amounted to ₱36.5 million in 2017 as compared to the net loss of ₱20.6 million this year due to lower operating expenses. Low production for year 2017 was caused by low supply of FFB due to El Nino.

Total assets decreased by 0.31% or ₱3.3 million from ₱1.076 billion in 2017 to ₱1.072 billion in 2018. Receivables (net) were recorded at ₱11.8 million in 2017, it increased by ₱1.5 million in 2018. Inventories decreased by ₱4.6 million this year. Total liabilities grew from ₱759.2 million in 2017 to ₱797.0 million in 2018.

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

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

ABCI bought Andesite Corporation from A Brown Energy Resources and Development Inc. (ABERDI) to undertake its socialized housing projects 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 12, 2019, the Company has not yet started its commercial operations and has no employee as of December 31, 2018.

The company incurred a net loss of ₱172,261 this year and ₱174,136 last year. Total Assets almost remain to be at ₱9.6 million from last year's ₱9.7 million. Total liability slightly increased by ₱74 thousand this year against last year with capital deficiency of ₱455 thousand.

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 12, 2019, the motion for reconsideration is still pending before the SEC.

As of December 31, 2018, 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 following are the status of the four plantation areas:

As of December 31, 2018:

Location	Gross Area	Area That Can Be Planted	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%;100%	0%;30%;0%
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					50%	50%
Phase V a					0%	100%
Tignapoloan	1,328.56	929.96	-			

**Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.*
***Total area that can be planted in Opol is net of 60.03 has. which was discovered not suitable for planting due to soil*

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, 2018.

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).

Total Assets decreased by 6.13% from ₱253M to ₱ 238M. Leasehold rights decreased by 4.62% being at ₱23.9M in 2017 and at ₱22.8M in 2018. Leasing revenue amounted to ₱3.5M while the cost of leasing incurred amounted to ₱465 thousand for both 2018 and 2017. Operating loss before tax this year is ₱15,745 thousand as compared to last year's operating income before tax of ₱483 thousand. The operating loss was contributed by the recognition of impairment loss amounting to ₱16M. In 2018, net loss was posted at ₱15.8M as compared to last year's ₱87.8 thousand net income.

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 12, 2019. Its principal place of business is in Manolo Fortich, Bukidnon and has no employee as of December 31, 2018.

The Company's operating loss decreased to ₱156,321 from previous year's ₱223,852 due to lower professional fees and taxes and licenses. Its total assets remained at ₱2.2M from last year.

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 12, 2019 and has no employee as of December 31, 2018.

The company incurred a net loss of ₱29,978 compared to last year's net loss of ₱16,097. Even though the total pre-operating expenses this year is lower amounting to ₱29,978 as compared to last year's ₱46,889, the net loss increased which was significantly attributed to zero income for the year as compared to the ₱30,792 interest income from previous year representing the discount on loans receivable which was fully amortized in January 2017. The total assets almost remained to be at ₱6.9 million as same 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 posted net income of ₱79.5 million from last year's ₱463 thousand, a tremendous 17,271% increase. The increase was due to the receipt of dividend income amounting to ₱80 million from its investee company and a lower expenses of ₱136 thousand this year as compared to ₱206 thousand from last year by 34%. As of the end of 2018, the Total Assets of PTCHC increased by 8.6% from previous year's ₱ 927 million to ₱ 1,006 million inclusive of the ₱921 million investment in associate. Deferred tax asset decreased by 68% from ₱478 million last year to only ₱155 million this year due to expiration of NOLCO. The deposits for future subscription amounted to ₱ 827 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) have been completed and were 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 one (1) employee as of December 31, 2018 and has not started its commercial operations as of April 12, 2019.

In 2018 and 2017, 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 ₱858 thousand and ₱1.28 million was not recognized in 2018 and 2017, respectively. Derecognition of income tax benefit arising from NOLCO resulted to a Net Loss of ₱2.9 million in 2018 and ₱4.3 million in 2017. Pre-operating expenses was also reduced by 33% primarily due to lower personnel cost as a result of employee resignation. Total Assets decreased by ₱527 thousand from ₱21.6 million in 2017 to ₱21.1 million in 2018.

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.

PSI is a 34.8MW (5 units) 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). Its principal place of business is at SOCOTECO 2 Sub-Station Compound, Brgy. Apopong, General Santos City.

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 (3 units) capacity on December 1st 2014, and commercial operations started on January 27, 2015.

The 13.9MW (2 units) Power Plant expansion was declared in commercial operations last September 12, 2017. ERC granted the final 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.

PSFI is a 10.4MW (2 units) Diesel/Bunker-Fired Power Plant located in Agusan del Sur. It has a 15-year BOMT agreement with the Agusan del Sur Electric Cooperative Inc. (ASELCO). Its principal place of business is at ASELCO Compound, Barangay San Isidro, San Francisco Municipality, Agusan del Sur.

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.

ERC issued the Final CoC for PSFI's first 5.2MW (1 unit) capacity on March 23, 2015. Commercial operations started on February 26, 2015 using the provisional CoC.

The 5.2MW (1 unit) Power Plant expansion declared commercial operations last January 26, 2018. ERC granted the provisional COC of the expansion on September 28, 2017.

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.

PBI is a 10.4MW Diesel/Bunker-Fired Power Plant located in Bukidnon. It has a 15-year BOMT agreement with the Bukidnon Second Electric Cooperative Inc. (Buseco). Its principal place of business is at at Purok 3, Alae, Manolo Fortich, Bukidnon.

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 commenced commercial operation last March 26, 2018. Final Certificate of Compliance was issued by the ERC on December 19, 2018.

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 will tap the water resources of Lumayagan River and aims to supply about 15 to 20 million liters per day (MLD) of potable water. The project with potential capacity of up to 25 MLD is the company's first venture in the bulk water supply project. 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 study, these municipalities 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). NWRB has 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 as a PPP project.

Pre-operating loss before income tax benefit amounted to ₱376 thousand and ₱73 thousand as of December 31, 2018 and 2017, respectively. The company's total asset of ₱19.5 million this year and ₱18.1 million last year consists primarily of construction in progress amounting to ₱18.7 million and ₱17.2 million as of December 31, 2018 and 2017, 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).

Blaze Capital Ltd. posted a net loss of $251 thousand and $204 thousand in 2018 and 2017, respectively. The income was recorded in 2018 for the unrealized foreign exchange gain while the loss in 2017 was attributed to the professional fees. Its total assets increased from $3.0 million in 2017 to $2.2 million in 2017.

APEX MINING COMPANY, INC.(APEX) – 2.24% 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 of subscription, the company's interest was reduced to 6.24%. At the end of 2018, the Parent company holds 2.24% after disposal of shares on various dates.

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.

Real estate is one of the core businesses of A Brown. Its prime real estate development property is Xavier Estates in Cagayan de Oro City. It is Mindanao’s most successful high-end residential subdivision. All real estate developments follow the concept of a mixed-use, nature-themed, well-planned integrated community. In recent years, the Company has expanded to economic and socialized housing projects.

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, centralized water supply system and water treatment facility, parks and playground, jogging and bicycle paths, forest park and bird sanctuary. Within the Estates, there is a fully air-conditioned chapel. Nearby is 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 including the newly built IT College. For the year 2018, there were 50 lots sold as compared to 19 lots in 2017.

<u>Economic Housing</u>

Xavier Estates 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 three (3) house and lot packages sold in 2018 compared to 74 lots and 4 house & lot sold in 2017.

Ventura Lane is located beside Ventura Residences with lot cuts of 250 sq.m. while Cluster B & C have lots cut at 110sq.m. A total of eight (8) lots were sold in 2018 and 10 lots in 2017.

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 two (2) house and lot sold for the year and three (3) house and lot packages for last year.

Teakwood Hills Subdivision is 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 infinity swimming pool and basketball court. 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 82 lots were sold in 2018 and 5 lots in 2017

Valencia Estates is located in Barangay Lumbo, Valencia City, Bukidnon was launched in October 2008. It is a 11.72 hectares project with an estimated 351 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 52 lots and 17 lots sold in 2018 and 2017, 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. Seven (7) lots were booked in 2018 and only one lot in 2017.

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 10 lots sold this year and six (6) 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 five-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 known as balanghai-today aptly renamed the Butuan Boats- were found. There were 56 lots were sold both this year and last year.

West Highlands Phase 2 was launched in October 2017 with a total of 156 lots for sale. There are 75 fairway and 81 inner lots. Fairway Lots have an average of 360 sq.m. lot cut while inner lots have an average of 250 sq.m. lot cut.

West Highlands Golf Club features a 9-hole golf course. Opened for public use in November 2016, the golf course is frequented by local and national golfers. This one-of-a-kind executive all-weather golf course offers Mindanao's first paspalum te eco-friendly turf grass and moderately undulated green and fairways. A 16-lane driving range is also one of the features in the area.

Mountain View Homes. is another socialized housing project of ABCI. Phase 1 opened in February 2015 with 215 houses and lot units while Phase 2 was opened in November 2016 with 83 house and lots units. Located in Mid-Balulang, Cagayan de Oro City. Mountain View Homes is accessible to churches, schools, malls and commercial establishments. 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 57 house and lot were booked as sale in 2018 and 52 house and lots in 2017.

Adelaida Park Residences located below Xavier Estates 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 71 house and lot were booked as sale in 2018 compared to 47 house and lot in 2017.

New Projects in 2018

Mangoville. The "Sosyal Socialized Housing" project of A Brown Company located in Barangay Agusan, Cagayan de Oro features duplex house designs and with own parking space; with 10-meter wide main roads and 8-meter wide inner roads; with guardhouse and perimeter fence; and with an elevation of 169 meters above sea level overlooking Macajalar Bay. Mangoville is built on a 3.5 hectares area with a total of 235 housing units. Each unit of the duplex house has a lot area of 67.5 sq. m. and a floor area of 22 sq.m.

Additional three (3) new projects were launched in 2018. These are: Xavier Estates Phase 6 – Ignatius Enclave, Xavier Estates Phase 5B – Ventura Residences II, and, The Terraces in Xavier Estates.

All projects are located in Upper Balulang, Cagayan de Oro City inside the guarded gated residential community of Xavier Estates, promising its homeowners of top-most security. This area is located 3 kilometers away from the SM Uptown Mall, major commercial establishments such as restaurants, drug stores, and gasoline stations, churches, grade school/high school/tertiary schools and universities, a golf course and the Xavier Sports and Country Club. Located in uptown, this location is certified flood-free.

Xavier Estates Phase 6 – Ignatius Enclave features house and lot units and prime lots. House and Lot units are single detached with lot area of 110 to 120 sq.m. and floor area of 60 sq.m. Prime lots have lot cuts of 250 to 400 sq.m. Aimed at fostering The Happy Community concept, the modern minimalist houses introduced ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. Abundant green open spaces shall also highlight the subdivision.

Xavier Estates Phase 5B – Ventura Residences II also features house and lot units and prime lots. Located at the back of Ventura Residences I, this second phase have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m.. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge.

The Terraces in Xavier Estates highlights prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 46 lots for sale.

Product Lines:

Product Lines:

Net Sales	71.52%
Share in Net Income (Loss) of Associates	21.83%
Gain on Sale of AFS Investment & PPE	4.59%
Financial Income	0.20%
Others	1.86%

The Company has five 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 accounts for about 71.51% of the total income. The ***second*** category covers equity in net income of an associate. The ***third*** covers the gain on sale of available-for-sale investments, property and equipment. The ***fourth*** category covers interest income for in-house financed lot sales and discount on loans payable. The ***fifth*** category is an income derived from service fees, penalties on late payments, income from forfeited deposits, leasing activities of investment properties, water tapping fees**, transfer fees and other water charges.**

Foreign Sales not applicable

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 **and Arka Realty**. In Butuan, these aforementioned realties are joined by BCP Realty. 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

Four new projects were introduced in 2018. **Mangoville** is a socialized housing project featuring duplex houses located in Brgy. Agusan, Cagayan de Oro City. **Ventura Residences 2** is an economic housing featuring single detached houses. Prime lot cuts are also available and located by the ridge. And the two high end (open market) projects are **Xavier Estates Phase 6 Ignatius Enclave** and **The Terraces. Ignatius Enclave** features single detached houses and prime lots. The Terraces is a low dense community of 46 lots for sale.

Competition

Among several real estate business developments in Cagayan de Oro City, Camella Homes and Johndorf Ventures Inc. **Pueblo de Oro Development Corporation, and Cebu Landmasters** 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) **and Robinson's.**

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 II, page 90-91.

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 and OFWs 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. While Ignatius Enclave attracted OFWs, managers and executives of private companies, businessmen, and second-home buyers.

Buyers for Crude Palm Oil (CPO) and Palm Kernel Nuts (PKN) are from Davao, Bukidnon, Butuan, Cagayan De Oro, Iligan City. However, our bulk sales for processed palm oil products like Refined Bleach Deodorized palm oil and olein same with palm stearin, Likewise, our Golden Belle brand packaging products (18 kgs in Plastic Container and 50 ml Roll Type Pouches) are focus within Northern Mindanao Areas. While other processed palm oil by products like Palm Fatty Acid and Palm Acid Oil are sold to export buyers.

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 15 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 Mangoville project has secured its Development Permit No. 004-2017 and License to Sell No. 031789. Xavier Estates Phase 6 - Ignatius Enclave has an ECC No. R10-0912-0091, Development Permit No. 006-2018 and License to Sell No. 033723. Xavier Estates Phase 5B - Ventura Residences 2 has an ECC No. OL-R10-2018-0091, Development Permit No. 007-2018 and License to Sell No. 033724. Development Permit No. 005-2018 and License to Sell No. 033722 were also issued for The Terraces in Xavier Estates.

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.

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 2018 is presented below.

As to position:

Positions	No. of Personnel
Officers	9
Managers (including AVPs)	20
Supervisors	34
Rank and File	122
Total	**185**

As to function:

Functions	No. of Personnel
Operations	81
Sales and Marketing	26
Accounting/Credit and Collection/Finance	27
Administration	51
Total	**185**

The Company expects to maintain 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 23 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 IIIa, IIIb and IIIc, page 92-95. 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.

EXHIBIT- I

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios Consolidated Figures	Audited 12/31/2018	Audited 12/31/2017	Audited 12/31/2016
Current ratio[1]	1.70:1	1.64:1	0.80:1
Total Debt to Equity ratio[2]	0.57:1	0.63:1	0.85:1
Asset to Equity ratio[3]	1.57:1	1.63:1	1.85:1
Interest coverage ratio[4]	5.15x	4.46x	0.59x
Net Profit Margin ratio[5]	34.96%	54.33%	-15.87%
Return on Assets[6]	5.42%	5.56%	-1.38%
Return on Equity[7]	8.66%	9.67%	-2.63%

The December 31, 2017 figures are based on the restated amount in the 2018 Audited Consolidated FS.
[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- II

LIST OF ACCREDITED SUPPLIERS (TOP 20) – ABCI
FOR THE YEAR 2018

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 CDOC
Oro Mighty Enterprises	Lapasan, CDO City
GSC-RAC Company, Inc.	Gusa, CDO City
JAS Trading & Gen. Services	T.NERI ST., BALOY, TABLON, CDO CITY
GTS Construction Supply & Development Corporation	Corrales Ext., Cagayan de Oro City
CITI HARDWARE BACOLOD, INC.	NATL HIGHWAY, TABLON, CDO CITY
Transway Sales Corporation	128 Magsasay Ave. Davao City
MDS Aggregates and Trucking Services	ZONE 9 ANHAWON BULUA, CAG. DE ORO 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	El Salvador City, Mis. Or.
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
Dataworld Computer Center	T. Neri St., CDO City

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

SUPPLIERS NAME	ADDRESS
ALFE COMMERCIAL	OSMEÑA ST., CDO CITY
ANGELES SHELL STATION	TAMBO, MACASANDIG, CAGAYAN DE ORO 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
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
DPTI DIFFERENTIAL PRESSURES TECHNOLOGY	REMENES CENTER, PUTUTAN, MUNTILUPA CITY
FIL CONVEYOR COMPONENTS	GUSA, CDO CITY
F.D.J. ROSEMAR CORPORATION	BALOY, CAGAYAN DE ORO CITY
KUPLER DCMC PHILIPPINES CORPORATION	109 LYR ARCADE, HI-WAY BALOY, CDO
LCG MARKETING (Phils.) CORP.	OSMEÑA ST., CDO CITY
ORO MIGHTY ENTERPRISES	196 CORRALES AVE., CDO CITY
TOP LIFEGEAR MARKETING	CABANCALAN,MANDAUE CITY
SMART TECH INDUSTRIAL SALES AND SERVICES	B-4 17/9 LA BUENA VIDA SUBD., CAGAYAN DE ORO CITY
VISCO INDUSTRIAL SALES	Don Sergio Osmeña St

EXHIBIT- IIIa

List of Properties as of December 31, 2018

Location	Area in Sq. Meters	Condition	Owner
Luzon:		An idle residential lot subject for sale	
Angono, Rizal	**263**	Aurora Hills Subd., Kalayaan, Pelican cor. Sandpiper, Lakeview ExecutiveVillage	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 - Cala Lily & Orchid Road	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 *vacant as of December 2018*	A Brown Company, Inc.
Culiat, Quezon City	**5,550**	Residential property with informal settlers and ongoing 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	**1,657,103**	mostly raw land	A Brown Company, Inc.

EXHIBIT- IIIb

Location	Area in Sq. Meters	Condition	Owner
Mindanao:			
Initao, Misamis Or.	71,210	developed residential subdivision - Corral Resort Estate	A Brown Company, Inc.
	34,918	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	56,859	Xavier Estates - Phase 5 Ventura Residences Phase 1	A Brown Company, Inc.
	20,924	on-going development residential subdivision ; Mid-cost housing-Ventura Residences Phase 2	A Brown Company, Inc.
	73,735	on-going development residential subdivision ; Mid-cost housing-Ignatius Enclave	A Brown Company, Inc.
	21,763	undeveloped land for residential use	A Brown Company, Inc.
	25,360	developed residential subdivision ; socialized housing - Mt. View Homes	A Brown Company, Inc.
	49,703	developed residential subdivision ; socialized housing - Mt. View Homes Phase 2	A Brown Company, Inc.
	48,165	developed residential subdivision ; socialized housing - Adelaida Residences	A Brown Company, Inc.
	28,764	on-going development residential subdivision ; PD957-open market housing-The Terraces	A Brown Company, Inc.
	57,281	undeveloped land for residential use	A Brown Company, Inc.
	32,335	undeveloped land for residential use	A Brown Company, Inc.
	16,720	developed residential subdivision; socialized housing; St. Therese Subd.	MGCC (merged w/ ABCI)
	7,415	undeveloped 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)
	20,283	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 - Teakwood Hills Phase 1 & 2	A Brown Company, Inc.
	121,900	undeveloped land for residential use - Teakwood Hills Phase 3	A Brown Company, Inc.
	30,914	undeveloped land for residential use - Teakwood Hills 2	A Brown Company, Inc.
	21,761	undeveloped land for residential use - Teakwood Hills 3	A Brown Company, Inc.
	35,834	developed residential subdivision; socialized housing; Mangoville Subd.	A Brown Company, Inc.
	11,366	undeveloped land for residential use - Teakwood Hills 4	A Brown Company, Inc.
	28,610	undeveloped land for residential use - Teakwood Hills 5	A Brown Company, Inc.
	13,355	undeveloped land for residential use - Teakwood Hills 6	A Brown Company, Inc.
	11,657	undeveloped land for residential use - Teakwood Hills 6	A Brown Company, Inc.
	19,054	undeveloped land for residential use - Teakwood Hills	A Brown Company, Inc.
Bonbon, Butuan City	201,370	developed residential subdivision - West Highlands	A Brown Company, Inc.
	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.
	27,631	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 & Dev't. 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- IIIc

Properties owned by the Subsidiaries

Location	Area in Sq. Meters	Condition	Owner
Pagahan, Initao Mis.Or.	7,840 T-27642	agricultural land	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.)

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.

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 2018		Year 2017	
Quarter	High	Low	High	Low
Jan-Mar	1.23	0.91	1.34	0.89
Apr-Jun	1.28	0.96	1.71	0.91
Jul-Sept	1.07	0.80	1.57	1.10
Oct-Dec	0.88	0.63	1.17	0.92

The company's stock price was trading as high as ₱1.28 and as low as ₱0.63 for the four quarters of the year. It also closed at ₱0.78 on December 28, 2018.

The table below shows the high and low sales prices of the Company's shares on the PSE for the first (1st) quarter of 2019, to wit:

	Year 2019	
Month	High	Low
January	0.88	0.78
February	0.84	0.78
March	0.82	0.76

On April 12, 2019, ABCI's shares of common stock were traded at a high of ₱0.78 and a low of ₱0.76 at the Philippine Stock Exchange with closing price of ₱0.78. The stocks are not traded in any foreign market.

Holders of Common Equity

The number of holders of common stock as of December 31, 2018 is 2,098. As of March 31, 2019, the number of holders of common stock is 2,097.

Public Float

As of December 31, 2018 and 2017, the company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE) at 44.69% and 44.69%, respectively. The company's public float of 44.69% is equivalent to 1,107,333,369 shares out of the 2,477,667,911 outstanding shares.

As of March 31, 2019, the company's public float is 44.50% which is equivalent to 1,102,631,439 shares out of 2,477,667,911 outstanding shares.

A BROWN COMPANY, INC.
LIST OF TOP 20 STOCKHOLDERS
AS OF MARCH 31, 2019

Rank	Name of Stockholders	Total Number of Shares Subscribed	Percent to Total Outstanding
1	PCD NOMINEE CORPORATION**	1,683,332,842	67.9402%
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	TAN, A. BAYANI K.	2,033,120	0.0821%
8	BROWN, WALTER W. OR ANNABELLE P. BROWN	1,550,566	0.0626%
9	TAN, MA. GRACIA P.	1,123,089	0.0453%
10	PIZARRO, ROBERTINO E.	1,060,613	0.0428%
11	DAVILA REGINA	938,462	0.0379%
12	FERNANDEZ, LUISITO	853,147	0.0344%
	GANDIONCO, ANDREA L.	853,147	0.0344%
13	LORENZO, ALICIA P.	750,769	0.0303%
14	PIZARRO, DANILO E.	710,677	0.0287%
15	LAGDAMEO, JR., ERNESTO R.	602,690	0.0243%
16	KALINANGAN YOUTH FOUNDATION, INC.	561,123	0.0226%
17	KING, JOSEFINA B.	557,334	0.0225%
18	GAMILIA, JULIANA	544,615	0.0220%
19	EBC SECURITIES CORPORATION	518,221	0.0209%
20	TAN, JOAQUIN T.Q.	511,885	0.0207%
		2,447,918,884	98.7993%
	*** 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%*

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.

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 declaration of 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.

There were no dividend declaration in 2014, 2015, 2017 and 2018.

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.

ANNEX B

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	3	1	1	6	8

COMPANY NAME

A BROWN COMPANY, INC. AND SUBSIDIARIES

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

XAVIER ESTATES UPTOWN, AIRPORT ROAD, BALULANG, CAGAYAN DE ORO CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
abci_headoffice@abrown.ph	(02) 638-6832	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,088	Any day of June	12/31

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 12, 2019

The Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay 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, 2018 and 2017, 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.

Sycip Gorres Velayo & 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.

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this APR 22 day of 2019, affiants exhibiting to me their respective passports, as follows:

FERDINAND P. AYAHAO
NOTARY PUBLIC

Names	Passport No.	Date of Issue	Place of Issue
Walter W. Brown	EC7723602	May 16, 2016	DFA – NCR East
Robertino E. Pizarro	P4275745A	September 6, 2017	DFA – Cagayan de Oro
Marie Antonette U. Quinito	P0153658A	September 3, 2016	DFA – Cagayan de Oro

MCLE No. V-0019276; 04-13-16
4F Goldloop Tower A, Jose Ma. Escriva Drive
Ortigas Center, Pasig City

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Book No. 44
Series of 2019

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of A Brown Company Inc. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then 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, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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.

Other Matter

The consolidated financial statements of the Group as at December 31, 2017 and for the years ended December 31, 2017 and 2016 presented for comparative purposes, were audited by other auditors whose report dated April 5, 2018, expressed an unqualified opinion on those statements. As part of our audit of the 2018 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to amend the 2017 statement of financial position as well as the 2017 and 2016 statements of cash flows. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 and 2016 consolidated financial statements taken as a whole.

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.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, Revenue from Contracts with Customers, under the modified retrospective approach. The adoption of PFRS 15 is significant to our audit because this involves application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate sales; (3) determination of the actual costs incurred as cost of real estate sales; and (4) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is assessed by considering factors such as collection history, age of receivables and pricing of the property. Management also regularly evaluates the history of sales cancellations and back-outs to determine if these would affect its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done which requires technical determination by the management specialist (project managers).

In determining the actual costs incurred to be recognized as cost of real estate sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The disclosures related to the adoption of PFRS 15 are included in Note 2 of the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing PFRS 15. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For the buyer's equity, we evaluated the management's basis by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as the buyer's collection report and official receipts.

In determining real estate sales and cost of real estate sales, we obtained an understanding of the Group's processes for determining the POC under the output method. We obtained the certified POC reports prepared by the project managers and assessed their competence, capabilities and objectivity by referencing to their qualifications, experience and reporting responsibilities. For selected ongoing projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the project construction's major activities.

For real estate inventories and cost of real estate sales, we obtained an understanding of the Group's cost accumulation process. For selected projects, we traced the accumulated costs, including those costs incurred but not yet billed, to supporting documents such as invoices, accomplishment reports from the contracts, official receipts, among others.

We test computed the transition adjustments and evaluated the disclosures made in the consolidated financial statements related to adoption of PFRS 15.

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted PFRS 9, Financial Instruments. PFRS 9, which replaced PAS 39, Financial Instruments: Recognition and Measurement, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted PFRS 9 using modified retrospective approach.

The Group 's classification and measurement of financial instruments is significant to our audit as it involves significant management judgment during the assessment of its business model (e.g. hold to collect, hold to collect and sell and held for trading) for managing the assets and whether the financial instruments' contractual cashflows represent "solely for payment of principal and interest" on the principal amount outstanding.

The Group's adoption of the expected credit loss (ECL) model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining what comprises default; determining assumptions to be used in the ECL model such as the expected life of the significant financial assets such as cash and cash equivalents, installment contract receivables, receivables from employees and agents, due from related parties, among others and nonfinancial assets such as contract assets and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Note 2 of the consolidated financial statements for the disclosures in relation to the adoption and application of the PFRS 9 ECL model.

Audit Response

We reviewed the Group's contracts and assessed whether they are solely for payment of principal and interest ("SPPI" criterion). For those that do not meet the SPPI criterion, we obtained an understanding of the Group's business models and how it manages its financial assets in order to generate cash flows. We also obtained an understanding of the objectives of each of the Group's business models and evaluated the classifications of its financial instruments in consideration of the activities the Group has undertaken and how the performance of each activity is reported.

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the transition adjustments and reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Impairment of Property, Plant and Equipment

The Group's palm oil business has incurred losses since 2016. This was caused by the palm oil plantation's bearer plants not reaching their optimal fruiting stages. This indicates that the carrying amount of the Group's palm oil business assets, which are comprised primarily of property, plant and equipment amounting to ₱808.30 million as of December 31, 2018, may not be recoverable. The aggregate assets of the palm oil business represents 15% of the consolidated assets of the Group as of December 31, 2018. The Group performed an impairment testing on its property, plant and equipment which resulted in the recognition of an impairment loss of ₱17.56 million in 2018. The impairment is significant to our audit because of the significant assumptions and estimates used by management in its impairment testing assessment.

Audit Response

We obtained an understanding of the Group's palm oil business operations and the status of the palm oil industry in general. We performed inquiries with the Group's management regarding the reason for the losses incurred by the Group's palm oil business and future plans on how to make the business recover in the future. We conducted ocular inspections and observations to check the existence and physical condition of the property, plant and equipment. We obtained an understanding of management's process in estimating the recoverable amount of the property, plant and equipment. We obtained corroborating evidence through inquiries, observations, and other procedures to check the reasonableness of the assumptions used in the valuation (e.g. selling price of the products, sales growth, forecasted output and the discount rate used) as well as the judgments made by management in the determination of impairment. We involved our internal specialists to review the computation and reasonableness of the recoverable amount calculated by management. We also evaluated the presentation and disclosure for 2018.

Accounting for the investments in significant associates

The Group owns 20% of Palm Concepcion Power Corporation and Peak Energy, Inc. As discussed in Note 2 to the consolidated financial statements, the Group's investments in these associates are accounted for under the equity method. As of December 31, 2018, the investments in these associates amounted to ₱1,178.42 million (representing 21.56% of the Group's consolidated total assets), and the Group's equity in net earnings from these associates for 2018 amounted to ₱252.09 million (representing 87.30% of the Group's consolidated net income). The accounting for these investments is significant to our audit because of the substantial amount of the Group's investments and equity in net earnings from these associates.

Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of the associates. We also obtained an understanding of the business transactions, the revenue recognition process, and reviewed material items and other accounts that may have a material effect on the Group's share in the 2018 earnings of the associates. We obtained the financial information of the associates for the year and recomputed the Group's share in the 2018 earnings of the associates, and reviewed the related note disclosure on investments in associates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is John T. Villa.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332628, January 3, 2019, Makati City

April 12, 2019

A BROWN COMPANY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018
(With Comparative Figures for 2017)

	2018	2017 (As restated - see Note 2)
ASSETS		
Current Assets		
Cash (Note 4)	**₱75,730,032**	₱93,812,552
Current portion of receivables and contract assets (Note 5)	**383,394,767**	280,159,775
Real estate held for sale (Note 6)	**1,664,578,771**	1,415,900,121
Inventories (Note 7)	**79,564,205**	84,943,191
Advances to a related party (Note 15)	**86,896,516**	163,156,701
Equity instruments at fair value through profit or loss (EIFVPL) (Note 9)	**233,170,738**	–
Prepayments and other current assets (Note 8)	**228,099,874**	281,566,237
Total Current Assets	**2,751,434,903**	2,319,538,577
Noncurrent Assets		
Noncurrent portion of receivables and contract assets (Note 5)	**180,140,939**	139,171,066
Available-for-sale (AFS) investments (Note 9)	–	457,014,387
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9)	**168,647,685**	–
Investments in associates (Note 10)	**1,232,298,149**	1,073,210,253
Investment properties (Note 11)	**115,269,635**	181,433,958
Property, plant and equipment (Note 12)	**892,143,269**	913,920,940
Deferred tax assets - net (Note 20)	**12,532,479**	38,430,497
Other noncurrent assets (Notes 8 and 21)	**113,759,222**	68,279,309
Total Noncurrent Assets	**2,714,791,378**	2,871,460,410
TOTAL ASSETS	**₱5,466,226,281**	₱5,190,998,987
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱532,694,397**	₱417,670,221
Short-term debt (Note 16)	**687,048,719**	544,500,000
Current portion of long-term debt (Note 16)	**325,725,830**	395,541,029
Contract liabilities and deposits from customers (Note 14)	**68,365,034**	57,188,217
Total Current Liabilities	**1,613,833,980**	1,414,899,467
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**272,121,907**	497,158,008
Retirement benefit obligation (Note 19)	**33,721,642**	26,809,512
Deferred tax liabilities - net (Note 20)	**57,832,894**	74,109,199
Total Noncurrent Liabilities	**363,676,443**	598,076,719
Total Liabilities	**1,977,510,423**	2,012,976,185

(Forward)

	2018	2017 (As restated - see Note 2)
Equity		
Capital stock (Note 17)	**₱2,477,668,925**	₱2,477,668,925
Additional paid-in capital (Note 17)	**637,968,859**	637,968,859
Retained earnings (Note 17)	**648,147,097**	259,592,539
Cumulative unrealized loss on AFS investments and EIFVOCI (Note 9)	**(265,423,108)**	(189,358,490)
Other components of equity	**(13,141,094)**	(11,362,702)
Total Equity Attributable to Equity Holders of the Parent Company	**3,485,220,679**	3,174,509,131
Non-controlling interest (Note 17)	**3,495,179**	3,513,671
Total Equity	**3,488,715,858**	3,178,022,802
TOTAL LIABILITIES AND EQUITY	**₱5,466,226,281**	₱5,190,998,987

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for 2017 and 2016)

	2018	2017	2016
REVENUES			
Real estate sales	**₱705,185,689**	₱470,335,294	₱352,538,122
Sale of agricultural goods	**100,440,355**	62,844,831	113,739,928
Water service income	**20,441,816**	18,244,766	17,791,359
	826,067,860	551,424,891	484,069,409
COST AND EXPENSES			
Cost of real estate sales (Note 6)	**293,665,861**	235,023,561	168,539,126
Cost of agricultural goods sold (Notes 7)	**82,826,053**	50,886,827	90,550,558
Cost of water service income	**9,625,079**	7,642,510	5,430,799
	386,116,993	293,552,898	264,520,483
GROSS PROFIT	**439,950,867**	257,871,993	219,548,926
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**318,401,128**	253,653,513	178,596,216
OTHER INCOME (EXPENSES)			
Share in net income (loss) of associates (Note 10)	**252,093,316**	92,018,263	(85,626,953)
Gain on sale of AFS investments (Note 9)	**–**	265,837,561	–
Gain on sale of EIFVPL (Note 9)	**50,039,440**	–	–
Unrealized foreign exchange gain (loss)	**14,704,981**	347,371	(70,965)
Impairment loss (Note 12)	**(17,559,508)**	–	–
Interest expense (Note 16)	**(84,031,327)**	(85,542,204)	(102,196,839)
Other income - net (Note 22)	**12,033,085**	18,906,045	104,846,725
	227,279,987	291,567,036	(83,048,032)
INCOME (LOSS) BEFORE INCOME TAX	**348,829,726**	295,785,516	(42,095,322)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	**40,240,501**	7,678,114	33,009,366
Deferred	**19,833,120**	(11,474,487)	1,702,228
	60,073,621	(3,796,373)	34,711,594
NET INCOME (LOSS)	**288,756,105**	299,581,889	(76,806,916)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan - net of tax effect	**4,806,470**	(1,212,499)	9,669,005
Exchange differences in foreign currency translation	**(6,584,862)**	3,480,210	–
Net change in fair value of EIFVOCI and AFS investments (Note 9)	**28,900,000**	(613,817,909)	273,457,893
	27,121,608	(611,550,198)	283,126,898
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱315,877,713**	(₱311,968,309)	₱206,319,982
Net income (loss) attributable to:			
Equity holders of the Parent Company (Note 17)	**₱288,774,597**	₱299,590,438	(₱76,963,204)
Non-controlling interests (Note 17)	**(18,492)**	(8,549)	156,288
	₱288,756,105	₱299,581,889	(₱76,806,916)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company (Note 17)	**₱315,896,205**	₱311,976,858	₱206,163,694
Non-controlling interests (Note 17)	**(18,492)**	(8,549)	156,288
	₱315,877,713	(₱311,968,309)	₱206,319,982
Basic earnings (loss) per share (Note 17)	**₱0.12**	₱0.14	(₱0.04)

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Figures for 2017 and 2016)

	Total Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Unrealize Loss	Stock Dividend Distributable	Other Components of Equity	Total	Non-controlling Interest	Total
At January 1, 2018, as previously reported	**₱2,477,668,925**	**₱637,968,859**	**₱259,592,539**	**(₱189,358,490)**	**₱–**	**(₱11,362,702)**	**₱3,174,509,131**	**₱3,513,671**	**₱3,178,022,802**
Effect of adoption of new accounting standards (Note 2)	–	–	99,779,961	(104,964,618)	–	–	(5,184,657)	–	(5,184,657)
At January 1, 2018, as restated	**2,477,668,925**	**637,968,859**	**359,372,500**	**(294,323,108)**	–	**(11,362,702)**	**3,169,324,474**	**3,513,671**	**3,172,838,145**
Net income	–	–	288,774,597	–	–	–	288,774,597	(18,492)	288,756,105
Other comprehensive income	–	–	–	28,900,000	–	(1,778,392)	27,121,608	–	27,121,608
Total comprehensive income	–	–	288,774,597	28,900,000	–	(1,778,392)	315,896,205	(18,492)	315,877,713
At December 31, 2018	**₱2,477,668,925**	**₱637,968,859**	**₱648,147,097**	**(₱265,423,108)**	**₱ –**	**(₱13,141,094)**	**₱3,485,220,679**	**₱3,495,179**	**₱3,488,715,858**
At January 1, 2017	**₱1,732,866,536**	**₱586,198,947**	**(₱39,997,899)**	**₱424,459,419**	**₱346,573,104**	**(₱13,630,413)**	**₱3,036,469,694**	**₱3,522,220**	**₱3,039,991,914**
Issuance of capital stock (Note 17)	744,802,389	51,769,912	–	–	(346,573,104)	–	449,999,197	–	449,999,197
Net income	–	–	299,590,438	–	–	–	299,590,438	(8,549)	299,581,889
Other comprehensive loss	–	–	–	(613,817,909)	–	2,267,711	(611,550,198)	–	(611,550,198)
Total comprehensive loss	–	–	299,590,438	(613,817,909)	–	2,267,711	(311,959,760)	(8,549)	(311,968,309)
At December 31, 2017	**₱2,477,668,925**	**₱637,968,859**	**₱259,592,539**	**(₱189,358,490)**	**₱–**	**(₱11,362,702)**	**₱3,174,509,131**	**₱3,513,671**	**₱3,178,022,802**
At January 1, 2016	**₱1,732,865,522**	**₱586,198,947**	**₱383,539,423**	**₱151,001,526**	**₱–**	**(₱23,298,404)**	**₱2,830,307,014**	**₱3,365,932**	**₱2,833,672,946**
Stock dividends declared	–	–	(346,573,104)	–	346,573,104	–	–	–	–
Acquisition of treasury shares	1,014	–	–	–	–	(1,014)	–	–	–
Net loss	–	–	(76,963,204)	–	–	–	(76,963,204)	156,288	(76,806,916)
Other comprehensive income	–	–	–	273,457,893	–	9,669,005	283,126,898	–	283,126,898
Total comprehensive income	–	–	(76,963,204)	273,457,893	–	9,669,005	206,163,694	156,288	206,319,982
At December 31, 2016	**₱1,732,866,536**	**₱586,198,947**	**(₱39,997,899)**	**₱424,459,419**	**₱346,573,104**	**(₱13,630,413)**	**₱3,036,469,694**	**₱3,522,220**	**₱3,039,991,914**

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for 2017 and 2016)

	2018	2017 (As restated - see Note 2)	2016 (As restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱348,829,726**	₱295,785,516	(₱42,095,322)
Adjustments for:			
Loss (gain) on sale of:			
EIFVPL and AFS investments (Note 9)	**(50,039,440)**	(265,837,561)	–
Investment property (Notes 11 and 22)	**–**	–	(72,350,527)
Property, plant and equipment (Notes 12 and 22)	**(2,966,668)**	29,673	(1,461,023)
Share in net loss (income) of associates (Note 10)	**(252,093,316)**	(92,018,263)	85,626,953
Interest expense (Note 16)	**84,031,327**	85,542,204	102,196,839
Depreciation (Note 12)	**16,442,595**	11,739,258	12,226,093
Unrealized loss on EIFVPL (Note 9)	**23,267,631**	–	–
Impairment loss (Note 12)	**17,559,508**	–	–
Interest income (Notes 4, 5 and 22)	**(2,281,599)**	(6,411,751)	(10,503,310)
Retirement benefit expense (Note 19)	**8,676,690**	5,245,687	4,691,139
Unrealized foreign exchange loss (gain)	**(14,704,981)**	347,371	(70,965)
Operating income before working capital changes:	**176,721,473**	34,422,134	78,259,877
Decrease (increase) in:			
Receivables and contract asset	**(112,001,504)**	(92,596,769)	95,320,884
Inventories	**7,955,089**	9,339,568	(2,026,778)
Prepayments and other current assets	**(3,780,812)**	11,196,872	(2,096,314)
Real estate held for sale	**(144,031,131)**	(21,987,866)	27,827,673
Increase (decrease) in:			
Accounts and other payables	**112,132,964**	218,217,514	9,623,976
Deposits from customers and contract liabilities	**11,176,817**	13,588,616	3,094,673
Net cash from operations	**48,172,896**	172,180,069	210,003,991
Income tax paid	**(40,240,501)**	(33,999,991)	(17,168,849)
Interest received (Notes 4, 5 and 22)	**2,281,599**	6,411,751	10,503,310
Contributions to plan assets	–	1,000,000	(129,317)
Net cash from operating activities	**10,213,994**	145,591,829	203,209,135
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
EIFVPL (Note 9)	**122,755,440**	–	–
Property, plant and equipment (Note 12)	**3,908,516**	478,699	2,272,467
AFS investments (Note 9)	–	387,541,250	–
Investment properties (Note 11)	–	–	107,109,676
Dividends received from associates (Note 5)	**13,005,420**	–	–
Acquisition of associate	–	(74,884,999)	–
Proceeds from (additions to)			
Property, plant and equipment (Note 12)	**(22,145,941)**	(29,252,620)	(51,725,642)
Other noncurrent assets	**3,242,445**	470,948	–
Investment properties	–	(175,874)	(150,575)
Collection of advances to a related party	**76,260,185**	225,874	(5,000,000)
Net cash from investing activities	**197,026,065**	284,403,278	52,505,926

(Forward)

	2018	2017 (As restated - see Note 2)	2016 (As restated - see Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (Note 16):			
Short-term debt	**₱548,653,519**	₱162,278,000	₱550,950,000
Long-term debt	**108,815,298**	95,142,601	89,000,000
Payments of (Note 16):			
Short-term debt	**(406,104,800)**	(241,249,605)	(57,020,833)
Long term debt	**(403,666,597)**	(317,915,505)	(725,286,807)
Finance costs paid (Note 16)	**(81,140,117)**	(85,542,204)	(108,375,426)
Net cash used in financing activities	**(233,442,697)**	(387,286,713)	(250,733,066)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**8,120,118**	2,272,647	(70,965)
NET INCREASE (DECREASE) IN CASH	**(18,082,520)**	44,981,041	4,911,030
CASH AT BEGINNING OF YEAR (Note 4)	**93,812,552**	48,831,511	43,920,481
CASH AT END OF YEAR (Note 4)	**₱75,730,032**	₱93,812,552	₱48,831,511

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

A Brown Company Inc. (the Parent Company or ABCI), a publicly-listed 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, ABCI 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 9, 1994, ABCI was listed in the Philippine Stock Exchange. ABCI is owned by various individual stockholders.

The principal place of business and registered office address of the Parent Company is Xavier Estates Uptown, Airport Road, Balulang, Cagayan De Oro City, Philippines.

The accompanying consolidated financial statements as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as “the Group”).

The accompanying consolidated financial statements have been prepared using the historical cost basis, except for EIFVPL and EIFVOCI that are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional currency of the Parent Company. All subsidiaries and associates also use ₱ as functional currency, except for Blaze Capital Limited (BCL) whose functional currency is US Dollar ($). All amounts are rounded off to the nearest ₱, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRSs include Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Effective Percentage of Ownership		
	2018	2017	2016
A Brown Energy and Resource Development Inc. (ABERDI)	**100**	100	100
Nakeen Corporation (NC)	**100**	100	100
Bonsai Agri Corporation (BAC)*	**100**	100	100

(Forward)

	Effective Percentage of Ownership		
	2018	2017	2016
Palm Thermal Consolidated Holdings Corp. (PTCHC)	**100**	100	100
Hydro Link Projects Corp. (HLPC)*	**100**	100	100
AB Bulk Water Company, Inc. (ABWCI)*	**100**	100	100
BCL*	**100**	100	–
Simple Homes Development Inc. (SHDI)*	**100**	100	100
Masinloc Consolidated Power Inc.**	**49**	49	49

**pre-operating subsidiaries*
***non-operating subsidiary*

Investment in BCL
On May 22, 2017, the Parent Company acquired 100% stockholdings of BCL, a company incorporated in the British Virgin Islands on August 8, 2011. 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**.**

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

The nature and impact of each new standards and amendment are described below:

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based*

Payment Transactions
The Group does not have any share-based transactions. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*
The Group has adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:
- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
- The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening Retained Earnings or other component of equity, as appropriate.
- As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

Classification and measurement
Except for certain receivables, under PFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under PFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018 (see Notes 4, 5, 8, 11 and 17):

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	FVPL	Amortized cost	FVOCI
Loans and receivables:				
Cash	₱93,812,552	₱–	₱93,812,552	₱–
Receivables	419,330,841	–	419,330,841	–
Advances to a related party	163,156,701	–	163,156,701	–
Refundable deposits	4,171,690	–	4,171,690	–
AFS Investments	457,014,387	329,154,369	–	127,860,018
	₱1,137,486,171	₱329,154,369	₱680,471,784	₱127,860,018

The adoption of PFRS 9 affected the Group's classification and subsequent measurement of its quoted and unquoted equity securities previously classified as AFS investments, whose fair value re-measurements are recognized in other comprehensive income (OCI). In compliance with PFRS 9, fair value re-measurements from EIFVPL will be recognized in the profit or loss, and fair value re-measurements from EIFVOCI will be recognized in OCI. The adoption of PFRS 9 increased the Group's retained earnings by ₱116.85 million arising from the reclassification of the re-measurement gain of the EIFVPL to retained earnings, decreased AFS investments by ₱457.01 million and decreased OCI by ₱104.96 million as of January 1, 2018.

The adoption of PFRS 15 did not have a material impact on the Group's consolidated statement of cash flows for 2018.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 9. The first column shows what the amounts would have been had PFRS 9 not been adopted and the third column shows amounts prepared under PFRS 9:

Consolidated statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
AFS investments	₱401,818,423	(₱401,818,423)	₱–
EIFVPL	–	233,170,738	233,170,738
EIFVOCI	–	168,647,685	168,647,685
OCI	(212,632,802)	(52,790,306)	(265,423,108)
Retained earnings	554,565,885	93,581,212	648,147,097

Consolidated statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
Net income	₱312,023,736	(₱23,267,631)	₱288,756,105
OCI	(23,270,002)	52,170,002	28,900,000

There are no changes in classification and measurement of the Group's financial liabilities.

Impairment of Financial Instruments
Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except receivables and those measured at FVTPL are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The adoption of the ECL requirements of PFRS 9 did not result in an adjustment to the impairment allowances of the Group's debt financial assets.

- 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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. Subsequently on October 25, 2018, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 (the Memorandum) which provides relief to the real estate industry by deferring the application of the following provisions of the PIC Q&A No. 2018-12 (Q&A) for a period of three years until December 31, 2020:
  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.
  d. Accounting for Cancellation of Real Estate Sales in PIC Q&A No. 2018-14.

  Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: *PFRS 15 - Accounting for Cancellation of Real Estate Sales* was also deferred until December 31, 2020.

  The Memorandum also provided the mandatory disclosure requirements should the real estate company decided to avail of any relief. Disclosures should include:
  - The accounting policies applied.
  - Discussion of the deferral of the subject implementation issues in the PIC Q&A
  - Qualitative discussion of the impact to the financial statements had the concerned application guideline in the PIC Q&A has been adopted.
  - Should any of the deferral options result into a change in accounting policy (e.g., when an

entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable to real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H does not affect the Group financial statements since the Group does not enter into any leasing transactions in the context of this interpretation.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact on the consolidated financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (CTS) would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate (EIR) method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group elected to apply the modified retrospective method to all contracts at the date of initial application which is January 1, 2018.

Under the modified retrospective method, PFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply PFRS 15 to those contracts not completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The adoption of PFRS 15 affected the Group’s recognition of revenue and cost of real estate sales. In compliance with PFRS 15, costs that relate to satisfied (or partially satisfied) performance obligations should be expensed as incurred. These costs are allocated to the saleable units, with the portion allocable to the sold units being recognized as costs of sales while the portion allocable to the unsold units being recognized as part of real estate inventories. In compliance with PFRS 15, revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The pattern of recognition is made overtime. The adoption of PFRS 15 affected the Group's retained earnings by ₱17.07 million, receivables by ₱47.79, inventories by ₱23.55 million, deferred tax liabilities by ₱7.17 million contract assets by ₱292.81 million and contract liabilities by ₱57.19 million as of January 1, 2018.

Presentation and disclosure requirements
As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the Group's adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on the Group's consolidated statement of cash flows for 2018. The first column shows what the amounts would have been had PFRS 15 not been adopted and the third column shows amounts prepared under PFRS 15:

Consolidated statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
ICR	₱353,224,669	(₱310,834,348)	₱42,390,321
Contract assets	–	310,834,348	310,834,348
Customer's deposits	68,365,034	(68,365,034)	–
Contract liabilities	–	68,365,034	68,365,034
Real estate held for sale	1,691,699,107	(27,120,336)	1,664,578,771
Deferred tax liability - net	65,963,306	(8,130,412)	57,832,894
Retained earnings	667,132,085	(18,984,988)	648,147,097

Consolidated statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
Cost of real estate sales	₱289,969,511	₱3,696,350	₱293,665,861
Provision for income tax	61,182,526	(1,108,905)	60,073,621
Net income	291,543,019	(2,547,445)	288,756,105

- The Group has determined that there is only one performance obligation in the contract to sell. The Group has determined that each of its contracts to sell covering subdivision land and residential house units has a single performance obligation together with the services to transfer the title of real estate property upon full payment of the buyer. Output method was used for the measure of progress.

- PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*
  On March 14, 2018 the PIC issued PIC Q&A 2018-11 which provides guidance on the correct classification of land owned by a real estate developer in accordance with PAS 2, *Inventories*, PAS 40, *Investment Property or* PAS 16, *Property Plant and Equipment.*

  The Group adopted PIC Q&A 2018-11 and complied with the classification requirement of its land in accordance with the interpretation in the Group's consolidated financial statements and correspondingly, the Group reclassified its land held and improvements amounting to ₱648.75 million to real estate held for sale as of December 31, 2017. The Group no longer presented a third balance sheet because it does not have a significant impact on the financial statements.

  The following are the restatements of the prior years consolidated financial statements resulting from the adoption of PIC Q&A 2018-11:

  Consolidated statement of financial position

	As of December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Land held for future development	₱648,752,617	₱–	₱648,752,617
PIC Q&A 2018-11	–	(648,752,617)	(648,752,617)
Total	₱648,752,617	(₱648,752,617)	₱–
Real estate held for sale	₱767,147,504	₱–	₱767,147,504
PIC Q&A 2018-11	–	648,752,617	648,752,617
Total	₱–	₱–	₱1,415,900,121

  Consolidated statement of cash flows

	For the year ended December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows used in operating activities	₱145,749,502	₱–	₱145,749,502
PIC Q&A 2018-11	–	(157,673)	(157,673)
Total	₱145,749,502	(₱157,673)	₱145,591,829
Cash flows from investing activities	₱284,245,605	₱–	₱284,245,605
PIC Q&A 2018-11	–	157,673	157,673
Total	₱284,245,605	(157,673)	₱284,403,278

	For the year ended December 31, 2016		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows from operating activities	₱210,589,521	₱–	₱210,589,521
PIC Q&A 2018-11	–	(7,380,386)	(7,380,386)
Total	₱210,589,521	(₱7,380,386)	₱203,209,135
Cash flows from investing activities	₱45,125,540	₱–	₱45,125,540
PIC Q&A 2018-11	–	7,380,386	7,380,386
Total	₱45,125,540	₱–	₱52,505,926

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  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. Retrospective application is required.

  The amendment has no impact on the Group's consolidated financial statements since entities within the Group are not venture capital organization or alike.

- 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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, the amendment does not have a significant effect on the Group's consolidated 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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  The Group does not have any foreign currency payments or receipt of advance consideration.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019
- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and

short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Adoption of the standard will affect the Group's operating lease agreements through the recognition of a right-of-use asset and lease liability with corresponding depreciation and amortization, respectively (see Note 21).

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or

joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting the amendments.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.
  The Group is currently assessing the impact of adopting the amendments.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation
  - Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity
  - Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  These amendments do not have any impact on the Group's consolidated financial statements.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

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 cash equivalent unless 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;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Cash
Cash includes cash on hand and in banks.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by

regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition
Financial instruments 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 initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivable. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As of December 31, 2017, the Group's financial instruments are of the nature of loans and receivables, AFS investments and other financial liabilities.

"Day 1" difference
Where the transaction price in a non-active market is different than the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL. This accounting policy pertains to the Group's "Cash", "Receivables", "Refundable deposits" and "Advances to a related party".

After initial measurement, loans and receivables are measured at amortized cost using the EIR, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in profit or loss.

AFS investments
AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold

in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported under "Net change in fair value of AFS investments" account in other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is recognized in statement of comprehensive income.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's "Accounts and other payables" (except statutory payables), "Short-term debt" and "Long-term debt".

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of counterparty, credit history, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on historical loss experience is based and to remove the effects of conditions in the historical period that do not which the exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Financial Instruments - Initial Recognition, Subsequent Measurement and Reclassification (upon adoption of PFRS 9)

Initial recognition

The Group classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets designated at fair value through OCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured using the EIR method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Group's "Cash", "Receivables" and "Advances to a related party".

Financial assets at FVOCI
Debt instruments. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2018, the Group does not have debt instruments at FVOCI.

Equity instruments. The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.
Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may

be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

This accounting policy applies to the Group's quoted equity instruments.
Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

Reclassifications of Financial Instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

The Group applies a simplified approach in calculating ECLs for "Receivables". Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Group has established a provision matrix that is based on its historical credit loss experience. For ICR, the Group uses a vintage analysis that is based on its historical credit loss experience. Both are further adjusted for forward-looking factors specific to the debtors and the economic environment.

For all debt financial assets other than receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

The Group's "Cash " and "Advances from related party" are graded to be low credit risk investment based on the credit ratings of depository banks and related parties as published by Bloomberg Terminal.

Write-off of Financial Assets
The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- 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
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities
A financial liability is derecognized when the obligation under the financial liability is discharged or cancelled or has expired.

Real Estate Held for Sale
Real estate held for sale are initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. 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.

Borrowing Cost
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes real estate held for sale and property, plant 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. 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.

Deposits for Land Acquisition
This represents deposits made to land owners for the purchase of certain parcels of land which are intended to be held for sale in the future. The Group normally makes deposits before a CTS (contract to sell) is executed between the Group and the land owner. These are recognized at cost.

Inventories
Inventories pertain to ABERDI agricultural produce and 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.

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 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.

Agricultural produce
The Group's growing produce (e.g. fresh fruit bunches, under inventories) are measured at their fair value from the time of maturity of the bearer plant until harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

Investments 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. 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. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation for depreciable investment properties is computed on a straight-line method over estimated useful lives ranging from 10 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 property, plant and equipment; (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 property, plant and equipment 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 at the date of transfer.

Property, Plant and Equipment
Property, plant and equipment are carried at acquisition cost or construction cost less accumulated depreciation and amortization, and impairment in value, if any. The initial cost of property, plant, and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to expense as incurred. In situation 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in statements of comprehensive income for the period.

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 and bearer plants, which are depreciated using units-of-production method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	2 - 25
Building and improvements	10 - 20
Leasehold improvements	2 - 5
Machineries and equipment	2 - 10
Other equipment	1 - 10

The useful life and depreciation method are reviewed periodically to ensure the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. 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 comprehensive 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.

Bearer Plants
Bearer plants are measured at cost less accumulated depreciation recognized at the point of harvest. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs.

Units-of-production method is used for depreciating the bearer plants. Depreciation is charged according to units of fruits harvested.

Prepayments
Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statements of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable and is included as part of the "Accounts and other payables" account in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset and is included as part of the "Prepayments and other current assets" account in the consolidated statement of financial position to the extent of the recoverable amount.

Deferred Input VAT
Deferred input VAT represents portion of input VAT incurred and paid in connection with purchase of capital assets in excess of ₱1.00 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, whichever is shorter. Deferred Input VAT is stated at its realizable value.

Creditable Withholding Tax (CWT)
CWTs, which are included under "Prepayments and other current assets" account in the consolidated statements of financial position, 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.

Impairment of Nonfinancial Assets
The carrying values of nonfinancial assets such as prepayments and other current assets, investments in associates, investment properties, property plant, and equipment 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 the 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.

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 may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated and the allowance for impairment is accordingly reversed or reduced as applicable.

Equity

Capital stock and additional paid-in capital

The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par value of the equity share.

Stock dividends distributable

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

Retained earnings (deficit)

Retained earnings (deficit) include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any.

Revenue Recognition (Upon adoption of PFRS 15)

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales

The Group derives its real estate revenue from sale of lots and house and lot units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using physical proportion of work done. This is based on the monthly project accomplishment report prepared by the project engineers which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as "Contract assets".

Any excess of collections over the total of recognized ICR and contract assets are recognized as "Contract liabilities".

Cost of real estate sales and Cost to obtain contract

Cost of real estate sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold units being recognized as cost of sales while the portion allocable to the unsold units being recognized as part of real estate inventories.

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.

Cost to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as “Prepaid commission” under Prepayments and other current assets if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized over time using the POC method. Commission expense is included in the “General, administrative expenses and selling expenses” account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining a contract with customer are not capitalized but are expensed as incurred.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Contract Balances

ICR

An ICR represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract assets is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liabilities is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liabilities is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Revenue Recognition (prior to adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal on its real estate sales transactions. The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the POC method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. 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.

Any revenue in excess of collections that are unconditional are recognized as "Installment contracts receivable (ICR)".

Any excess of collections over the recognized receivables and any deposits from customers not meeting the revenue recognition criteria are classified as "Deposits from customers" in the consolidated statements of financial position.

Cost Recognition (prior to adoption of PFRS 15)
Cost of real estate sales is recognized consistent with the revenue recognition method applied of land and housing units sold before the completion of the development is determined on the acquisition cost of the land plus its full development costs, which include estimated future development works, as determined by the Group's engineers.

Cost and Expense Recognition (prior to and upon adoption of PFRS 15)
Costs of goods sold 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.

Revenue Recognition (prior to and upon adoption of PFRS 15)
Sale of agricultural goods
Revenue is recognized when the goods are delivered to the customer.

Income from forfeited deposits
Income from forfeited collections recorded under "Other income" is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of

Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Interest income
Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Water service income
This is recognized when services are rendered and normally when billed.

Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

General Administrative and Selling Expenses
General administrative expenses constitute costs of administering the business while selling expenses constitutes commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding commission on real estate sales) are recognized as incurred.

Retirement Benefit obligation
Retirement benefit asset or liability, as presented in the consolidated statements of financial position, is the aggregate of the present value of the retirement 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 retirement benefit plan are 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.

Net interest on the net retirement 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 retirement 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 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).

Operating Lease - Group as lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax
Deferred tax is provided using the balance sheet liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions
Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited to or charged against current operations.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the product and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 24 to the consolidated financial statements.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares issued and outstanding during the

year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2018 and 2017, the Group has no potentially dilutive common shares.

Events After the Reporting Date
Post year-end events up to the date of auditor's report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Existence of a contract
The Group's primary document for a contract with a customer is a signed CTS and it contains all the criteria to qualify as contract with the customer under PFRS 15. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified

in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Classification of equity instruments as FVPL and FVOCI
Management exercises certain judgments in determining the classification of its equity instruments either at FVPL or FVOCI. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The management has determined that the Group's equity investments that are traded in the stock exchange are classified as at FVPL and the Group's equity investments that are not traded in the stock exchange are classified as at FVOCI.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers a representative range of possible forecast scenarios. This process involves gathering two or more economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The borrower is more than 60 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

- *Qualitative criteria*
  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent
  - The borrower is in breach of financial covenant(s)
  - An active market for that financial assets has disappeared because of financial difficulties
  - Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty
  - It is becoming probable that the borrower will enter Bankruptcy or other financial reorganization
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

  The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
  - For ICR and contract assets, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
  - For other receivables, LGDs are typically set at product or service level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.
An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

<u>Management's Use of Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition on real estate projects
The Group's revenue and cost recognition require management to make use of the POC that may affect the reported amounts of revenues under PAS 18 and PFRS 15 and cost under PAS 18. POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists.

Collectability of the sales price
In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 25% would demonstrate the buyer's commitment to pay. The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱353.22 million and ₱332.74 million as of December 31, 2018 and 2017, respectively (see Note 5).

Evaluation of impairment of financial assets under PAS 39
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 as of December 31, 2017 (see Note 5).

Evaluation of impairment of financial assets under PFRS 9
The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for ICRs and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2018, the allowance for impairment losses on receivables of the Group amounted to ₱0.47 million (see Note 5) and the carrying values of the related financial assets are as follows:

	2018
Cash (Note 4)	₱75,730,032
Receivables and contract assets (Note 5)	563,535,706
Advances to a related party (Note 15)	86,896,516
Refundable deposits (Note 8)	3,879,053

Estimating NRV of real estate inventories
The Group reviews the NRV of real estate inventories and compares it with the cost. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱1,664.58 million and ₱1,415.90 million as of December 31, 2018 and 2017, respectively (see Note 6).

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (e.g. property and equipment and investment in associates) and considers the following important indicators:
- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the nonfinancial assets follow:

	2018	2017
Investments in associates (Note 10)	**₱1,232,298,149**	₱1,073,210,253
Prepayments and other current assets* (Note 8)	**278,211,031**	277,394,547
Property, plant and equipment (Note 12)	**892,143,269**	913,920,940
Investment properties (Note 11)	**115,269,635**	181,433,958
Other noncurrent assets	**65,036,864**	68,279,309

**Excluding refundable deposits*

The Group recognized an allowance for impairment loss on its bearer plants classified under property, plant and equipment amounting to ₱17.56 million in 2018.

Estimating total units of output for bearer plants
The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output 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 bearer plants. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. The carrying amount of bearer plants, amounted to ₱332.77 million and ₱350.89 million as of December 31, 2018 and 2017, respectively (see Note 12).

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amonts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income. The carrying values of these deferred tax assets amounted to ₱11.21 million and ₱39.69 million as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Group has unrecognized deferred tax assets amounting to ₱79.85 million and ₱32.82 million, respectively (see Note 20).

Estimating retirement benefit obligation
The determination of the Group's pension liabilities and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in the consolidated financial statements and include among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension liabilities. The Group's retirement obligation amounted to ₱33.72 million and ₱26.81 million as of December 31, 2018 and 2017, respectively (see Note 19).

4. **Cash**

This account consists of:

	2018	2017
Cash on hand	**₱904,738**	₱881,666
Cash in banks	**74,825,294**	92,930,886
	₱75,730,032	₱93,812,552

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱0.02 million and ₱0.08 million in 2018 and 2017, respectively.

5. Receivables and Contract Assets

This account consists of:

	2018	2017
Contract assets	**₱310,834,348**	₱–
Dividend receivable (Note 10)	**80,000,000**	–
Trade receivables	**44,950,173**	11,185,991
ICR	**42,390,321**	332,736,812
Other receivables	**85,835,244**	75,882,418
	564,010,086	419,805,221
Allowance for credit losses	**(474,380)**	(474,380)
	563,535,706	419,330,841
Noncurrent portion of contract assets and ICR	**180,140,939**	139,171,066
	₱383,394,767	₱280,159,775

ICR and contract assets are collectible in monthly installments over a period of 5 to 15 years, and bear interest ranging from 10% to 18% in 2018 and 2017. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest income recognized amounted to ₱2.26 million and ₱6.33 million in 2018 and 2017, respectively.

Dividend receivables pertain to the cash dividend declarations on November 23, 2018 from PEI, amounting to ₱13.00 million, and on December 14, 2018 from PCPC, amounting to ₱80.00 million. On December 10, 2018, the Group was able to collect the dividend amounting to ₱13.00 million (see Note 10).

Trade receivables include receivables from water service and sale of palm olein and its by-products which are noninterest-bearing and are normally collected within seven (7) days.

Other receivables which are interest-free include receivables from various companies for the sale of equity securities and various advances to suppliers and contractors. These receivables are noninterest-bearing and are normally on 30-day terms.

The movement of allowance for expected credit losses are as follows:

	2018	2017
Balance at beginning of year	**₱474,380**	₱453,225
Additional provision during the year	–	21,155
Balance at end of year	**₱474,380**	₱474,380

6. Real Estate Held for Sale

This account consists of:

	2018	2017 (As restated - see Note 2)
Land	**₱484,425,012**	₱443,230,370
Development costs and materials	**1,180,153,759**	972,669,751
	₱1,664,578,771	₱1,415,900,121

The rollforward of this account follows:

	2018	2017 (As restated - see Note 2)
Balance at beginning of the year, as previously reported	**₱1,415,900,121**	₱692,910,637
Effect of adoption of PFRS 15 (Note 2)	**23,554,821**	–
Balance at beginning of the year, as restated	**1,439,454,942**	692,910,637
Reclassification of land held for future development (Note 2)	**–**	648,752,617
Construction costs incurred	**207,642,771**	154,161,352
Purchase of raw land	**230,054,221**	110,885,306
Transfers from investment properties (Note 11)	**66,164,323**	12,113,961
Transfer from deposits for land acquisition (Note 8)	**8,524,817**	–
Depreciation expense capitalized (Note 12)	**6,403,558**	5,349,809
Borrowing costs capitalized (Note 16)	**–**	26,750,000
Cost of real estate sales	**(293,665,861)**	(235,023,561)
Balance at the end of the year	**₱1,664,578,771**	₱1,415,900,121

In 2018, the Group had no borrowings attributable to its on-going constructions.

Real estate held for sale with carrying value of ₱352.14 million and ₱736.00 million as of December 31, 2018 and 2017, respectively, are collateralized to certain loans (see Note 16).

7. **Inventories**

	2018	2017
Raw materials		
Fresh fruit bunches	**₱–**	₱1,442,996
Finished Goods		
Refined bleached deodorized oil	**34,408,147**	19,427,826
Palm olein	**20,349,997**	21,660,351
Crude palm oil	**9,885,423**	27,331,496
Palm stearin	**8,323,645**	9,043,073
Palm acid oil	**3,081,042**	3,717,341
Palm fatty acid distillate	**3,064,618**	2,086,189
Palm kernels	**451,333**	230,294
Aggregates and water meter	**–**	3,625
	₱79,564,205	₱84,943,191

Depreciation capitalized to inventories amounted to ₱2.56 million, ₱1.96 million and ₱4.16 million in 2018, 2017 and 2016 (see Note 12). Cost of agricultural goods sold in 2018, 2017 and 2016 amounted to ₱82.83 million, ₱50.89 million and ₱90.55 million, respectively.

8. Prepayments and Other Assets

Prepayments and other current assets consist of:

	2018	2017
Deposits for land acquisition	**₱98,233,487**	₱106,758,303
CWTs	**63,786,157**	83,160,895
Input taxes	**22,265,804**	51,095,221
Prepaid expenses	**24,964,445**	24,204,346
Prepaid commission	**12,106,922**	9,337,411
Refundable deposits	**3,879,053**	4,171,690
Advances to officers and employees	**2,864,006**	2,838,371
	₱228,099,874	₱281,566,237

Deposits for land acquisition pertain to installment payments made by the Group to the sellers of land where sales contracts have yet to be executed. The land is intended to be held for sale in the future. Deposits for land acquisition amounting to ₱8.52 million were transferred in 2018 to real estate held for sale when the related sales contracts were executed (see Note 6).

Prepaid expenses include prepaid supplies, insurance and taxes and licenses which are applicable in the future period.

Prepaid commissions pertain to commissions paid to brokers and marketing agents on the sale of real estate projects. These capitalized costs are charged to expense as “Marketing” in the “General, administrative and selling expenses” as the related revenue is recognized.

In 2018, the Group revisited its forecasted tax payable position as well as it output tax liability position and accordingly reclassified a total of ₱18.90 million in CWTs and ₱29.89 million in input taxes to noncurrent assets.

9. EIFVPL, EIFVOCI and AFS Investments

Quoted and unquoted equity securities
The classification of quoted and unquoted equity securities prior to January 1, 2018 are AFS investments. AFS investments amounting to ₱457.01 million were reclassified to EIFVPL and EIFVOCI as at January 1, 2018, following the adoption of PFRS 9.

The Group’s EIFVPL consist of marketable equity securities that are traded in the stock exchange and stated at fair value. The fair values have been determined directly by reference to published prices in an active market. Changes in the fair value are recognized in profit and loss.

Fair value of the Group’s EIFVOCI is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). Changes in fair value are recognized are recognized directly in equity.

The rollforward analysis of investments in EIFVOCI and EIFVPL follows:

	December 31, 2018		
	FVPL	**FVOCI**	**AFS**
Balances at beginning of year, as previously reported	**₱–**	**₱–**	**₱457,014,387**
Impact of PFRS 9 adoption:			
Reclassification	**329,154,369**	**127,860,018**	**(457,014,387)**
Fair value adjustment	**–**	**11,887,667**	**–**
Balances at beginning of year, as restated	**329,154,369**	**139,747,685**	**–**
Disposal	**(72,716,000)**	**–**	**–**
Fair value adjustment (Note 22)	**(23,267,631)**	**28,900,000**	**–**
Balances at end of year	**₱233,170,738**	**₱168,647,685**	**₱–**

The rollforward analysis of AFS investments follows:

	2017
Balances at beginning of year	₱1,192,502,297
Cost of sold AFS investment	(121,670,001)
Fair value adjustment	(613,817,909)
Balances at end of year	₱457,014,387

The related subscriptions payable on the above investments amounted to ₱0.16 million as of December 31, 2018 and 2017. In 2018, the Group sold its 72,716,000 shares of Apex Mining Corporation (AMC) for ₱122.76 million resulting in a gain amounting to ₱50.04 million. In 2017, the Group sold its 176,236,000 shares and 278,469,784 shares of AMC and Philippine Realty and Holdings Corporation (PRHC) for a total of ₱387.54 million resulting in a gain amounting to ₱265.84 million.

10. Investments in Associates

The Group's investments in associates are shown below:

	2018	2017
Peakpower Energy, Inc. (PEI)	**₱247,218,353**	₱169,590,597
Palm Concepcion Power Corporation (PCPC)	**931,199,493**	849,284,689
East West Rail Transit Corporation (EWRTC)	**53,880,303**	54,334,967
	₱1,232,298,149	₱1,073,210,253

	2018	2017
Acquisition cost	**₱1,105,595,917**	₱1,030,710,918
Additions during the year	**–**	74,884,999
Dividends	**(93,005,420)**	–
Net acquisition cost	**1,012,590,497**	1,105,595,917
Accumulated equity in net earnings		
Balances at beginning of year	**(32,385,664)**	(124,403,927)
Share in net income	**252,093,316**	92,018,263
	219,707,652	(32,385,664)
	₱1,232,298,149	₱1,073,210,253

The reconciliation of the associates' net assets to the carrying amount in the consolidated financial statements follow (in millions):

	2018	2017
Total assets	**₱17,508**	₱18,658
Total liabilities	**12,326**	14,061
Total equity	**5,182**	4,597
Proportion of the Group's ownership	**20%/33.33%**	20%/33.33%
	980	893
Goodwill and others	**252**	180
Carrying amount of the investment	**₱1,232**	₱1,073

Share in net loss of associates amounted to ₱85.63 million in 2016.

Investment in PEI
PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region. The Group holds 20% of equity ownership as of December 31, 2018 and 2017.

The following table sets out the summarized financial information of PEI as of December 31, 2018 and 2017:

	2018	2017
Current assets	**₱787,571,313**	₱807,016,560
Noncurrent assets	**2,420,957,054**	3,142,997,759
Current liabilities	**1,062,002,893**	1,754,220,249
Noncurrent liabilities	**918,512,234**	1,274,665,368
Net sales	**971,558,117**	613,785,445
Net expense	**599,942,655**	436,485,800
Net income	**371,615,462**	177,299,645

Investment in PCPC
PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. In 2015, the SEC approved PCPC's application of the increase in its authorized capital stock which reduced the Group's equity interest to 20%. The Group continues to account its investment in PCPC as investment in associate as it continues to exercise significant influence over PCPC.

The following table sets out the summarized financial information of PCPC as of December 31, 2018 and 2017:

	2018	2017
Current assets	**₱3,444,671,246**	₱2,963,388,267
Noncurrent assets	**10,814,170,807**	11,651,808,955
Current liabilities	**2,139,894,520**	1,822,568,946
Noncurrent liabilities	**7,743,342,259**	8,914,743,521
Net sales	**4,966,294,490**	3,759,702,545
Net expense	**4,075,170,047**	3,374,160,716
Net income	**891,124,443**	385,541,829

Investment in EWRTC
The Group has 33.33% investment in EWRTC through BCL. The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) 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.

The following table sets out the summarized financial information of EWRTC as of December 31, 2018 and 2017:

	2018	2017
Current assets	**₱40,130,678**	₱92,752,626
Current liabilities	**462,637,705**	294,308,064
Net sales	**1,305**	80,392,938
Net expense	**1,365,435**	142,049,199
Net income	**(1,364,130)**	(61,656,261)

11. **Investment Properties**

The Group's investment properties are classified as follows:

	2018	2017
Land held for capital appreciation	**₱113,659,572**	₱179,823,895
Land and building held for lease	**1,610,063**	1,610,063
	₱115,269,635	₱181,433,958

Investment properties are stated at cost less any impairment. The fair value of the Group's investment properties amounted to ₱398.37 and ₱395.90 million as of December 31, 2018 and 2017, respectively. The fair value was determined by Cuervo Appraisers, Inc., a SEC accredited and independent real estate appraiser who inspected the property, investigated local market condition and gave consideration to the extent, character and utility of the property and highest best use of property. The valuation model is in accordance with that recommended by the International Valuation Standards Committee and has been applied in accordance with PFRS 13, *Fair Value Measurement*. As of December 31, 2018 and 2017, the fair values are based on observable inputs from similar properties (level 2 inputs).

Land held for capital appreciation are as follows:

	2018	2017
Cost:		
Balances at beginning of year	**₱179,823,895**	₱191,761,982
Additions	**–**	175,874
Transfer to real estate held for sale (Note 6)	**(66,164,323)**	(12,113,961)
Net carrying value	**₱113,659,572**	₱179,823,895

Land held for lease are as follows:

	2018			2017		
	Land and Improvements	**Building**	**Total**	Land and Improvements	Building	Total
Cost:						
Balances at beginning and end of year	**₱1,610,063**	**₱7,142,747**	**₱8,752,810**	₱1,610,063	₱7,142,747	₱8,752,810
Accumulated depreciation:						
Balances at beginning of year	–	**7,142,747**	**7,142,747**	–	7,092,747	7,092,747
Additions	–	–	–	–	50,000	50,000
Balances at end of year	–	**7,142,747**	**7,142,747**	–	7,142,747	7,142,747
	₱1,610,063	**₱–**	**₱1,610,063**	₱1,610,063	₱–	₱1,610,063

Rental income generated from land held under lease included in “Other income” amounted to ₱0.91 million and ₱2.14 million in 2018 and 2017, respectively. Direct operating expense related to land held for lease included under “General, administrative and selling expenses” amounted to ₱0.09 million and ₱0.57 million in 2018 and 2017, respectively.

The Group collateralized investment properties with a carrying amount of ₱395.9 million as of December 31, 2018 and 2017 on its long-term debts from AUB (see Note 16).

In 2016, the Group sold various investment properties with carrying value of ₱34.76 million for total consideration of ₱107.11 million which resulted in a gain of ₱72.35 million (see Note 22).

12. Property, Plant and Equipment

The composition and movements of this account are as follows:

2018

	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Construction in Progress	Other Equipment	Total
Cost									
At January 1	**₱12,967,297**	**₱91,157,334**	**₱359,583,194**	**₱253,042,963**	**₱56,966,567**	**₱312,972,292**	**₱41,555,362**	**₱130,821,367**	**₱1,259,066,376**
Additions	–	–	–	–	–	**2,410,715**	**1,456,208**	**18,279,018**	**22,145,941**
Disposals	–	–	–	–	–	**(10,312,626)**	–	**(4,181,969)**	**(14,494,595)**
At December 31	**12,967,297**	**91,157,334**	**359,583,194**	**253,042,963**	**56,966,567**	**305,070,381**	**43,011,570**	**144,918,416**	**1,266,717,722**
Accumulated depreciation									
At January 1	–	**2,944,289**	**8,688,871**	**2,279,638**	**45,757,818**	**176,009,912**	–	**109,464,908**	**345,145,436**
Depreciation	–	**4,438,741**	**567,088**	**391,737**	**1,677,226**	**8,050,234**	–	**10,297,230**	**25,422,256**
Disposals	–	–	–	–	–	**(9,528,758)**	–	**(4,023,989)**	**(13,552,747)**
At December 31	–	**7,383,030**	**9,255,959**	**2,671,375**	**47,435,044**	**174,531,388**	–	**115,738,149**	**357,014,945**
Allowance for impairment	–	–	**17,559,508**	–	–	–	–	–	**17,559,508**
Net Book Value at December 31	**₱12,967,297**	**₱83,774,304**	**₱332,767,727**	**₱250,371,588**	**₱9,531,523**	**₱130,538,993**	**₱43,011,570**	**₱29,180,267**	**₱892,143,269**

2017

	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machinery and Equipment	Construction in Progress	Other Assets	Total
Cost									
At January 1	₱12,967,297	₱91,157,334	₱353,842,557	₱252,610,569	₱53,831,471	₱301,831,042	₱47,245,326	₱117,240,850	₱1,230,726,446
Additions	–	–	5,740,637	432,394	–	11,141,250	5,958,694	5,979,645	29,252,620
Disposals	–	–	–	–	–	–	–	(912,690)	(912,690)
Reclassification	–	–	–	–	3,135,096	–	(11,648,658)	8,513,562	–
At December 31	12,967,297	91,157,334	359,583,194	253,042,963	56,966,567	312,972,292	41,555,362	130,821,367	1,259,066,376
Accumulated Depreciation									
At January 1	–	2,939,384	8,688,871	1,627,960	44,606,674	167,968,067	–	100,667,035	326,497,991
Depreciation	–	4,905	–	651,678	1,151,144	8,041,845	–	9,202,191	19,051,763
Disposals	–	–	–	–	–	–	–	(404,318)	(404,318)
At December 31	–	2,944,289	8,688,871	2,279,638	45,757,818	176,009,912	–	109,464,908	345,145,436
Net book value at December 31	₱12,967,297	₱88,213,045	₱350,894,323	₱250,763,325	₱11,208,749	₱136,962,380	₱41,555,362	₱21,356,459	₱913,920,940

There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2018 and 2017 are recognized as:

	2018	2017	2016
General, administrative and selling expenses (see Note 18)	**₱16,442,595**	₱11,739,258	₱12,226,093
Real estate held for sale (see Note 6)	**6,403,558**	5,349,809	8,659,192
Inventories (Note 7)	**2,576,103**	1,962,696	4,164,324
	₱25,422,256	₱19,051,763	₱25,049,609

In 2018, management assessed that the carrying amount of bearer plants may not be fully recoverable due to the three-year consecutive operating losses of the Group's agricultural segment caused by palm oil plantation's bearer plants not reaching their optimal fruiting stages. Accordingly, the Group performed an impairment test review and recognized an allowance for impairment loss on its bearer plants amounting to ₱17.56 million in 2018. The recoverable amount is the value in use computed by discounting the future cash flows, which are based on future estimated selling prices, sales growth and output among others, using an average discount rate of 7.22%.

The Group sold property and equipment which resulted to a gain (loss) of ₱2.97 million, (₱0.03 million) and ₱1.46 million in 2018, 2017, and 2016, respectively (see Note 22). Proceeds from the sale amounted to ₱3.91 million, ₱0.48 million and ₱2.27 million in 2018, 2017 and 2016, respectively.

13. Accounts and Other Payables

This account consists of:

	2018	2017
Trade accounts payable	**₱405,047,650**	₱344,932,701
Accrued expenses:		
Outside services	**19,802,368**	5,612,288
Rental	**12,248,491**	3,089,693
Professional fees	**10,112,995**	10,236,181
Others	**1,474,567**	1,131,054
Output VAT	**32,290,658**	9,303,014
Retention payable	**24,100,743**	21,239,596
Statutory payables	**11,748,227**	8,058,673
Accrued interest payable	**9,964,349**	7,073,136
Other payables	**5,904,349**	6,993,885
	₱532,694,397	₱417,670,221

Trade accounts payable are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Accrued expenses, which are normally on a 30-day term, pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and settled upon completion of the relevant contracts within the year.

14. **Contract Liabilities and Deposit from Customers**

Deposits from customers and contract liabilities consist of collections from real estate customers which have not reached the threshold to qualify for revenue recognition. As of December 31, 2018, contract liabilities amounted to ₱68.37 million. As of December 31, 2017, deposits from customers amounted to ₱57.19 million.

The amount of revenue recognized from amounts included in contract liabilities as of January 1, 2018 amounted to ₱32.65 million.

15. **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.

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. Short-term debt

   The Group has loans from shareholders classified under short-term debt amounting ₱376.97 million and ₱14.50 million as of December 31, 2018 and 2017, respectively (Note 16).

b. Advances made to an associate

   The Group made has advances to PEI (an associate) amounting to ₱86.90 million and ₱163.16 million as of December 31, 2018 and 2017, respectively.

c. Compensation of key management personnel of the Group are as follows:

	2018	2017	2016
Salaries and wages	**₱42,640,592**	₱37,167,528	₱25,041,056
Short-term benefits	**60,000**	1,048,390	3,869,073
Post-employment benefits	**4,063,995**	673,250	325,423
	₱46,764,587	₱38,889,168	₱29,235,552

d. In 2018, the Group entered into an agreement with EWRTC, an associate wherein the Group will manage the business operations and administer the associate's affairs for a fee. Management fees recognized in 2018 amounted to ₱16.00 million (see Note 22).

16. **Loans Payable**

The Group entered into loan agreements with the following banks, Union Bank of the Philippines (UBP), Asia United Bank (AUB), BPI Family Savings Bank (BPIF), Bank of Philippines Island - (BPIC), May Bank Philippines (MBI), China Bank Corporation (CBC), Development Bank of the Philippines (DBP), United Coconut Planters Bank (UCPB), Philippine Bank of Communication (PBCOM) and from its shareholders.

Short-term debt consists of:

2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱90,000,000	₱100,000,000	(₱90,000,000)	₱100,000,000	6.75% to 8.50%	Payable 90 days to 1 year, secured by real estate mortgage
UCPB	50,000,000	10,000,000	(9,604,800)	50,395,200	6.00% to 7.50%	
CBC	390,000,000	10,000,000	(300,000,000)	100,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
DBP	–	59,680,000	–	59,680,000	4.75% to 6.27%	
Shareholders	14,500,000	368,973,519	(6,500,000)	376,973,519		Due upon demand
	₱544,500,000	₱548,653,519	(₱406,104,800)	₱687,048,719		

2017

Bank	Beginning Balance	Availments	Equity Conversion	Repayments	Outstanding Balance	Interest per annum	Terms
UBP	₱90,000,000	₱10,000,000	₱–	(10,000,000)	₱90,000,000	5.50% to 8%	Payable within 90 days to 1 year, secured by real estate mortgage
UCPB	60,229,167	-	–	(60,229,167)	-	6.00% to 8.5%	
CBC	390,000,000	10,000,000	–	(10,000,000)	390,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
DBP	20,000,000	40,000,000	–	(10,000,000)	50,000,000	5.5% to 8%	
Shareholders	313,242,438	102,278,000	(250,000,000)	(151,020,438)	14,500,000		Due upon demand
	₱873,471,605	₱162,278,000	(₱250,000,000)	(₱241,249,605)	₱544,500,000		

Long-term debt consists of:

2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱176,512,949	₱100,000,000	(₱112,125,768)	₱164,387,181	5.56% to 9.10%	
AUB	169,968,825	–	(103,749,333)	66,219,492	5.50%	Payable in installment from 1 to 4 years; secured by real estate mortgage
BPIC	28,800,000	–	(16,800,000)	12,000,000	5.23%	
UCPB	276,835,788	–	(96,616,980)	180,218,808	5.25%	
MBI	13,333,333	–	(13,333,333)	-	5.50% to 6.38%	
DBP	30,773,360	–	(6,562,500)	24,210,860	5%	
PBCOM	86,914,595	–	(24,242,377)	62,672,218	8.00% to 8.5%	
CBC	1,489,801	8,815,298	(1,700,475)	8,604,624	8.08% to 10%	
BPIF	108,070,385	–	(28,535,831)	79,534,554	5.5%	Payable within 1 - 4 years
Total	892,699,036	108,815,298	(403,666,597)	597,847,737		
Current	395,541,029	–	–	325,725,830		
Noncurrent	₱497,158,007	₱–	₱–	₱272,121,907		

2017

Bank	Beginning Balance	Availments	Repayments	Outstanding Balance	Interest per annum	Terms
UBP	₱257,735,858	₱–	(₱81,222,910)	₱176,512,949	5.56% to 5.78%	
AUB	218,910,325	–	(48,941,500)	169,968,825	5.00% to 5.50%	Payable in installment from 1 to 4 years; secured by real estate mortgage
BPIC	45,600,000	–	(16,800,000)	28,800,000	5.23%	
UCPB	379,583,364	–	(102,747,576)	276,835,788	5.25%	
MBI	33,333,333	–	(20,000,000)	13,333,333	5.5% to 6.38%	
DBP	35,000,000	–	(4,226,640)	30,773,360	5.0%	
PBCOM	–	94,242,601	(7,328,006)	86,914,595	8.% to 8.5%	
CBC	1,089,033	900,000	(499,231)	1,489,802	8.% to 10%	
BPIF	144,220,027	–	(36,149,641)	108,070,385	5.5%	Payable within 1 - 4 years
Total	1,115,471,940	95,142,601	(317,915,504)	892,699,037		
Less: Current	490,807,654	–	–	395,541,029		
Noncurrent	₱624,664,286	₱–	₱–	₱497,158,008		

Security and Debt Covenants
The Group's debt covenants require the Group to submit individual financial statements within 120 days from the report date. The Group is not subject to any financial or negative covenants from its short-term and long-term debts. The Group will comply with the covenant by submitting its individual financial statements before the 120-day deadline.

Real estate held for sale with carrying value of ₱352.14 million and ₱736.00 million as of December 31, 2018 and 2017, respectively, are used to collateralize the loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 6). Investment properties with a carrying amount of ₱395.9 million as of December 31, 2018 and 2017 are used to collateralize to the loans obtained from AUB (see Note 12).

Borrowing Costs
Borrowing cost capitalized under real estate held for sale amounted to ₱26.75 million in 2017 (see Note 6).

Interest Expense and Other Finance Charges
Interest and other financing charges for the short-term and long-term debts for the 2018, 2017 and 2016 totaled to ₱84.03 million, ₱85.54 million and ₱102.20 million, respectively. The Group's interest rates on its short-term and long-term debts are subject to additional floating interest rates of 1 - 2 percent (%) per annum and subject to monthly and quarterly repricing.

17. **Equity**

Earnings per share
Basic earnings per share amounts attributable to equity holders of the Parent Company are as follows:

	2018	2017	2016
Net income (loss) attributable to the owners of the Parent Company	**₱288,756,105**	₱299,590,438	(₱76,963,204)
Weighted average number of shares	**2,477,668,925**	2,178,995,345	1,732,865,522
Basic earnings (loss) per share	**₱0.12**	₱0.14	(₱0.04)

Earnings per share are calculated using the consolidated net income attributable to the equity holders of Parent Company divided by the weighted average number of shares.

Common stock
In 2017, there was 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 was 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 Group'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.

As of December 31, 2018 and 2017, the Group has 3,300 million shares of authorized common stock with par value of ₱1.00 each. As of December 31, 2018 and 2017, 2,477.67 million of these shares with a total par value of ₱2,477.67 million were issued and outstanding.

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.

Additional paid-in capital
Additional paid-in-capital amounted to ₱637.97 million as of December 31, 2018 and 2017.

Treasury shares
In 2013, the Parent Company repurchased 1,014 of its own shares at cost amounting to ₱1 per share.

Retained earnings
Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱1,412.64 million and ₱631.06 million as of December 31, 2018 and December 31, 2017, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Non-controlling interests
The Group's non-controlling interest recognized is the proportionate interests of the Parent Company in MCPI. Non-controlling interest amounted to ₱3.50 million and ₱3.51 million as of December 31, 2018 and 2017, respectively.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

Debt consists of short-term and long-term debts. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding other components of equity and cumulative unrealized loss on AFS investments and EIFVOCI amounting to ₱3,763.78 million and ₱3,375.23 as of December 31, 2018 and 2017, respectively.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2018 and 2017.

There were 2,098 and 2,104 stockholders as of December 31, 2018 and 2017, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.78 on December 29, 2018 and ₱1.00 on December 29, 2017.

18. General, Administrative and Selling Expenses

This account consists of:

	2018	2017	2016
Personnel cost	**₱93,887,224**	₱68,217,305	₱48,447,350
Marketing	**55,929,765**	43,141,610	33,319,862
Taxes and licenses	**33,606,761**	34,278,530	20,256,885
Outside services	**26,179,208**	17,857,217	11,388,296
Professional fees	**19,948,941**	23,720,898	6,460,279
Depreciation	**16,442,595**	11,739,258	12,226,093
Rental	**14,812,424**	7,624,645	5,835,795
Utilities and supplies	**11,275,592**	8,646,046	7,091,852
Transportation and travel	**9,867,474**	9,561,038	5,792,897
Retirement benefits (Note 19)	**8,676,690**	5,245,687	4,691,139
Repairs and maintenance	**4,921,622**	4,609,578	5,044,302
Insurance	**2,115,412**	1,716,128	878,792
Board meetings	**1,354,227**	817,445	1,152,846
Directors fee	**1,349,500**	2,270,500	1,119,821
Subscription and dues	**896,266**	694,547	1,954,960
Entertainment, amusement and recreation	**872,869**	644,114	989,410
Trainings and seminars	**870,346**	610,996	240,865
Bank charges	**74,265**	57,459	153,309
Bad debts	**–**	21,155	–
Others	**15,319,947**	12,179,357	11,551,463
	₱318,401,128	₱253,653,513	₱178,596,216

Marketing expenses significantly include commission on real estate sales and advertising expenses incurred by the Group.

“Others” pertain to expenses arising from business and research development and software maintenance.

19. Retirement Benefit Obligation

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 April 3, 2018 was made for the retirement liability and expense as of and for the year ended December 31, 2017.

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.

Plan Amendments, Curtailments, or Settlements
There were no plan amendments or curtailments in 2018, 2017 and 2016.

The components of retirement expense included in "Retirement benefits" under general, administrative and selling expenses follow (see Note 18):

	2018	2017	2016
Current service cost	**₱7,195,622**	₱4,691,139	₱2,758,211
Net interest cost on benefit obligation	**1,481,068**	1,333,004	1,932,928
Gain on settlement	–	(778,456)	–
Retirement expense	**₱8,676,690**	₱5,245,687	₱4,691,139

Changes in the present value of the retirement obligation (PVRO) and the fair value of the plan assets (FVPA) are as follows:

	2018	2017
PVRO:		
Balance at January 1	**₱32,151,135**	₱28,758,215
Current service cost	**7,195,622**	4,691,139
Net interest cost	**1,747,735**	1,645,714
Benefits paid	**(147,840)**	(4,120,374)
Actuarial (gain) loss	**(2,201,123)**	1,954,897
Settlement gain	–	(778,456)
Balance at December 31	**38,745,529**	32,151,135
FVPA		
Balance at January 1	**5,341,623**	7,413,375
Interest income	**266,667**	312,710
Remeasurement loss	**(436,563)**	207,523
Contribution on retirement plan	–	1,000,000
Benefits paid	**(147,840)**	(3,591,985)
Balance at December 31	**5,023,887**	5,341,623
Net retirement obligation	**₱33,721,642**	₱26,809,512

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumptions on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant.

	December 31, 2018	
		Effect
100 bps increase in discount rate	**3.7% decrease**	**(₱1,274,668)**
100 bps decrease in discount rate	**4.1% increase**	**1,396,313**
100 bps increase in salary rate	**4.1% increase**	**1,419,787**
100 bps decrease in salary rate	**3.8% decrease**	**(1,317,968)**
Increase in DBO, no attrition rates	**2.0% increase**	**695,779**

	December 31, 2017	
		Effect
100 bps increase in discount rate	3.6% decrease	(₱1,023,353)
100 bps decrease in discount rate	4.0% increase	1,130,581
100 bps increase in salary rate	3.1% increase	867,676
100 bps decrease in salary rate	2.8% decrease	(795,561)
Increase in DBO, no attrition rates	7.1% increase	1,991,098

The assumptions used to determine pension benefits for the Group for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Discount rate	**7.70%**	5.70%
Salary increase rate	**5.00%**	5.00%

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	
1 year or less	₱2,638,674
More than 1 year to 5 years	15,471,419
More than 5 years	31,796,622

20. Income Taxes

Provision for income tax pertains to minimum corporate income tax (MCIT) and regular corporate income tax (RCIT) as follows:

	2018	2017	2016
RCIT	**₱39,866,601**	₱7,424,653	₱32,452,535
MCIT	**373,900**	253,461	556,831
	₱40,240,501	₱7,678,114	₱33,009,366

The components of the Group's deferred tax assets and deferred tax liabilities are as follows:

	2018	2017
Recognized in profit or loss:		
Deferred tax assets on:		
Retirement benefit obligation	**₱5,815,595**	₱7,749,743
Unamortized past service cost	**955,126**	1,275,578
Allowance for doubtful accounts	**142,314**	142,314
Allowance for credit losses	**5,267,852**	–
Capitalized commission	**3,632,077**	–
NOLCO	–	19,563,857
MCIT	–	1,839,304
	15,812,964	30,570,796
Deferred tax liabilities on:		
Deferred income on sale of real estate	**(61,002,783)**	(67,502,601)
Deferred rental income	**–**	(3,514)
Unrealized foreign exchange gain	**(4,411,494)**	(2,370)
	(49,601,313)	(36,937,689)
Recognized directly in equity:		
Deferred tax asset on retirement benefit obligation	**4,300,898**	1,258,987
	(₱45,300,415)	(₱35,678,702)

The adoption of PFRS 15 decreased the Group's deferred tax liabilities by ₱7.17 million as of January 1, 2018 (see Note 2).

The above deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2018	2017
Deferred tax assets - net	**₱12,532,479**	₱38,430,497
Deferred tax liabilities - net	**(57,832,894)**	(74,109,199)

As of December 31, 2018, carryover NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2015	₱4,719,922	(₱4,719,922)	₱–	2018
2016	33,958,898	–	33,958,898	2019
2017	41,046,466	–	41,046,466	2020
2018	54,814,014	–	54,814,014	2021
	₱134,539,300	(₱4,719,922)	₱129,819,378	

As of December 31, 2018, MCIT that can be used as deductions against income tax liabilities are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2015	₱1,090,692	(₱1,090,692)	₱–	2018
2016	556,831	–	556,831	2019
2017	253,461	–	253,461	2020
2018	373,900	–	373,900	2021
	₱2,274,884	(₱1,090,692)	₱1,184,192	

Unrecognized deferred tax assets

The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized amounting to ₱40.13 million and ₱4.42 million as of December 31, 2018 and 2017, respectively. The Group has unrecognized deferred tax assets relating to cumulative unrealized loss from AFS investments and EIFVOCI amounting to ₱39.72 million and ₱28.40 million as of December 31, 2017 and 2017, respectively.

Statutory reconciliation

The reconciliation of the provision for income tax computed at statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2018	2017	2016
Provision for income tax computed at statutory rate	**₱104,648,918**	₱88,735,655	(₱12,628,597)
Adjustments for:			
Nontaxable income	**(91,543,523)**	(107,356,747)	25,688,086
Nondeductible expenses	**8,753,122**	12,061,536	7,970,969
Change in unrecognized deferred tax assets	**35,714,597**	1,419,283	2,077,431
Expired NOLCO	**1,415,977**	309,895	11,483,341
Interest income subjected to final tax	**(6,162)**	(56,504)	(4,413)
Expired MCIT	**1,090,692**	1,090,509	124,777
	₱60,073,621	(₱3,796,373)	₱34,711,594

21. **Operating Lease Agreements**

Operating lease - Group as a Lessor
The Group leased its various properties under operating leases. The term of the lease agreements is for three (3) to ten (10) years and is renewable upon mutual agreement of both parties. The lease agreements that are existing as of December 31, 2018 and 2017 will expire in various dates in 2019. 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. There is no escalation clause and the leases are classified as operating leases.

Rental income from non-related parties under these operating leases amounted to ₱0.91 million and ₱2.14 million in 2018 and 2017 respectively.

Operating lease - 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 terms of the lease agreements are for one year and renewable upon the agreement of both parties.

In 2018, the Company entered into lease agreements on certain transportation equipment. The lease term is for a period of twelve (12) months and is renewable under such terms and conditions as may be agreed upon by the contracting parties. The Group has determined that it does not acquire all the significant risks and rewards of ownership of these transportation equipment.

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations. These are recognized on a straight-line basis amounting ₱1.24 million in 2018, 2017 and 2016 each. The prepaid amount included under "Other noncurrent assets" amounted to ₱30.54 million and ₱31.78 million as of December 31, 2018 and 2017, respectively. There are no future lease payments related to these lease agreements.

Rent expense charged to profit or loss amounted to ₱17.26 million, ₱7.62 million and ₱5.84 million in 2018, 2017 and 2016 respectively (see Note 18).

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

22. **Other Income** - net

This account consists of:

	2018	2017	2016
Management fees income (Note 15)	**₱16,000,000**	₱–	₱–
Income from forfeited deposits	**5,906,511**	4,769,498	7,040,884
Gain (loss) on disposal of property, plant and equipment (Note 12)	**2,966,668**	(29,673)	1,461,023
Interest income (Notes 4 and 5)	**2,281,599**	6,411,751	10,503,310
Rental income (Notes 11 and 21)	**905,206**	2,140,115	5,058,462
Gain on sale of investment properties (Note 11)	**–**	–	72,350,527
Unrealized loss on EIFVPL (Note 9)	**(23,267,631)**	–	–
Others	**7,240,732**	5,614,354	8,432,519
	₱12,033,085	₱18,906,045	₱104,846,725

"Others" include tapping fees, transfer fees and other water charges.

23. Financial Instruments

Fair Value Information

The carrying amounts approximate fair values for the Group's financial assets and financial liabilities, except for the following financial instrument as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial asset				
ICR	₱–	₱–	₱332,736,812	₱342,102,212
Financial liability				
Long-term debt	**₱597,847,737**	**₱570,982,986**	₱892,699,036	₱878,502,676

Cash, receivables, refundable deposits, accounts and other payables and short term-debt

The fair values approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Equity instruments at fair value through profit and loss

The carrying value is equivalent to its fair value. The fair values have been determined directly by reference to published prices in an active market (Level 1 input).

Equity instruments at fair value through other comprehensive income

The fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

Long-term debt and ICR

The fair value of long-term debt and ICR (as of December 31, 2017) is estimated using the discounted cash flow methodology using the Group's current discount rates for similar instruments with maturities consistent with those remaining instruments being valued.

The Group has no financial instruments measured under Level 3 of fair value hierarchy. In 2018 and 2017, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Policies and Objectives

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, receivables, investments in equity securities, and short and long-term debt. The main purpose of short-term and long-term debt is to finance the Group's operations. The Group has various other financial assets and liabilities such as advances to a related party, refundable deposits, trade and other payables, 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 and interest rate risk,. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and due to a related party, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets. The table below shows the credit quality and aging analysis of the Group's financial assets:

December 31, 2018

	Neither past due nor impaired		**Past due but not**		
	High grade	**Standard grade**	**impaired**	**Impaired**	**Total**
Cash in banks	**₱74,825,294**	**₱–**	**₱–**	**₱–**	**₱74,825,294**
Receivables	**204,011,473**	**10,299,564**	**42,390,321**	**474,380**	**257,175,738**
Advances to a related party	**86,896,516**	**–**	**–**	**–**	**86,896,516**
Refundable deposits	**3,879,053**	**–**	**–**	**–**	**3,879,053**
	₱369,612,336	**₱10,299,564**	**₱42,390,321**	**₱474,380**	**₱422,776,601**

December 31, 2017

	Neither past due nor impaired		Past due but not		
	High grade	Standard grade	impaired	Impaired	Total
Cash in banks	₱92,930,886	₱–	₱–	₱–	₱92,930,886
Receivables	371,056,036	8,170,256	40,104,549	474,380	419,805,221
Advances to a related party	163,156,701	–	–	–	163,156,701
Refundable deposits	4,171,690	–	–	–	4,171,690
	₱631,315,313	₱8,170,256	₱40,104,549	₱474,290	₱680,064,498

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

Cash in banks, receivables and refundable deposits are considered as high grade financial asset as this is entered into with highly reputable counterparties.

Receivables - high grade pertains to receivables with no default in payments, standard grade pertains to receivables with up to 3 defaults in payment.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

	December 31, 2018			
	On demand	**Due within 1 year**	**Due beyond 1 year**	**Total**
Financial assets:				
Cash	**₱75,730,032**	**₱–**	**₱–**	**₱75,730,032**
Receivables and contract assets	**–**	**383,394,767**	**180,140,939**	**563,535,706**
Advances to a related party	**86,896,516**	**–**	**–**	**86,896,516**
Refundable deposits	**–**	**3,879,053**	**–**	**3,879,053**
	₱162,626,548	**₱387,273,820**	**₱180,140,939**	**₱730,041,307**
Financial liabilities:				
Accounts and other payables*	**₱43,638,421**	**₱444,885,975**	**₱–**	**₱488,524,396**
Short-term debt				
Principal	**–**	**687,048,719**	**–**	**687,048,719**
Interest	**–**	**41,222,923**	**–**	**41,222,923**
Long-term debt				
Principal	**–**	**325,725,831**	**272,121,907**	**597,847,738**
Interest	**–**	**17,914,921**	**29,933,410**	**47,848,331**
	₱43,638,421	**₱1,516,798,369**	**₱302,055,317**	**₱1,862,492,107**

**Excluding statutory payable and other nonfinancial payable amounting to ₱44.17 million as of December 31, 2018.*

	December 31, 2017			
	On demand	Due within 1 year	Due beyond 1 year	Total
Financial assets:				
Cash	₱93,812,552	₱–	₱–	₱93,812,552
Receivables	–	280,159,775	139,171,066	419,330,841
Advances to a related party	163,156,701	–	–	163,156,701
Refundable deposits	–	4,171,690	–	4,171,690
	₱256,969,253	₱284,331,465	₱139,171,066	₱680,471,784

	December 31, 2017			
	On demand	Due within 1 year	Due beyond 1 year	Total
Financial liabilities:				
Accounts and other payables*	₱20,069,216	₱355,651,004	₱–	₱375,720,220
Short-term debt				
Principal	–	544,500,000	–	544,500,000
Interest	–	32,672,212	–	32,672,212
Long-term debt				
Principal	–	395,541,029	497,158,008	892,699,037
Interest	–	21,754,757	54,687,381	76,442,138
	₱20,069,216	₱1,350,119,002	₱551,845,389	₱1,922,033,607

**Excluding statutory payable and other nonfinancial liabilities amounting to ₱41.95 million as of December 31, 2017.*

Interest rate risk
Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table sets out the carrying amount, by maturity, of the Group's long term debt that are exposed to interest rate risk.

	Interest terms (p.a.)	Rate fixing period	Within 1 year	Beyond 1 year
2018	**4.75-10%**	**Monthly; Annually**	**₱325,725,830**	**₱272,121,907**
2017	5-10%	Monthly; Annually	₱395,541,029	₱497,158,008

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity (through the impact on floating rate borrowings):

	2018		2017	
	Increase (decrease) in interest rates	**Effect on profit before tax**	Increase (decrease) in interest rates	Effect on profit before tax
Basis points	**0.33%**	**₱13,410,840**	0.33%	₱10,378,681
	(0.33%)	**(13,410,840)**	(0.33%)	(10,378,681)

There is no other impact on the Group's total comprehensive income other than those already affecting the net income.

24. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;

- Agricultural - Development of land for palm oil production and sale of palm seedlings and sale of crude palm oil;
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of December 31, 2018;
- Holding companies - Holding of properties of every kind and description

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The financial information about the operations of these operating segments is summarized below (in thousands):

	For the year ended December 31, 2018					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holdings**	**Eliminations**	**Consolidated**
Revenue	**₱725,628**	**₱103,940**	**₱–**	**₱–**	**(₱3,500)**	**₱826,068**
Costs and expenses	**(355,558)**	**(29,793)**	**(3,267)**	**(999)**	**3,500**	**(386,117)**
Gross profit (loss)	**370,070**	**74,147**	**(3,267)**	**(999)**	**–**	**439,951**
General, administrative and selling expenses	**(253,193)**	**(31,840)**	**(4)**	**(33,364)**	**–**	**(318,401)**
Other income (expenses)	**34,956**	**(59,530)**	**–**	**252,093**	**–**	**227,519**
Income before income tax	**151,833**	**(17,223)**	**(3,271)**	**217,730**	**–**	**349,069**
Provision for income tax	**41,023**	**19,050**	**–**	**–**	**–**	**60,073**
Net income	**₱110,810**	**(₱36,273)**	**(₱3,271)**	**₱217,730**	**₱–**	**₱288,996**
Net income attributable to:						
Owners of the Parent Company	**₱110,810**	**(₱36,273)**	**(₱3,252)**	**₱217,730**	**₱–**	**₱289,015**
Non-controlling interests	**–**	**–**	**(19)**	**–**	**–**	**(19)**
	₱110,810	**(₱36,273)**	**(₱3,271)**	**₱217,730**	**₱–**	**₱288,996**

	As of December 31, 2018					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holdings**	**Eliminations**	**Consolidated**
Other information						
Segment assets	**₱5,318,536**	**₱1,285,270**	**₱47,487**	**₱1,115,954**	**(₱2,308,286)**	**₱5,458,961**
Deferred tax assets	**–**	**6,963**	**148**	**154**	**–**	**7,265**
Total Assets	**₱5,318,536**	**₱1,292,233**	**₱47,635**	**1,116,108**	**(₱2,308,286)**	**₱5,466,226**
Segment liabilities	**₱1,710,364**	**₱1,048,984**	**₱41,246**	**₱890,705**	**(₱1,771,622)**	**₱1,919,677**
Deferred tax liabilities	**57,831**	**–**	**2**	**–**	**–**	**57,833**
Total Liabilities	**₱1,768,195**	**₱1,048,984**	**₱41,248**	**₱890,705**	**(₱1,771,622)**	**₱1,977,510**

	For the year ended December 31, 2017					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Revenue	₱472,495	₱82,430	₱–	₱–	(₱3,500)	₱551,425
Costs and expenses	(255,147)	(37,398)	(4,333)	(175)	3,500	(293,553)
Gross profit (loss)	217,348	45,032	(4,333)	(175)	–	257,872
General, administrative and selling expenses	(178,133)	(47,760)	(11,840)	(15,920)	–	(253,653)
Other income (expenses)	223,414	(23,865)	–	92,018	–	291,567
Income before income tax	262,629	(26,593)	(16,173)	75,923	–	295,786
Provision for income tax	(3,796)	–	–	–	–	(3,796)
Net income	₱266,425	(₱26,593)	(₱16,173)	₱75,923	₱–	₱299,582
Net income attributable to:						
Owners of the Parent Company	₱266,425	(₱26,593)	(₱16,164)	₱75,923	₱–	₱299,591
Non-controlling interests	–	–	(9)	–	–	(9)
	₱266,425	(₱26,593)	(₱16,173)	₱75,923	₱–	₱299,582

	As of December 31, 2017					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Other information						
Segment assets	₱5,438,692	₱1,155,057	₱47,487	₱967,786	(₱2,456,453)	₱5,152,569
Deferred tax assets	20,735	17,393	148	154	–	38,430
Total Assets	₱5,459,427	₱1,172,450	₱47,635	967,940	(₱2,456,453)	₱5,190,999
Segment liabilities	₱2,080,139	₱825,425	₱28,851	₱688,400	(₱1,683,948)	₱1,938,867
Deferred tax liabilities	74,107	–	2	–	–	74,109
Total Liabilities	₱2,154,246	₱825,425	₱28,853	₱688,400	(₱1,683,948)	₱2,012,976

	For the year ended December 31, 2016					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Revenue	₱414,434	₱73,135	₱–	₱–	(₱3,500)	₱484,069
Costs and expenses	(227,817)	(40,203)	–	–	3,500	(264,520)
Gross profit (loss)	186,617	32,932	–	–	–	219,549
General, administrative and selling expenses	(133,947)	(17,860)	(8,929)	(17,860)	–	(178,596)
Other income (expenses)	(60,591)	(22,457)	–	–	–	(83,048)
Loss before income tax	(7,921)	(7,385)	(8,929)	(17,860)	–	(42,095)
Provision for income tax	29,505	5,207	–	–	–	34,712
Net loss	(₱37,426)	(₱12,592)	(₱8,929)	(₱17,860)	₱–	(₱76,807)
Net loss attributable to:						
Owners of the Parent Company	(₱37,426)	(₱12,592)	(₱9,085)	(₱17,860)	₱–	(₱76,963)
Non-controlling interests	–	–	156	–	–	156
	(₱37,426)	(₱12,592)	(₱8,929)	(₱17,860)	₱–	(₱76,807)

25. Notes to Consolidated Statements of Cash Flows

Below are the noncash transactions in 2018, 2017 and 2016:

a. Borrowing costs capitalized in real estate held for sale amounting to ₱26.75 million in 2017 (see Note 6 and 16). Borrowing costs capitalized in property, plant and equipment amounting to ₱82.64 million in 2017 (see Note 12 and 16)

b. Dividends receivable amounting to ₱80.00 million as of December 31, 2018 (see Note 5).

c. Depreciation of property, plant and equipment capitalized in cost of in inventories amounting to ₱2.58 million, ₱2.01 million, ₱4.16 million in 2018, 2017 and 2016, respectively (see Note 6 and 12).

d. Depreciation of property, plant and equipment capitalized in real estate held for sale amounting to ₱6.40 million, ₱5.35 million, ₱8.66 million in 2018, 2017 and 2016, respectively (see Notes 6 and 12)

e. Transfers from deposits for land acquisition to real estate held for sale amounting to ₱8.52 million in 2018 (see Notes 6 and 8).

f. Transfer of investment property to real estate held for sale amounting to ₱66.16 million in 2018 (see Note 6 and 11).

g. Accrual of interest payable amounting to ₱2.89 million (see Note 13).

Changes in liabilities arising from financing activities

2018

	Beginning Balance	Availments/Accruals	Payments	Ending Balance
Short-term debt	**₱544,500,000**	**₱548,653,519**	**(₱406,104,800)**	**₱687,048,719**
Long-term debt	**892,699,037**	**108,815,298**	**(403,666,597)**	**597,847,737**
Finance costs	**–**	**84,031,327**	**(81,140,117)**	**2,891,210**
	₱1,437,199,037	**₱741,500,144**	**(₱890,911,514)**	**₱1,287,787,666**

2017

	Beginning Balance	Availments/Accruals	Payments	Ending Balance
Short-term debt	₱623,471,605	₱162,278,000	(₱241,249,605)	₱544,500,000
Long-term debt	1,115,471,941	95,142,601	(317,915,505)	892,699,037
Finance costs	–	85,542,204	(85,542,204)	–
	₱1,738,943,546	₱342,962,805	(₱644,707,314)	₱1,437,199,037

26. Performance Obligation

Information about the Group's significant performance obligation is summarized below:

Real estate revenue
The Group entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10%-30% of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 amounted to ₱47.29 million.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Group's real estate projects. The Group's real estate projects are completed within 6 months to 12 months, from start of construction.

27. 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.

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.

Amendment of Articles of Incorporation
On December 28, 2012 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".

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

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 December 31, 2018, and have issued our report thereon dated April 12, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated 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 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332628, January 3, 2019, Makati City

April 12, 2019

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SCHEDULE A

A BROWN COMPANY INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2018

	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash and cash equivalents	₱–	₱75,730,032	₱–
Receivables			
Contract assets	–	310,834,348	–
Dividend receivable	–	80,000,000	80,000,000
Trade receivable	–	44,475,793	–
ICR	–	42,390,321	53,801,246
Other receivables	–	85,835,244	–
EIFVPL	–	233,170,738	–
EIFVOCI	–	168,647,685	–
Advances to a related party	–	86,896,516	–
Refundable deposits	–	3,879,053	–
	₱–	₱1,131,859,730	₱133,801,246

SCHEDULE B

A BROWN COMPANY INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
			Not applicable			

SCHEDULE C

A BROWN COMPANY INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS DECEMBER 31, 2018

Intercompany Receivable and Payable

	Receivable Balance	**Payable Balance**	**Current Portion**
ABCI	₱16,603,213	(₱5,308,758)	₱11,294,455
ABERDI	8,121,602	(11,001,750)	(2,880,148)
ABBWCI	–	(15,370,828)	(15,370,828)
SHDI	–	(586,347)	(586,347)
BAC	–	(981,707)	(981,707)
NC	11,001,750	(2,477,175)	8,524,575
Total Eliminated Receivables/Payables	₱35,726,565	(₱35,726,565)	₱–

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance	**Payable Balance**	**Current Portion**
ABCI	₱1,504,318,710	₱–	₱1,504,318,710
ABERDI	–	(641,981,119)	(641,981,119)
HLPC	–	(25,984,253)	(25,984,253)
PTCHC	–	(826,753,338)	(826,753,338)
SHDI	–	(9,600,000)	(9,600,000)
Total Eliminated DFFS	₱1,504,318,710	(₱1,504,318,710)	₱–

SCHEDULE D

A BROWN COMPANY INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
			Not applicable			

SCHEDULE E

A BROWN COMPANY INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2018

Long-term Debt			
Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Term Loan	₱907,922,937	₱635,801,030	₱272,121,907

SCHEDULE F

A BROWN COMPANY INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018

Indebtedness to related parties (Long-term loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholders	₱14,500,000	₱376,973,519

A BROWN COMPANY INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2018

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
		Not applicable		

A BROWN COMPANY INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2018

	Number of shares			Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Affiliates	Directors, officers and employees	Others
Capital Stock	3,300,000,000	2,477,667,911	–	1,174,565,318	195,769,224	1,107,333,369

SCHEDULE I

A BROWN COMPANY INC. AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**₱492,009,400**
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	**129,924,165**
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	**(13,005,421)**
Fair value adjustment of EIFVPL	**(23,267,632)**
Add(Less):	
Effects of prior period adjustments	**(17,072,323)**
Treasury shares	**(1,014)**
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND	**₱568,587,175**

A BROWN COMPANY INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RATIOS

DECEMBER 31, 2018

	As of December 31		
	2018	**2017**	**2016**
Current Ratio	1.70x	1.64x	.80x
Quick Ratio	.48x	.38x	.19x
Debt to Equity Ratio	0.57x	.63x	0.85x
Asset to Equity Ratio	1.57x	1.63x	1.85x

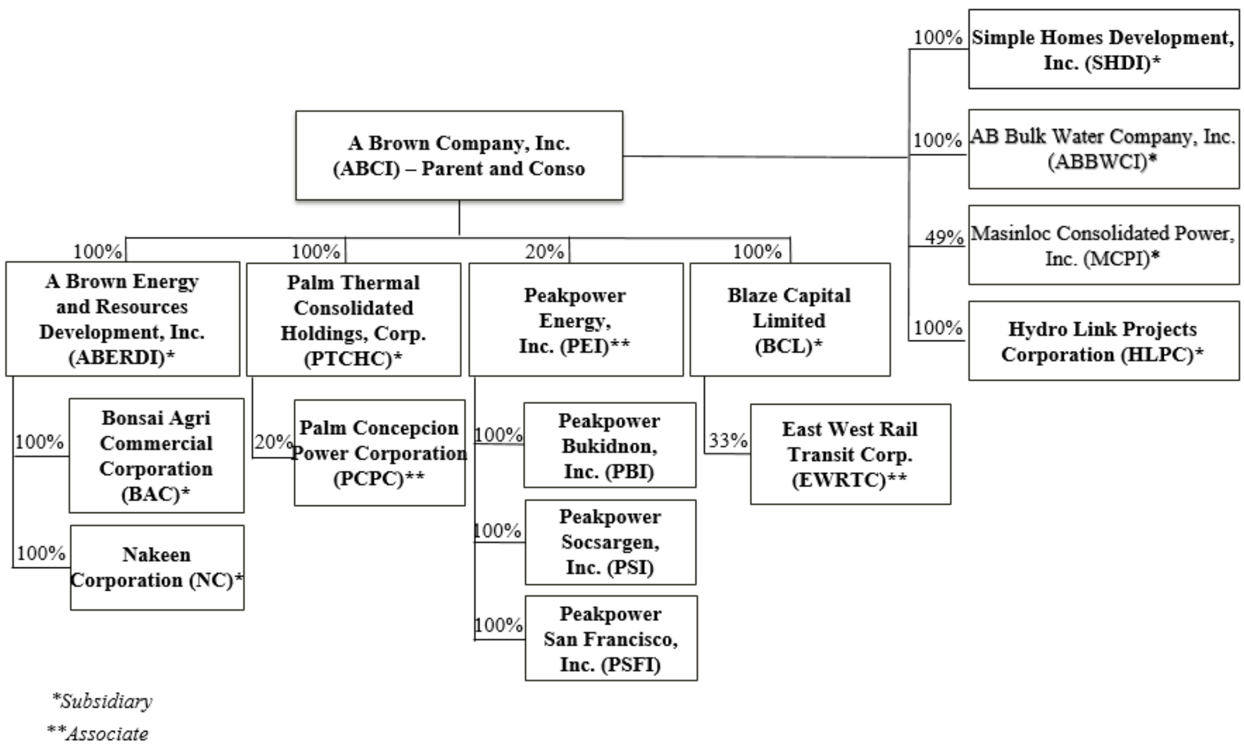
	For the Year Ended December 31,		
	2018	**2017**	**2016**
Interest Coverage Ratio	515%	446%	-59.0%
Return on Assets	5.42%	5.56%	-1.38%
Return on Equity	8.66%	9.67%	-2.63%

SCHEDULE K

A BROWN COMPANY INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2018



SCHEDULE L

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance 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			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members’ Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

ANNEX C

P R O X Y

KNOW ALL MEN BY THESE PRESENTS:

__________________________________ a stockholder of **A BROWN COMPANY, INC.** (the "Corporation") does hereby nominate, constitute and appoint ____ or in case of his/her non-attendance, ______________________________________,as its continuing proxy, with right of substitution and revocation, to represent and vote all his/her/its shares registered in his/her/its name in the books of the Corporation at any and all regular and special meetings of the stockholders of the Corporation, and all such adjournments and postponements thereof as fully to all intents and purposes as it might or could do if present and acting in person.

In case of non-attendance of both of the above-named proxies, the undersigned authorizes and empowers the Chairman of the Meeting to exercise fully all rights as its proxy at such meeting.

This proxy revokes and supersedes any previously executed proxy or proxies and shall continue until such time as the same is revoked or withdrawn by the undersigned through notice in writing delivered to the Corporate Secretary at least **two (2) business days** before any scheduled meeting but shall not apply in instances where I/we personally attend the meeting. This proxy shall be valid for a period of five (5) years from the date of its execution.

EXECUTED ON _______________ at __________________________.

____

Stockholder

Address:

Witness:

____

Number of Shares: ____________________

ANNEX "D"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S

CERTIFICATION

JASON C. NALUPTA, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

1. I am duly elected and incumbent Corporate Secretary of **A BROWN COMPANY, INC.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines , with principal office at Xavier Estates, Uptown, Airport Road, Balulang, Cagayan de Oro City and business office at Unit 3301-A West Tower, Philippines Stock Exchange Centre, Exchange Road, Ortigas Center Pasig City;

2. Based on the information provided to the Corporation by the members of its Board of Directors and its principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

IN ATTESTATION OF THE ABOVE, this Certificate was signed this APR 30 2019 day of April 2019 at Pasig City.

JASON C. NALUPTA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 30 2019 day of April 2019 at Pasig City, Metro Manila, affiant exhibiting to me his Community Tax Certificate No. 15405569 issued on 16 January 2019 at Manila, as well as his SSS ID No. 33-5258550-0 as his competent evidence of identity.

Doc. No. 272;
Page No. 56;
Book No. V;
Series of 2019.

f:\data\clients\273\corp\seccert\annex d - certification.doc
ABKT/JCN

ANN MARGARET K. LORENZO
Notary Public for Cities of Pasig and San Juan
and the Municipality of Pateros
Appointment No. [illegible] (2018-2019)
Commission Expires on December 31 2019
2704 East Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City
PTR No. [illegible] / Mandaluyong
IBP No. [illegible] / 01.03.2018 / RSM
Roll of Attorneys No. 64875
MCLE No. VI-0005951 / 01.25.2018

ANNEX E

3	1	1	6	8

SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

AIRPORT ROAD UPTOWN
CAGAYAN DE ORO CITY

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

Allan Ace R. Magdaluyo
Contact Person

02-6386832
Company Telephone Number

12 31
Month Day
Fiscal Year

Amended
17-Q
FORM TYPE

06
Month Day
Annual Meeting

Secondary License Type, if applicable

CGFD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,097 (March 31, 2019)	Php 1,184,651,690 (March 31, 2019)	- 0 -
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the **1st** quarter ended **March 31, 2019**
2. Commission Identification Number: 31168
3. BIR Tax identification No. 002-724-446-000
4. **A BROWN COMPANY, INCORPORATED**
5. Metro Manila, Philippines
6. Industry Classification Code: (SEC use only)
7. **Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City 9000**
8. Telephone Nos. (088) 858-8784 or (02) 638-6832 (Liaison Office)
9. Former address in last report is: -
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares outstanding
Common shares	2,477,667,911

Amount of debt outstanding: **₱1,865,043,777**

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

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

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

TABLE OF CONTENTS

PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit 1) for the First (1st) Quarter ending March 31, 2019.

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

<u>Financial Condition – Consolidated (Unaudited)</u>

In Thousand Pesos	Unaudited March 2019	Audited December 2018	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Unaudited	Audited
			Amount	%	March 2019	December 2018
Current Assets	**2,660,111**	2,751,435	(91,324)	-3%	49%	50%
Noncurrent Assets	**2,822,524**	2,714,791	107,733	4%	51%	50%
Total Assets	**5,482,635**	5,466,226	16,409	0%	100%	100%
Current Liabilities	**1,232,178**	1,613,834	(381,656)	-24%	22%	30%
Noncurrent Liabilities	**632,866**	363,676	269,190	74%	12%	7%
Capital	**3,617,591**	3,488,716	128,876	4%	66%	64%
Total Liab. & Capital	**5,482,635**	5,466,226	16,409	0%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – March 31, 2019 vs. December 2018

The Group's total assets decreased by **0.30% or ₱16.4 million,** from a balance of ₱5.47 billion as of end of the year 2018 to **₱5.48 billion** as of March 31, 2019.

Current assets decreased by 3% or ₱91.3 million as a result of the net effect of the following:

44% or ₱33.0M increase in Cash– due to the net effect of cash provided by operating activities and cash used in investments and deposits and other investing and financing activities.

22% or ₱82.9M decrease in Current Receivable due to the net effect of:

a) **49% or ₱151.4M decrease in contract assets** due to collections of account under the inhouse payment scheme
b) **72% or ₱32.4M decrease in Trade Receivable** – directly related from decrease sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products
c) **218% or ₱92.4M increase in installment contract receivable** due to increase in sales bulk sale of a Phase 3 Project
d) **104% or ₱92.5M increase in accounts receivable others** due to advances made to affiliates

3% or ₱44.8M decrease in Real estate held for sale – due to the net effect of the increase in sales over development costs of various projects

9% or ₱7.1M increase in Inventories – due to materials not yet used in development

79% or ₱68.6M decrease in Advances to a related party – due to settlement of advances

23% or ₱51.8M increase *in Prepayments and other current assets* – due to the net effect of:

a) 8% or ₱8.2M decrease in creditable withholding taxes – due to the net effect of the application of the same to current tax expense and additions from sale of real estate
b) 16% or ₱2.0M decrease in prepaid expenses – due to reduced advance payments made by the group during the quarter in relation to various expenses as compared from last year's first quarter
c) 15% or ₱3.7M decrease in Other deposits advance payment to supplies and materials
d) 66% or ₱23.5M increase in input Value Added Tax (VAT) - due to the net effect of the additional input VAT recognized from various purchases and application of input VAT against output VAT payable made during the period
e) 45% or ₱1.3M decrease in other current assets – due to the return of refundable deposits during the quarter

6% or* ₱13.0M *increase in Equity Instruments at Fair Value through Profit and Loss – this pertains to increase in the quoted price of equity investments that are listed on the stock exchange

Non-Current assets increased by 4% or ₱107.7 million as a result of the net effect of the following:

32% or* ₱53.5M *decrease in Equity Instruments at Fair Value through Other Comprehensive Income – this pertains to decrease in the value of equity investments that are not listed on the stock exchange

8% or ₱98.3M *increase in Investment in Associates* – due to the Group's share in the net income of the associates and additional investment

10% or* ₱11.8M *decrease in Investment Properties ~~– net due to the sale of investment property.~~ due to development of an investment property

1% or* ₱7.8M *increase in Property and Equipment - net due to the purchase of additional property, plant and equipment.

a) ₱415k increase in RBD and fractionation machineries additions to the equipment to increase the efficiency
b) 4% or ₱406k decrease in building and improvement - wear and tear of the asset
c) 6% or ₱1.7M decrease in other fixed assets/equipment - wear and tear of the asset

39% or* ₱4.9M *increase in Deferred Tax Assets – directly related to the increase in the net operating loss carry over (NOLCO) of the group during the quarter.

22% or* ₱24.5M *decrease in Other Non-current Assets – due to the additional utility deposits made during the quarter related to new real estate developments

Current liabilities decreased by 24% of ₱381.7 million as a result of the net effect of the following:

5% or* ₱26.6M *decrease in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 9% or ₱35.6M decrease in accounts payable - settlement of Payables at the end of the quarter
b) 1% or ₱0.6M increase in accrued expenses -recognition of expenses

c) 30% or ₱3.0M decrease in accrued interest payable -directly related with the decrease in the loan balance due to repayments
d) 28% or ₱6.7M decrease in retention payable -settlement of Payables due to completion of contracts at the end of the quarter
e) 50% or ₱3.0M increase in other payables - increase in the VAT output payable due to additional sale

4% or ₱2.7M increase in Deposit from Customers – due to the recognition of revenue related to sale of real estate from sales reservations

54% or ₱372.4M decrease in Short term Debt – due to the re-classification to long-term loan

4% or ₱14.6M increase in Current maturities portion of long-term debt – pertains to the part of loan currently due against settlement of principal amount due

Non-Current liabilities increased by 74% or ₱269.2 million as a result of the net effect of the following:

95% or ₱257.5M *increase in Long-term Debt* – due to the reclassification of the principal amount that will be due more than one year.

31% or ₱18.2M increase in Deferred tax liabilities - due to the increase in collections pertaining to prior years' real estate sales

Equity increased by 4% or ₱128.9 million as a result of the net effect of the following:

21% or ₱55.8M increase in Net unrealized loss on available for sale – due to the decrease in market value of equity instruments at fair value through other comprehensive income

28% or ₱181.2M increase in the Retained Earnings – due to the effect of net income earned during the year period

26% or ₱3.4M increase in Other Components of Equity- primarily due to the net effect of the following:

a.) ***261% or ₱8.1M increase in Cumulative foreign currency translation***
b.) ***Remeasurement of retirement benefit***

Results of Operations – Consolidated (Unaudited)

In Thousand Pesos	Unaudited March 31 2019	Unaudited March 31 2018	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis Unaudited March 31 2019	Unaudited March 31 2018
Net Sales	329,707	203,900	125,807	62%	77%	67%
Financial Income	1,357	1,202	155	13%	0%	0%
Rental Income	-	284	(284)	-100%	0%	0%
Gain on Sale of shares	-	24,671	(24,671)	-100%	0%	8%
Equity in net income of an associate	94,419	41,166	53,252	129%	22%	14%
Other Income	509	32,414	(31,905)	-98%	0%	11%
Total Revenues	**425,992**	**303,638**	122,355	40%	**100%**	**100%**
Cost of sales and services	125,562	119,923	5,639	5%	29%	39%
General and Admin Expenses	47,996	48,252	(256)	-1%	11%	16%
Finance Cost	23,446	20,086	3,360	17%	6%	7%
Marketing	10,425	11,406	(981)	-9%	2%	4%
Total Cost and Expenses	**207,429**	**199,667**	7,762	4%		
Income before Tax	**218,563**	**103,970**	114,593	110%		
Tax expense	37,347	6,454	30,893	479%	9%	2%
Income after Tax	**181,216**	**97,516**	83,700	86%	**43%**	**32%**

A Brown Company - CONSOLIDATED
Results of Operations
For the 1st Quarter ending March 31, 2019

The consolidated financial statements for the quarter ending March 31, 2019 resulted to a net income after tax of **₱275.6 million** compared to a **₱97.5 million** net income for the same quarter last year an increase by 183% or ₱178.1 million due to the net effect of the following:

102% or ₱125.8M increase in Sales due to:

a) ***Increase in Real estate Sales by 89% or P143.9M*** – due to the price points of the units sold this quarter. The 72 units sold during the first quarter of 2019 were mostly economic with a few high-end units while the 85 units sold in the first quarter of 2018 were mostly from economic units with a few units from high end projects.
b) ***Decrease in Sales of crude palm oil by 12% or P2.5M –*** In 2018, part of the Inventory was sold to a third party. In 2019, CPO Inventory was further processed to Palm Olein and Palm Stearin.
c) ***Decrease in Palm Fatty Acid Distillate Sales by 100% or P388k –*** Due to low production of the RBDO
d) ***Decrease in RBDO Sales by 100% or P2.5M –*** In 2018, part of the Inventory was sold to a third party. In 2019, RBDO Inventory was further processed to Palm Olein and Palm Stearin.
e) ***Decrease in Palm Acid Oil Sales by 29% or P264k –*** Lower Sales in 2019 as compared from 2018
f) ***Decrease in Palm Olein Sales by 33% or P1.6M –*** Lower Sales in 2019 as compared from 2018
g) ***Decrease in Palm Stearin Sales by 100% or P3M -*** Lower Sales in 2019 as compared from 2018
h) ***Increase in Kernel Nuts Sales by 69% or P717k***

13% or P155.0M increase in Financial income– due to the increase water tapping fees.

129% or P53.3M increase in Equity in net gain of an associate – this pertains to the group's 20% share on the net earnings of PCPC and PEI's operating companies and 33.33% share on the net earnings of EWRTC during the first quarter of 2019.

100% or P284k decrease in Rental income which occurred in 2018

100% or P24.7M decrease in gain on sale of shares which occurred in 2018

98% or P31.9M decrease in Other income– due to the net effect of the following:

a) ***Decrease in Income from forfeited deposits by 99% or P1.1M –*** foreclosed accounts in the first quarter of 2018 is higher compared to this year's forfeited accounts of the same quarter.
b) ***Increase in Income from penalties and surcharges by 387% or P1.1M*** – due to the increase in end-buyer's financing by the bank leading to decrease in the collection of penalties and surcharges through the in-house financing of real estate sales.
c) ***Increase in Other income by 98% or P30.6M*** – due to the realized foreign exchange gain of Blaze Capital Limited which is denominated in foreign currency

5% or P5.6M increase in Cost of Sales due to:

a) ***19% or P16.7M increase in cost of Real estate –*** the increase is relatively due to increase in lots sold of economic units with higher development costs as compared to socialized housing units
b) ***Decrease in cost of Crude Palm Oil by 26% or P5.2M -*** In 2018, part of the Inventory was sold to a third party. Thus, increase in the related cost of sale. In 2019, CPO Inventory was further processed to Palm Olein and Palm Stearin.
c) ***Decrease in cost of Palm Fatty Acid Distillate by 100% or P239k –*** *due to the related decrease in sales in 2019*
d) ***Increase in cost of Kernel Nuts by 58% or P602k -*** the increase is relatively due to the increase in sales of Kernel Nuts
e) ***Decrease in cost of RBDO by 106% or P2.1M***
f) ***Decrease in cost of Palm Acid Oil by 106% or P0.6M***
g) ***Decrease in cost of Palm Olein by 70% or P3.0M***
h) ***Decrease in cost of Palm Stearin by 100% or P2.8M***

1% or P256k decrease in General and Administrative Expenses - due to the following net effect of:

a) ***3% or P569k decrease in Personnel expenses*** –due to the reduction of manpower of the group due resignation
b) ***15% or P410k increase in Depreciation and amortization***– due to the net effect of various additions in the first quarter of 2019
c) ***12% or P872k increase in Taxes and Licenses –*** pertains to the increase in business taxes
d) ***15% or P191k decrease in Repairs and maintenance –*** due to the decrease in cost of repairs and maintenance during the quarter as against the first quarter of 2017.
e) ***57% or P1.1M increase in Utilities and supplies***
f) ***101% or P1.6M increase in Rental expense***
g) ***53% or P90k decrease in Representation and Entertainment*** – this refers to the cost of providing comfort/convenience to the prospective clients which is lower this quarter compared to last year's first quarter
h) ***10% or P348k decrease in outside services***

i) ***59% or P943k increase in professional fees***– directly related to the various consultancy services incurred by the group

j) ***28% or P764k decrease in travel and transportation*** – directly related to the various site visitation for mill, real estate projects and plantation operations and power group operations which were reduced this year's first quarter

k) ***75% or P116k decrease in board meeting expenses –*** due to the various materials and other expenses incurred last year relative to this year's first quarter related to board meetings and annual reports

l) ***P34k increase in director fees***

m) ***P30k increase in training and seminars*** – due to the increase trainings and seminars conducted and attended the first quarter of 2019 as compared last year

n) ***P336k increase in subscription and dues***

o) ***P13k increase in bank charges*** – directly related to availment of loans, cancellation of mortgages and various charges on interbank deposits

p) ***80% or P167k increase in insurance expense***

q) ***89% or P3.8M decrease in miscellaneous expenses –*** includes community relations expenses such as scholar's tuition and other humanitarian assistance

17% or P3.4M increase in Finance costs – interest payment on bank loans

9% or P981k decrease in Marketing expenses – includes commissions and incentives on lot sales which is directly related to the increase real estate sales during the quarter and various advertising and promotional activities which decreased this quarter

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

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

Financial Ratios Consolidated Figures	Unaudited 03/31/2019	Unaudited 03/31/2018	Audited 12/31/2018
Current ratio[1]	2.16:1	1.21:1	1.70:1
Current Debt to Equity ratio[2]	0.34:1	0.40:1	0.46:1
Total Debt to Equity ratio[3]	0.52:1	0.56:1	0.57:1
Asset to Equity ratio	1.52:1	1.56:1	1.57:1
Interest coverage ratio	9.32:1	6.18:1	5.15:1
Profit Margin ratio	0.43:1	32.12%	34.96%
Return on Assets[4]	3.31%	1.89%	5.42%
Return on Equity[5]	5.01%	3.02%	8.66%

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

Real Property Development:

Xavier Estates: It is the pioneer in premier mixed use development in Northern Mindanao. This 220-hectare development located at Fr. Masterson Avenue, Upper Balulang, and 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. There were two (2) lots sold for the 1st quarter of 2019 compared to five (5) lots for the 1st quarter of 2018.

Phase 5-Ventura Residences is the first venture of A Brown Company, Inc. into the middle market house-and-lot package nestled inside the Xavier Estates. Ventura Residences is 100% complete. This project has a saleable area of 5.8 hectares. There were three (3) house and lot packages recorded as sold this quarter of the year and fifteen (15) house and lot packages for the same quarter of last year. For **Ventura Lanes**, there's no lot sold for this quarter compared to one (1) lot for the same quarter last year.

Xavierville Homes: It is an economic housing development project adjacent to the Xavier Estates. Phase 1 and 2 are 100% complete. Three (3) units were sold for the 1st quarter of this year while no units were sold for the same quarter last year.

Teakwood Hills: It is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This idyllic enclave has a breathtaking endless view of the mountains and the sea. 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. Lot sizes start from a minimum cut of 250 sq. m., all with a 180-degree scenic view of the famous Macalajar bay and an elevation of 220 meters above sea level. Percentage-of-completion for Phase 1 is at 81% while Phase 2 is 100% complete. For this year's 1st quarter, seven (7) lots were sold compared to nineteen (19) lots for the same quarter last year.

St. Therese Subdivision: The subdivision is a 1.67 hectares socialized housing project located in Balulang, Cagayan de Oro that will provide 155 house and lots of which 91 units are row houses, 38 units are duplex, and 26 units are single attached. There were two (2) units sold for this year's 1st quarter while three (3) units for the 1st quarter of last year.

Valencia Estates: It is located in Barangay Lumbo, Valencia City, Bukidnon. The 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 .The project is 100% complete. Four (4) lots were sold for the 1st quarter of 2019 while six (6) lots for the 1st quarter of 2018.

Coral Resort Estates: The project is considered as the first residential resort estates in Northern Mindanao. It is strategically located in Initao, Misamis Oriental with a total development area of 5.4 hectares. Phase 1-Cluster A and Cluster B of the project with development area of 2.5 hectares and 2.9 hectares, respectively are 100% complete. One (1) lot was sold for this quarter of the year and also one (1) for the same quarter of last year.

West Highlands is a golf and residential estate located in Brgy. Bonbon, Butuan City. The estate has a total developmental area of 25.9 hectares and is 289 feet above sea level which gives lot owners a panoramic view of historic Mt. Mayapay or the cityscape. **West Highlands Phase2** was launched last October 2017 highlighting fairway and inner fairway lots. There were twelve (12) lots sold for this quarter of the year compared to three (3) lots sold for the same quarter last year.

Mountain View Homes: This project has a development area of 2.3 hectares with 216 saleable house and lots with guard house and basketball court. **Mountain View Homes Phase 2** is a new venture into the socialized and economic housing which is adjacent to the original Mountain View Homes. It is accessible to churches, schools, malls and commercial establishment. The socialized housing project has row houses with lot area of 50sq.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 twenty seven (27) house and lot were booked as sale in the 1st quarter of 2019 while eight (8) house and lot also for the 1st quarter of 2018.

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. There were six (6) house and lot sold for the 1st quarter of this year while twenty-four (24) house and lot for the same quarter last year.

New Projects for 2018:

Mangoville is a socialized housing which was launched on Feb 10, 2018. It is located in Barangay Agusan, Cagayan de Oro, just 1.8 kilometers away from the highway. Mangoville boasts of duplex design houses with its own parking space in a lot area of 67.5 sq.m. with floor area of 22 sq.m. It has a 10 meter-wide main road and 8-meter wide inner roads, with perimeter fence and guardhouse. Mangoville homeowners will enjoy a view of the Macajalar Bay in its elevation of 169 meters above sea level. In 5.5 hours, all 235 units were reserved. One (1) unit was sold for this quarter of the year.

Ignatius Enclave was launched in June 2018. It is located in Upper Balulang, Cagayan de Oro City, a 3-kilometer drive to Mastersons Avenue where major commercial establishments are located. There are also churches, grade schools, high schools and educational centers nearby. It features house and lot units and prime lots. Aimed at fostering a Happy Community concept, the single modern home design introduces ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. One (1) unit was sold for this quarter of the year.

Phase 5B – Ventura Residences II was launched in June 2018. It features house and lot units and prime lots. Located at the back of **Ventura Residences**, this second phase shall have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge.

The Terraces in Xavier Estates was launched last September 2018. This prime property is highlighted by prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 50 lots for sale.

Oil Palm Plantation:

For the Quarter Ending March 31, 2019

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				-
Phase II				-
Phase III				-
Phase IV				-
Phase V				-
Impasug-ong	4.14	4.14	4.14	757
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	2,781
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**3,538**

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

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

For the Quarter Ending March 31, 2018

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				-
Phase II				-
Phase III				-
Phase IV				-
Phase V				-
Impasug-ong	4.14	4.14	4.14	410
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	2,099
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**2,509**

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

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

The following are the status of the plantation areas as of March 31, 2019:

Location	Flowering	Vegetative
Kalabugao		
Phase I	100%;100%	0%;0%
Phase II	100%;100%	0%;0%
Phase III	100%;70%;100%	0%;30%;0%
Phase IV	20%;0%	80%;100%
Phase V	20%	80%
Impasug-ong	100%	0%
Opol		
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 II c	100%	0%
Phase III a	100%	0%
Phase III b	80%	20%
Phase IV a	50%	50%
Phase V a	0%	100%
XE Plantation		
Phase I	100%	0%
Phase II	100%	0%

The following are the status of the plantation areas as of March 31, 2018:

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

Palm Oil Mill

A total of 2,360 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed for the 1st of 2019, compared to 3,440.65 metric tons in the same period of last year. This is an average of 786.67 metric tons of fresh fruit bunch processed per month as against 1,146.88 metric tons of the same period last year. The yield for the 1st quarter of this year was 497.76 metric tons of crude palm oil with an average oil extraction rate of 21.09% as compared to 613.32 metric tons having an average extraction rate of 17.61% for the same period last year.

The kernels that were produced totaled to 35.40 metric tons as compared to 68.535 metric tons of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 1st quarter of 2019, the refinery produced a total of 76.78 metric tons of RBDO compared to 254.81 metric tons of the same period last year.

In addition, 4.12 metric tons of Palm Fatty Acid Distillate was produced in the 1st quarter of this year as compared to 48.705 metric tons for the same period of last year. This by-product is generated during production of RBDO.

Fractionation Plant

The production of Palm Olein and Palm Stearin started in June 2015. Crude Palm Oil produced is further processed into Refined Bleached and Deodorized Oil, the raw material of Palm Olein and Palm Stearin. In the 1st quarter of 2019, there were 27.52 metric tons of Palm Olein compared to 77.06 metric tons for the same period last year and 60.905 metric tons of Palm Stearin compared to 60.905 metric tons for the 1st quarter of last year were produced. The quantity sold during the 1st quarter was 121.715 metric tons of Palm Olein compared to 114.70 metric tons for 1st quarter last year.

<u>Power Generation</u>

Coal-Fired Power Project

Palm Concepcion Power Corp. (PCPC) – 20% owned by PTCHC

Palm Thermal Consolidated Holdings Corp. (PTCHC) is 100% owned by A Brown Company Inc. which currently has 20% equity interest in Palm Concepcion Power Corporation (PCPC). PCPC is the project company for the 2 x 135-megawatt coal-fired power plant in Concepcion, Iloilo.

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

The power plant project is located in Concepcion, Iloilo. It is a base load plant that uses Circulating Fluidized Bed Combustion (CFBC) technology that is highly efficient and low-pollution. The first 135MW unit 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 the islands of Panay, Negros, Cebu and even Leyte.

PCPC started construction of the first 135MW in 2013 and was able to complete the project after 37 months and 22 days. Its commercial operations commenced on August 16, 2016. Ten (10) electric cooperatives have signed up offtake agreements with PCPC's first 135MW unit for their base load power capacity requirements. The project site is designed to operate and support two units of 135MW.

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

Bunker-Fired Power Project

Peakpower Energy Inc. (PEI) – 20% owned by ABCI

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

Peakpower Soccsargen Inc. (PSI) – 100% owned by PEI

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

The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (COC) for PSI's first 20.9MW (3 units of 6.97MW) capacity last December 1, 2014. Commercial operations started on January 27, 2015.

The 13.9MW (2 units of 6.97MW) Power Plant expansion declared commercial operations last September 12, 2017. ERC granted the COC of the expansion on February 20, 2018.

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.

Peakpower San Francisco Inc. (PSFI) – 100% owned by PEI

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

ERC issued the Certificate of Compliance (COC) for the first 5.2MW capacity on March 23, 2015. Commercial operations started on January 26, 2018.

The 5.2MW power plant expansion was granted its Provisional Certificate of Compliance on September 27, 2017, which was extended on February 20, 2018. The expansion plant started commercial operations on January 26, 2018.

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.

Peakpower Bukidnon Inc. (PBI) – 100% owned by PEI

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).

ERC issued a Provisional Certificate of Compliance for the 10.4MW (2 units of 5.2MW) on November 21, 2017, which was extended on February 20, 2018. PBI commenced commercial operation on March 26, 2018.

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.

Outlook for the Year and Onwards

Real Estate Business:

Recent information on the property sector posts significant highs in demand and supply this year despite the challenges from increasing interest rates and inflation.

Reports say that rising interest rates could dampen low to mid-income residential demand over the next 12 to 24 months. Apart from the rising interest rates, inflation became a challenge for the property sector since it curtails consumer spending.

There are also issues on construction delays due to shortage of skilled workers and the increasing cost of construction supplies. *Source: https://www.philstar.com/business/real-estate/2018/08/17/1843178/record-year-ahead-philippine-real-estate*

Despite this, A Brown Company Inc. is robust in its outlook for the real estate sector particularly in Cagayan de Oro and Butuan Cities.

First off, Mangoville, the socialized housing located in Barangay Agusan, Cagayan de Oro City which was sold out in 5 hours on launching date is well on its way to completing the construction of houses by year-end..

Only three months from launching date, Xavier Estates Phase 5B Ventura Residences and Xavier Estates Phase 6 Ignatius Enclave offering house and lot packages have posted reservation sales of 71% and 49%, respectively showing a market demand for house and lot in the region, particularly in the Uptown Cagayan de Oro area. Aimed at fostering the Happy Community concept, the modern minimalist houses in both residential subdivisions feature houses with vibrant hues of yellow, orange, blue and green accents. Abundant green spaces also abound.

Seventy-five per cent (75%) of the current profile of buyers are local businessmen, professionals, and officers of private corporations while 25% are Overseas Filipino Workers particularly nurses, seafarers and engineers with families residing in Cagayan de Oro City.

The Terraces in Xavier Estates was launched in September 2018. Part of the incentives of the performing real estate brokers in the first semester of 2018 was the privilege to sell this high-end property during launching until November 30, 2018. Sales are expected to pick-up in the last quarter of 2018 onwards.

West Highlands in Butuan City, the property located inside a golf course community, have steadily increased sales for the quarter with fairway lots as the choice area.

Palm Oil Business:

The palm oil industry is a promising enterprise as the palm oil continuously being considered as the most important tropical vegetable oil in the global oils and fats industry, in terms of production and trade.

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).

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 the first quarter of 2019, about 3,743 (gross area) hectares were already acquired for development, of which almost 1,592 hectares were planted while about 1,105 hectares are prepared to be available for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested for its expansion program aggregating to 2,000 hectares. And to boost its mill operational capacity, the company has been tapping external growers to supply additional fresh fruit bunches (FFB).

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 Go to Market (GTM) strategy is divided into two (2) service packages - in 18-kg carbuoys and 150-ml roll type packaging (RTP) . 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 be served by our potential Trade Execution Partners (TEP). 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.

Power Generation:

Challenges

New perspective, new hopes and new ways.

This is how Department of Energy (DOE) Secretary Alfonso G. Cusi would like to welcome the power generation industry for 2019.

At present, the country is still on its quest to obtain energy security and equity, considering the affordability and access of electric supply. However, the Philippine Power System has been recently disturbed by natural calamities and man-made disasters experienced on the first quarter of 2019 that continued occurrences of forced outages of generation and transmission facilities resulting to load dropping incidents in the three major grids.

Red and yellow power alerts have been raised in the Luzon power grid multiple times in April. Red alert means the power supply in power grids is insufficient, which lead to rotational brownouts or manual load dropping in places covered by the respective grids.

Demand and Forecast

Increase in energy demand is expected from the distinct growth in the industrial, commercial, and domestic sectors of the country. In addition, electrification continues—households in areas such as parts of Mindanao and Mindoro, which are not fully grid-connected, are likely to gain better access to electricity supply in the coming years with the target to reach 100% electrification across the Philippines by 2022.

Peak electricity demand is predicted to grow annually by 4.78% from 2016 to 2040 for Luzon, 6.85% annually for Visayas, and 7.54% for Mindanao, according to DOE.

With the additional 237MW on 2017—comprising of 63% coal, 33% solar, and 4% oil-based sources, the energy department is expecting that enough power reserves will meet the demand. In addition, 19,934 MW of capacity is still under development with committed and "indicative" projects until 2025.

Solutions

To solve the country's energy security woes, DOE initiated the issuance of policies for resiliency, conducted of performance assessment and technical audit for all energy facilities, and reactivated the Inter-Agency Task Force on Securing Energy Facilities, among others.

Recently, DOE also employed a technology-neutral stance in building the country's capacity, while frameworks and laws are being laid down to push for other energy sources such as the nuclear energy program, liquefied natural gas (LNG) importation and reviving the oil and gas exploration industry. These explorations by the government on the country's possible untapped potentials are aimed to ensure affordable, adequate, and reliable power supply while sustaining economic growth.

Both the DOE and power players are formulating strategies to demonstrate commitment to protect consumers from the effect of red alerts. DOE also said that it would review "replacement power and outage allowance provisions" in bilateral Power Supply Agreements between generation companies and distribution utilities.

While the power industry players' actions include the management of plant maintenance schedules, the optimization of existing hydroelectric power plants, the upgrading of the electricity facilities, the preparation of available generator sets for unforeseen outages, the increased participation of big establishments in the Interruptible Load Program, as well as the continued call for an energy efficiency lifestyle for electricity end-users.

Coal Power Generation

Coal consumption in the Philippines is relatively high as the energy sector is highly reliant on coal-fired power plants. Coal power plants generated 46.8 million MWh in 2017, making up half of the country's power generation mix.

According to forecasts, 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.

In conclusion, energy remains a crucial element in economic growth and development of any country. According to the National Economic and Development Authority (NEDA), the potential of the Philippines of reaching high-income status by 2040 provided the economy grows consistently by 7.0 percent annually.

Meanwhile, 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, and still showing great probability of improvement in the energy industry. Strong coordination among energy stakeholders, coupled with the additional power generation capacities, are paving way in responding to the challenges of the industry.

Sources: DOE, NGCP, ADB, NEDA, Philippine Star

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 were already submitted to the Department of Environment and Natural Resources (DENR).

The power plant takes pride with the capability of its CFBC Technology and the sound environmental measures being practiced in the power plant as it maintained its excellent emission performance vis-a-vis the 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 (SOCOTECO II) and 5-megawatt supply with Agusan del Sur Electric Cooperative (ASELCO) 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 is also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. (PBI) which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations in March 2018, and was recently inaugurated on March 26, 2019.

Hydro Power Project:

Hydro Link Projects Corporation (HLPC) - 100% owned by ABCI

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.

Bulk Water Project

AB Bulk Water Company, Inc. (ABWCI) - 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.

East West Railway Project:

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 under the unsolicited track of the BOT Law and its IRR.

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 provide the most efficient and appropriate solution/system to address the large volume of commuters 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).

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 2018 picked up by 5.2% which was above the government's target range of 2%-4% and way higher than the 2.9% of 2017 and 1.3% of 2016 (using the 2012-base price). The 2018 rate was also the highest since 2008's 8.2 percent year-on-year increase in prices, making it a 10-year high, Philippine Statistics Authority (PSA) data showed. Compared to 2017 average rates, the annual average hikes in 2018 were higher in the indices of all the commodity groups, except for clothing and footwear, communication, and education. The annual average inflation in 2018 for clothing and footwear, and communication were the same as their respective 2017 annual average inflation rates of 2.4 percent and 0.3 percent while that for education dropped by 0.8 percent from 2.5 percent in 2017. In September and October 2018, the inflation rate hit 6.7 percent, an over nine-year high, such that the government immediately addressed food supply bottlenecks, especially of rice, as these had elevated prices. Prices of consumer goods also increased last year due to the higher or new excise taxes slapped on consumption under the Tax Reform for Acceleration and Inclusion (TRAIN) law, as well as skyrocketing global oil prices.

With government's thrust on "Build Build Build" Program, it continues to exert all efforts to bring inflation within the government's target range of 2 to 4 percent and ensure price stability all year round. The rate of price increases has to be manageable to give the country adequate elbow room to sustain its economic growth and reach its development goals. While faster inflation will affect many disadvantaged sectors, the government has to take swift and decisive measures to tame inflation. Given the signs of easing price pressures, the government needs to continually vigilant of possible risks.

For this year 2019, with the expected signing into law of the Rice Tariffication Bill, rice prices are expected to decline by as much as Php 7.00 per kilo. The government recognizes, however, that this favorable effect can only be sustained if there are more players in the rice market, starting from production and financing to post-harvest and trading. Ensuring sufficient supply of rice and other major agricultural products from local sources likewise remains crucial over the near term with the looming El Niño phenomenon in 2019. Short-maturing, high-yielding and resilient varieties of crops should be utilized, alongside efficient water management systems. Over the medium to long-term, reassessing the vulnerability and suitability of farm areas should also be prioritized to bring forth adaptive farming activities.

The government's economic team is aggressively pushing for the full operationalization of the National Single Window. At the same time, the government pledges to step up its anti-smuggling measures, aiming that only duly-taxed imports enter the country. The Philippine Competition Commission needs also to be vigilant in curbing anti-competitive behavior, particularly in the rice market. In the fisheries sector, the government is strengthening its crackdown against illegal fishing to avoid fishing grounds to be reportedly overfished. This effort must be accompanied by sustainable costal resource management to help increase fish production.

The falling prices of international crude oil will continue to benefit the country resulting in as series of oil price rollbacks. The Department of Energy is also closely monitoring domestic pump prices to ensure that the new excise tax on oil is not yet reflected in the prices at the start of the year, as old fuel inventories are not yet subjected to the tax increase.

Government agencies as well are asked to fast-track the implementation of the mitigating measures scheduled this year to fast under the Tax Reform for Acceleration and Inclusion law, particularly unconditional cash transfer and fuel vouchers. This could fend off possible second-round effects which may arise from further demand for wage and fare increases. Other private group has raised concern about the government's insistence on the implementation of additional fuel excise taxes under the second tranche of the TRAIN law which will only add inflationary pressure. It has said that government should not be too quick to take credit for the lower year-end inflation adding that the biggest factor easing inflation is rather the falling global oil prices. The private group added that the citizens will continue to be burdened by high prices of basic commodities if the government does not take genuine measures to curb inflation and arrest a faltering economy.

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. 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.

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

In 2018, the Philippine Statistics Authority said that the 2018 Gross Domestic Product grew to a full-year average of 6.2%, short of the government's downgraded 6.5-6.9 percent target range. The said GDP growth was the slowest in three (3) years since the 6.1 percent posted in 2015. The GDP in 2016 was 6.7 percent and went down at 6.7 percent in 2017. Among the three major industries, the biggest contributor to GDP growth was services, accounting for 3.8 percentage points. Industry followed with 2.3 percentage points while agriculture had the smallest share of 0.1 percentage point.

The Socioeconomic Planning Office explained that elevated inflation, especially in the second half of the year of 2018, tempered consumer, government and investment spending. It recognized that high inflation rate always reduces economic growth. Headline inflation or the rate of increase in prices of basic commodities hit a 10-year high of 5.2 percent in 2018 due to new or higher excise taxes slapped on consumption, skyrocketing global oil prices as well as food supply bottleneck, especially rice. It added had the inflation settled within the government's 2-4 percent target range in 2018, GDP growth would have reached the lower end of the goal or about 6.5%. The agriculture sector's failure to post faster expansion contributed as well by high food prices slowed the economic growth. Monetary tightening in some countries including the US and the trade war between China and the US are among the factors that affected the domestic economy.

Despite below-target growth, the economy remained stable and had a steady performance as it posted the seven straight year of above 6-percent expansion which cements the country's standing as one of the fastest-growing economies in Asia, nest to India, Vietnam and China.

The implementation of the "Build, Build, Build" infrastructure program and the focus on improving the performance of services exports would boost economic growth in 2019 targeting to hit 7 to 8%. With the government's political will, it has been able to institute policy reforms like liberalizing some areas from farm restriction. The government will also be implementing soon the ease of doing business, anti-red tape, rice tarrification and the national ID system.

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 needs 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.

Material Event/s and Uncertainties:

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

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

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

SIGNATURES:

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

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

ROBERTINO E. PIZARRO
President & Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

Date: May 20, 2019

EXHIBIT I

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

	Notes	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Current Assets			
Cash	4	**108,735,211**	75,730,032
Current portion of accounts Receivable	5	**300,450,257**	383,394,767
Real estate held for sale	6	**1,619,811,009**	1,664,578,771
Inventories	7	**86,700,795**	79,564,205
Prepayments and other current assets	7	**279,889,513**	228,099,874
Equity instruments at FVPL	8	**246,217,321**	233,170.738
Advances to a related party		**18,306,824**	86,896,516
Total Current Assets		**2,660,110,930**	2,751,434,903
Noncurrent Assets			
Non portion of accounts Receivable	5	**266,972,071**	180,140,939
Equity Instruments at FVOCI	8	**114,813,436**	168,647,685
Investment in associates	9	**1,330,582,196**	1,232,298,149
Investment properties – net	10	**103,513,635**	115,269,635
Property and equipment – net	11	**899,944,498**	892,143,269
Deferred tax assets	18	**17,408,480**	12,532,479
Other noncurrent assets		**89,289,927**	113,759,222
Total Noncurrent Assets		**2,822,524,243**	2,714,791,378
		5,482,635,173	5,466,226,281
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12	**506,113,690**	532,694,397
Short-term debt	15	**314,628,000**	687,048,719
Current portion of long-term debt	15	**340,364,688**	325,725,830
Deposit from customers		**71,071,323**	68,365,034
Total Current Liabilities		**1,232,177,701**	1,613,833,980

(Forward)

(Carryforward)

	Notes	**March 31, 2019 (Unaudited)**	December 31, 2018 (Audited)
Noncurrent Liabilities			
Long-term debt – net of current portion	15	**529,659,002**	272,121,907
Retirement liability		**27,160,709**	33,721,642
Deferred tax liabilities	18	**76,046,365**	57,832,894
Total Noncurrent Liabilities		**632,866,076**	363,676,443
Total Liabilities		**1,865,043,777**	1,977,510,423
Equity	16		
Equity attributable to equity holders of Parent Company			
Share capital		**2,477,668,925**	2,477,668,925
Additional paid-in capital		**637,968,859**	637,968,859
Retained earnings		**829,363,487**	648,147,097
Net cumulative unrealized (loss) gain on fair value of available-for-sale investments (EIFVOCI)		**(321,178,676)**	(265,423,108)
Other components of equity		**(9,744,846)**	(13,141,094)
		3,614,077,749	3,485,220,679
Non-controlling interests		**3,513,647**	3,495,179
Total Equity		**3,617,591,396**	3,488,715,858
		5,482,635,173	5,466,226,281
		-	

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See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Philippine Pesos)

	Notes	Three months ended March 31 **2019 (Unaudited)**	2018 **(Unaudited)**
REVENUES			
Sales		**329,707,192**	203,899,975
Financial income	20	**1,357,436**	1,202,496
Rental income	10, 19	**-**	283,862
Equity in net income of an associate	9	**94,418,521**	41,166,413
Gain on sale of shares	8		24,671,270
Dividend Income		**-**	-
Others	22	**509,160**	32,413,665
		425,992,309	303,637,681
COST AND EXPENSES			
Cost of sales and services		**125,562,317**	119,923,197
General and administrative	17	**47,996,219**	48,252,203
Finance costs		**23,445,651**	20,085,893
Marketing	17	**10,424,982**	11,405,957
Equity in net loss of an associate	9	**-**	-
		207,429,170	199,667,250
INCOME BEFORE INCOME TAX		**218,563,139**	103,970,431
INCOME TAX EXPENSE (BENEFIT)	18		
Current		**37,360,009**	9,033,938
Deferred		**(13,260)**	(2,579,960)
		37,346,749	6,453,978
NET INCOME		**181,216,390**	97,516,453
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**181,219,184**	97,518,150
Non-controlling interests		**(2,794)**	(1,697)
		181,216,390	97,516,453
		-	
BASIC AND DILUTED EARNINGS PER SHARE	16		
Attributable to:			
Equity holders of the Parent Company		**0.07314**	0.03936

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Pesos)

		Three months ended March 31	
	Note	**2019 (Unaudited)**	2018 (Unaudited)
NET INCOME		**₱ 181,216,390**	₱97,516,454
OTHER COMPREHENSIVE INCOME			
Unrealized gain on available-for-sale investments	8	**(55,755,568)**	28,620,697
COMPREHENSIVE NET INCOME (LOSS)		**₱125,460,822**	₱126,137,151
Attributable to:			
Equity holders of the Parent Company		**₱125,458,028**	₱126,138,847
Non-controlling interests		**(2,794)**	(1,697)
		₱ 125,460,822	₱126,137,151

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Philippine Pesos)

	Notes	**As of 03/31/2019 (Unaudited)**	As of 03/31/2018 (Unaudited)	As of 12/31/2018 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				
CAPITAL STOCK - ₱1 par value	16			
Authorized – 3,300,000,000 shares in 2019 and 2018				
Subscribed – 2,477,668,925 in 2019 and 2018				
Balance at beginning of year		**₱ 2,477,668,925**	₱2,477,668,925	₱2,477,668,925
Issuances during the year		–	–	–
Balance at end of year		**2,477,668,925**	2,477,668,925	2,477,668,925
ADDITIONAL PAID-IN CAPITAL	16			
Balance at beginning and end of year		**637,968,859**	637,968,859	637,968,859
Additions during the year		–	–	–
Balance at end of year		**637,968,859**	637,968,859	637,968,859
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		**648,147,097**	259,592,539	359,372,500
Net profit (loss) during the year		**181,216,390**	97,518,150	288,774,597
Reclassifications		-	–	–
Balance at end of year		**829,363,487**	357,110,689	648,147,097
NET CUMULATIVE UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS (EIFVOCI)				
Balance at beginning of year		**(265,423,108)**	(189,358,490)	(294,323,108)
Net change in unrealized gain (loss) during the year	8	**(55,755,568)**	28,620,697	–
Realized gain on sale of AFS		–	(24,671,270)	28,900,000
Balance at end of year		**(321,178,676)**	(185,409,063)	(265,423,108)

(Forward)

(Carryforward)

	Note	**As of 03/31/2019 (Unaudited)**	As of 03/31/2018 (Unaudited)	As of 12/31/2018 (Audited)
OTHER COMPONENTS OF EQUITY				
Balance at beginning of year		**(₱13,141,094)**	(₱14,842,912)	(₱11,362,702)
Other comprehensive income		**3,396,248**	5,412,921	(1,778,392)
Balance at end of year		**(₱9,744,846)**	(₱9,429,991)	(13,141,094)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		**3,614,077,749**	3,277,909,419	3,485,219,665
NON-CONTROLLING INTERESTS				
Balance at beginning of year		**3,495,179**	3,513,671	3,513,671
Increase (decrease) during the year		**18,468**	(1,701)	(18,492)
Balance at end of year		**3,513,647**	3,511,970	3,495,179
		₱3,617,591,396	₱3,281,421,388	₱3,488,715,858

See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Philippine Pesos)

	Note	Three months ended March 31 **2019 (Unaudited)**	2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and non-controlling interest		**218,563,139**	103,970,431
Adjustments for:			
Gain on sale of available for sale investment	8		(24,671,270)
Equity in net profit of an associate	9	**(94,418,521)**	(41,166,413)
Finance costs		**23,445,651**	20,085,893
Depreciation and amortization		**4,768,177**	4,651,362
Financial income	20	**(1,357,436)**	(1,202,496)
Cumulative foreign translation			(1,493,312)
Amortization of leasehold rights		**33,932**	309,422
Operating income before working capital changes		**151,034,943**	60,483,617
Decrease (increase) in:			
Accounts receivable	5	**(3,886,622)**	34,043,923
Inventories	7	**(7,136,590)**	7,872,493
Prepayments and other current assets	7	**51,789,639**	25,647,244
Real estate held for sale	6	**(44,767,762)**	19,309,354
Increase (decrease) in:			
Accounts payable and accrued expenses	12	**(95,464,734)**	(81,868,683)
Deposit from customers		**2,706,289**	(24,758,650)
Cash provided by operations		**54,275,162**	40,729,298
Interest received		**3,358**	1,202,496
Income tax paid			(8,912,648)
Net cash provided by operating activities		**54,278,520**	33,019,146

(Forward)

(Carryforward)

	Note	2018	2018
		Three months ended March 31	
		(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Available-for-sale investments	8		62,053,270
Additions (deductions) to:			
Property and equipment	11	**(3,069,727)**	(8,551,365)
Refundable deposits			(9,359,821)
Land and improvements			(17,287)
Payments received from a related party	14	**(18,203,614)**	23,830,452
Net cash provided by (used in) investing activities		**(21,273,341)**	67,955,249
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt	15	**272,175,953**	(100,147,071)
Short-term debt	15		(8,000,000)
Proceeds from:			30,000,000
Short-term debt	15	**(372,420,719)**	
Long-term debt	15		7,645,298
Finance costs paid	15	**(23,445,651)**	(19,504,143)
Net cash used in financing activities		**(123,690,417)**	(90,005,916)
NET INCREASE IN CASH		**33,005,179**	10,968,479
CASH AT BEGINNING OF YEAR		**75,730,032**	93,812,552
CASH AT END OF PERIOD/YEAR	4	**108,735,211**	104,781,031

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

1. **Corporate Information**

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

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

Name of Subsidiary	Principal Activity
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing, trading of goods on wholesale and retail basis 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
Blaze Capital Limited (BCL)*	Investing in infrastructure projects including but not limited to mass transport

**Has not yet started commercial operations as at March 31, 2019*

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 at 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 at 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, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 were authorized for issue by the Board of Directors on April 12, 2019.

2. **Basis of Preparation**

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

Basis of Adoption and Presentation

In 2015 and prior years, the Group accounted and presented the bearer plants as biological assets. In 2016, the Group adopted the amendments to *PAS 16, "Property and Equipment" and PAS 41, "Agriculture": Bearer Plants* which clarify that biological assets that meet the definition of bearer plants will be accounted for in the same way as property, plant and equipment.

Accordingly, in 2016, the Group restated the opening of the Consolidated Statement of financial position at the earliest period (January 1, 2015) to reflect the reclassification of bearer plants from biological assets to property and equipment (see Note 13).

Consolidated financial statements presented below:

		December 31, 2015		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of financial position:				
Property and equipment – net	13	₱472,579,972	₱403,666,418	₱876,246,390
Biological asset – net		403,666,418	(403,666,418)	–

		January 1, 2015		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of financial position:				
Property and equipment – net	13	₱442,085,994	₱334,531,067	₱776,617,011
Biological asset – net		334,531,067	(334,531,067)	–

		For the year ended December 31, 2015		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of cash flows				
Additions to:				
Property and equipment	13	(₱89,329,146)	(₱69,135,351)	(₱158,464,497)
Biological assets		(69,135,351)	69,135,351	–

		For the year ended December 31, 2014		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of cash flows				
Additions to:				
Property and equipment	13	(₱96,934,934)	(₱32,994,138)	(₱129,929,072)
Biological assets		(32,994,138)	32,994,138	–

The above restatement has no impact on the Consolidated Statements of income, Consolidated Statements of comprehensive income, and Consolidated Statements of changes in equity in 2019 and 2018.

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

Principles of Consolidation
The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as at 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	**2019**	2018
ABERDI	Manufacturing and trading/Service/Agriculture	**100**	100
BAC*	Agriculture	**100**	100
NC	Agriculture	**100**	100
SHDI, *Formerly AC**	Real estate	**100**	100
ABBWCI*	Water service	**100**	100
MCPI*	Power plant operations	**49**	49
PTCHC	Holdings	**100**	100
HLPC*	Power plant operations	**100**	100
BCL*	Infrastructure	**100**	–

**Has not yet started commercial operations as of March 31, 2019.*

All of the above subsidiaries 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 at 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 at March 31, 2019 and December 31, 2018.

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 at 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 at 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 at March 31, 2019, 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 at and for each years ended March 31, 2019 & December 31, 2018 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 at 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 at 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 at 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 at 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 at March 31, 2019 and December 31, 2018.

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 as 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 are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

The nature and impact of each new standards and amendment are described below:

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The Group does not have any share-based transactions. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*

  The Group has adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

  - Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
  - The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
  - The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening Retained Earnings or other component of equity, as appropriate.
  - As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

  Classification and measurement

  Except for certain receivables, under PFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

  Under PFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

  The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018 (see Notes 4, 5, 8, 11 and 17):

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	FVPL	Amortized cost	FVOCI
Loans and receivables:				
Cash	₱93,812,552	₱–	₱93,812,552	₱–
Receivables	419,330,841	–	419,330,841	–
Advances to a related party	163,156,701	–	163,156,701	–
Refundable deposits	4,171,690	–	4,171,690	–
AFS Investments	457,014,387	329,154,369	–	127,860,018
	₱1,137,486,171	₱329,154,369	₱680,471,784	₱127,860,018

The adoption of PFRS 9 affected the Group's classification and subsequent measurement of its quoted and unquoted equity securities previously classified as AFS investments. In compliance with PFRS 9, unrealized and realized fair value re-measurements from EIFVPL will be recognized in the profit or loss, the unrealized and realized fair value re-measurements from EIFVOCI will be recognized in other comprehensive income (OCI). The adoption of PFRS 9 affected the Group's retained earnings by ₱115.21 million, AFS investments by ₱457.01 million and OCI by ₱106.13 as of January 1, 2018.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 9. The first column shows what the amounts would have been had PFRS 15 not been adopted and the third column shows amounts prepared under PFRS 15:

Consolidated statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
AFS investments	₱401,818,423	(₱401,818,423)	₱–
EIFVPL	–	233,170,738	233,170,738
EIFVOCI	–	168,647,685	168,647,685
OCI	(189,358,400)	(75,444,937)	(264,803,337)
Retained earnings	521,834,796	125,692,620	647,527,416

Consolidated statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
Realized gain on sale of EIFVPL	₱–	₱50,039,440	₱50,039,440
Unrealized fair value loss on EIFVPL	–	(23,267,631)	(23,267,631)
OCI	–	28,900,000	28,900,000

Consolidated statement of cash flows

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
Net cash from operating activities	₱10,453,460	₱122,755,440	₱133,208,900
Net cash from investing activities	197,026,065	(122,755,440)	74,270,625

There are no changes in classification and measurement for the Group's financial liabilities.

Impairment of Financial Instruments
Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except receivables and those

measured at FVTPL are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The adoption of the ECL requirements of PFRS 9 did not result in an adjustment to the impairment allowances of the Group's debt financial assets.

- 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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. Subsequently on October 25, 2018, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 (the Memorandum) which provides relief to the real estate industry by deferring the application of the following provisions of the PIC Q&A No. 2018-12 (Q&A) for a period of three years until December 31, 2020:

  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.
  d. Accounting for Cancellation of Real Estate Sales in PIC Q&A No. 2018-14.

  Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: *PFRS 15 - Accounting for Cancellation of Real Estate Sales* was also deferred until December 31, 2020.

  The Memorandum also provided the mandatory disclosure requirements should the real estate company decided to avail of any relief. Disclosures should include:

  - The accounting policies applied.
  - Discussion of the deferral of the subject implementation issues in the PIC Q&A
  - Qualitative discussion of the impact to the financial statements had the concerned application guideline in the PIC Q&A has been adopted.
  - Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

This deferral will only be applicable for real estate sales transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (CTS) would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate (EIR) method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group elected to apply the modified retrospective method to all contracts at the date of initial application which is January 1, 2018.

Under the modified retrospective method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to those contracts not completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The adoption of PFRS 15 affected the Group's recognition of revenue and cost of real estate sales. In compliance with PFRS 15, costs that relate to satisfied (or partially satisfied) performance obligations should be expensed as incurred. These costs are allocated to the saleable units, with the portion allocable to the sold units being recognized as costs of sales while the portion allocable to the unsold units being recognized as part of real estate inventories. In compliance with PFRS 15, revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The pattern of recognition is made overtime. The adoption of PFRS 15 affected the Group's retained earnings by ₱17.07 million, receivables by ₱47.79, inventories by ₱23.55 million and deferred tax liabilities by ₱7.17 million as of January 1, 2018.

Presentation and disclosure requirements
As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the Group's adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on the Group's consolidated statement of cash flows for 2018. The first column shows what the amounts would have been had PFRS 15 not been adopted and the third column shows amounts prepared under PFRS 15:

Consolidated statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
ICR	₱353,224,669	(₱310,834,348)	₱42,390,321
Contract assets	–	310,834,348	310,834,348
Customer's deposits	68,365,034	(68,365,034)	–
Contract liabilities	–	68,365,034	68,365,034
Real estate held for sale	1,691,699,107	(27,120,336)	1,664,578,771
Deferred tax liability - net	65,963,306	(8,130,412)	57,832,894
Retained earnings	666,512,404	(18,984,988)	647,527,416

Consolidated statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
Cost of real estate sales	₱289,969,511	₱3,696,350	₱293,665,861
Provision for tax	61,182,526	(1,108,905)	60,073,621
Net income	291,543,019	(2,547,445)	288,995,574

- The Group has determined that there is only one performance obligation in the contract to sell. The Group has determined that each of its contracts to sell covering subdivision land and residential house units has a single performance obligation together with the services to transfer the title of real estate property upon full payment of the buyer. Input method was used for the measure of progress. Before the adoption of PFRS 15 obligations, the previous basis of measurement of progress was input method for serviced land and output method for land improvements. In addition, revenue from the service for title transfer was recognized as revenue at a point in time when the transfer of the title happened.

- PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*
  On March 14, 2018 the PIC issued PIC Q&A 2018-11 which provides guidance on the correct classification of land owned by a real estate developer in accordance with PAS 2, *Inventories*, PAS 40, *Investment Property or* PAS 16, *Property Plant and Equipment*.

  The Group adopted PIC Q&A 2018-11 and complied with the classification requirement of its land in accordance with the interpretation in the Group's consolidated financial statements and correspondingly, the Group reclassified its land held and improvements amounting to ₱648.75 million to real estate held for sale as of December 31, 2017.

  The following are the restatements of the prior years consolidated financial statements resulting from the adoption of new accounting standards:

Consolidated statement of financial position

	As of December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Land held for future development	₱648,752,617	₱–	₱648,752,617
PIC Q&A 2018-11	–	(648,752,617)	(648,752,617)
Total	₱648,752,617	(₱648,752,617)	₱–
Real estate held for sale	₱767,147,504	₱–	₱767,147,504
PIC Q&A 2018-11	–	648,752,617	648,752,617
Total	₱–	₱–	₱1,415,900,121

Consolidated statement of cash flows

	For the year ended December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows used in operating activities	(₱27,230,389)	₱–	(₱27,230,389)
PIC Q&A 2018-11	–	(157,673)	(157,673)
Total	(₱27,230,389)	(₱157,673)	(₱27,388,062)

	For the year ended December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows from investing activities	₱284,245,605	₱–	₱284,245,605
PIC Q&A 2018-11	–	157,673	157,673
Total	₱284,245,605	(157,673)	₱284,403,278

Consolidated statement of cash flows

	For the year ended December 31, 2016		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows from operating activities	₱210,589,521	₱–	₱210,589,521
PIC Q&A 2018-11	–	(7,380,386)	(7,380,386)
Total	₱210,589,521	(₱7,380,386)	₱203,209,135
Cash flows from investing activities	₱45,125,540	₱–	₱45,125,540
PIC Q&A 2018-11	–	7,380,386	7,380,386
Total	₱45,125,540	₱–	₱52,505,926

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  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. Retrospective application is required.

  The amendment has no impact to the Group's consolidated financial statements since entities within the Group are not venture capital organization or alike.

- 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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  The Group is currently assessing the impact of adopting the above amendments.

- 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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  The interpretation does not have a significant effect on the Group's consolidated financial statements.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.
  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting the amendments

Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
Whether an entity considers uncertain tax treatments separately
The assumptions an entity makes about the examination of tax treatments by taxation authorities
How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
How an entity considers changes in facts and circumstances
An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.
The Group is currently assessing the impact of adopting the amendments.

Annual Improvements to PFRSs 2015-2017 Cycle
Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation
Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

Effective beginning on or after January 1, 2020

Amendments to PFRS 3, *Definition of a Business*

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies,*

Changes in Accounting Estimates and Errors, *Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

PFRS 17, *Insurance Contracts*

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments do not have any impact on the Group's consolidated financial statements.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

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 cash equivalent unless 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;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Cash
Cash includes cash on hand and in banks.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition
Financial instruments 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 initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivable. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As of December 31, 2018, the Group's financial instruments are of the nature of loans and receivables, AFS investments and other financial liabilities.

"Day 1" difference
Where the transaction price in a non-active market is different than the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL. This accounting policy pertains to the Group's "Cash", "Receivables", "Refundable deposits" and "Advances to a related party".

After initial measurement, loans and receivables are measured at amortized cost using the EIR, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in profit or loss.

AFS investments
AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported under "Net change in fair value of AFS investments" account in other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is recognized in statement of comprehensive income.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's "Accounts and other payables" (except statutory payables), "Short-term debt" and "Long-term debt".

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is

measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of counterparty, credit history, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on historical loss experience is based and to remove the effects of conditions in the historical period that do not which the exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Financial Instruments - Initial Recognition, Subsequent Measurement and Reclassification (upon adoption of PFRS 9)
Initial recognition
The Group classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets designated at fair value through OCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured using the EIR method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Group's "Cash", "Receivables" and "Advances to a related party".

Financial assets at FVOCI
Debt instruments. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

Equity instruments. The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its unquoted equity investments under this category.

As of March 31, 2019, the Group does not have debt instruments at FVOCI.

Financial assets at FVPL
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for

debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

This accounting policy applies to the Group's quoted equity instruments.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

This accounting policy applies to the Group's quoted equity instruments.

Reclassifications of Financial Instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

The Group applies a simplified approach in calculating ECLs for "Receivables". Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For leasing receivables, the Group has established a provision matrix that is based on its historical credit loss experience. For ICR, the Group uses a vintage analysis that is based on its historical credit loss experience. Both are further adjusted for forward-looking factors specific to the debtors and the economic environment.

For all debt financial assets other than receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

The Group's "Cash " and "Advances from related party" are graded to be low credit risk investment based on the credit ratings of depository banks and related parties as published by Bloomberg Terminal.

Write-off of financial assets
The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- 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
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities
A financial liability is derecognized when the obligation under the financial liability is discharged or cancelled or has expired.

Real Estate Held for Sale
Real estate held for sale are initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. 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.

Borrowing Cost
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes real estate held for sale and property, plant 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. 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.

Deposits for Land Acquisition
This represents deposits made to land owners for the purchase of certain parcels of land which are intended to be held for sale in the future. The Group normally makes deposits before a CTS (contract to sell) is executed between the Group and the land owner. These are recognized at cost.

Inventories
Inventories pertain to ABERDI agricultural produce and 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.

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 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.

Agricultural produce
The Group's growing produce (e.g. fresh fruit bunches, under inventories) are measured at their fair value from the time of maturity of the bearer plant until harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

Investments 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. 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. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation for depreciable investment properties is computed on a straight-line method over estimated useful lives ranging from 10 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 property, plant and equipment; (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 property, plant and equipment 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 at the date of transfer.

Property, Plant and Equipment

Property, plant and equipment are carried at acquisition cost or construction cost less accumulated depreciation and amortization, and impairment in value, if any. The initial cost of property, plant, and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to expense as incurred. In situation 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in statements of comprehensive income for the period.

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 and bearer plants, which are depreciated using units-of-production method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	2 - 25
Building and improvements	10 - 20
Leasehold improvements	2 - 5
Machineries and equipment	2 - 10
Other equipment	1 - 10

The useful life and depreciation method are reviewed periodically to ensure the period and method of depreciation is consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. 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 comprehensive 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.

Bearer Plants
Bearer plants are measured at cost less accumulated depreciation recognized at the point of harvest. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs.

Units-of-production method is used for depreciating the bearer plants. Depreciation is charged according to the cost of fruits harvested.

Prepayments
Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statements of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable and is included as part of the "Accounts and other payables" account in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset and is included as part of the "Prepayments and other current assets" account in the consolidated statement of financial position to the extent of the recoverable amount.

Deferred Input VAT
Deferred input VAT represents portion of input VAT incurred and paid in connection with purchase of capital assets in excess of ₱1.00 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, whichever is shorter. Deferred Input VAT is stated at its realizable value.

Creditable Withholding Tax (CWT)
CWTs, which are included under "Prepayments and other current assets" account in the consolidated statements of financial position, 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.

Impairment of Nonfinancial Assets
The carrying values of nonfinancial assets such as prepayments and other current assets, investments in associates, investment properties, property plant, and equipment 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 the 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.

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 may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated and the allowance for impairment is accordingly reversed or reduced as applicable.

Equity
Capital stock and additional paid-in capital
The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par value of the equity share.

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

Retained earnings (deficit)
Retained earnings (deficit) include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any.

Revenue Recognition (Upon adoption of PFRS 15)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales
The Group derives its real estate revenue from sale of lots and house and lot units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using physical proportion of work done. This is based on the monthly project accomplishment report prepared by the project engineers which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as "Contract assets".

Any excess of collections over the total of recognized ICR and contract assets are recognized as "Contract liabilities".

Cost of real estate sales and Cost to obtain contract

Cost of real estate sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold units being recognized as cost of sales while the portion allocable to the unsold units being recognized as part of real estate inventories.

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.

Cost to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as "Prepaid commission" under Prepayments and other current assets if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "General, administrative expenses and selling expenses" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining a contract with customer are not capitalized but are expensed as incurred.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Contract Balances

ICR

An ICR represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract assets is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liabilities is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liabilities is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Revenue Recognition (prior to adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal on its real estate sales transactions. The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the POC method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. 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.

Any revenue in excess of collections that are unconditional are recognized as "Installment contracts receivable (ICR)".

Any excess of collections over the recognized receivables and any deposits from customers not meeting the revenue recognition criteria are classified as "Deposits from customers" in the consolidated statements of financial position.

Cost Recognition (prior to adoption of PFRS 15)
Cost of real estate sales is recognized consistent with the revenue recognition method applied of land and housing units sold before the completion of the development is determined on the acquisition cost of the land plus its full development costs, which include estimatedfuture development works, as determined by the Group's engineers.

Cost and Expense Recognition (prior to and upon adoption of PFRS 15)
Costs of goods sold 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.

Revenue Recognition (prior to and upon adoption of PFRS 15)
Sale of agricultural goods
Revenue is recognized when the goods are delivered to the customer.

Income from forfeited deposits
Income from forfeited collections recorded under "Other income" is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Interest income
Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Water service income
This is recognized when services are rendered and normally when billed.

Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

General Administrative and Selling Expenses
General administrative expenses constitute costs of administering the business while selling expenses constitutes commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding commission on real estate sales) are recognized as incurred.

Retirement Benefit obligation
Retirement benefit asset or liability, as presented in the consolidated statements of financial position, is the aggregate of the present value of the retirement 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 retirement benefit plan are 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.

Net interest on the net retirement 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 retirement 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 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).

Operating Lease - Group as lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax
Deferred tax is provided using the balance sheet liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions
Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited to or charged against current operations.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the product and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 24 to the consolidated financial statements.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of March 31, 2019 and December 31, 2018, the Group has no potentially dilutive common shares.

Events After the Reporting Date
Post year-end events up to the date of auditor's report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Existence of a contract

The Group's primary document for a contract with a customer is a signed CTS. It has determined, however, that in cases wherein CTS are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Classification of equity instruments as FVPL and FVOCI

Management exercises certain judgments in determining the classification of its equity instruments either at FVPL or FVOCI. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The management has determined that the Group's equity investments that are traded in the stock exchange are classified as at FVPL and the Group's equity investments that are not traded in the stock exchange are classified as at FVOCI.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers a representative range of possible forecast scenarios. This process involves gathering two or more economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The borrower is more than 60 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

- *Qualitative criteria*
  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The borrower is experiencing financial difficulty or is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial assets has disappeared because of financial difficulties
- Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter Bankruptcy or other financial reorganization
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.
An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition on real estate projects

The Group's revenue and cost recognition require management to make use of the POC that may affect the reported amounts of revenues under PAS 18 and PFRS 15 and cost under PAS 18. POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists.

Collectability of the sales price
In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 25% would demonstrate the buyer's commitment to pay. The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱294 million and ₱353.22 million as of March 31, 2019 and December 31, 2018, respectively (see Note 5).

Evaluation of impairment of financial assets under PAS 39
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 as of March 31, 2019 and December 31, 2018 (see Note 5).

Evaluation of impairment of financial assets under PFRS 9
The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for ICRs and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of March 31, 2019 and December 31, 2018, the allowance for impairment losses on receivables of the Group amounted to ₱0.47 million (see Note 5) and the carrying values of the related financial assets are as follows:

	2019	2018
Cash (Note 4)	108,735,211	₱75,730,032
Receivables and contract assets (Note 5)		563,535,706
Advances to a related party (Note 15)	-	86,896,516
Refundable deposits (Note 8)	40,370,735	3,879,053

Estimating NRV of real estate inventories
The Group reviews the NRV of real estate inventories and compares it with the cost. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱1,664.58 million and ₱1,415.90 million as of March 31, 2019 and December 31, 2018, respectively (see Note 6).

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (e.g. property and equipment and investment in associates) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the nonfinancial assets follow:

	2019	2018
Investments in associates (Note 10)	**₱ 1,330,582,196**	₱1,232,298,149
Prepayments and other current assets* (Note 8)	**279,889,513**	228,099,874
Property, plant and equipment (Note 12)	**899,944,498**	892,143,269
Investment properties (Note 11)	**103,513,635**	115,269,635
Other noncurrent assets	**89,289,927**	113,759,222

**Excluding refundable deposits*

The Group recognized an allowance for impairment loss amounting to ₱17.56 million in 2018.

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amonts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income. The carrying values of these assets amounted to ₱17.4 million and ₱10.97 million as of March 31, 2019 ad December 31, 2018, respectively. As of December 31, 2018 and 2017, the Group has unrecognized deferred tax assets amounting to ₱79.85 million and ₱32.82 million, respectively (see Note 18).

Estimating retirement benefit obligation
The determination of the Group's pension liabilities and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in the consolidated financial statements and include among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension liabilities. The Group's retirement obligation amounted to ₱33.72 million and ₱26.81 million as of December 31, 2018 and 2017, respectively (see Note 19).

4. Cash

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Cash on hand	**₱1,254,721**	₱904,738
Cash in banks	**107,480,489**	74,825,294
	₱108,735,211	₱75,730,032

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 ₱99,954 and ₱ ₱100,074 as at March 31, 2019 and December 31, 2018, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of ₱52.50/$1.00 and ₱52.563/$1.00 as at March 31, 2019 and December 31, 2018, 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 at March 31, 2019 and December 31, 2018, total cash in bank set-aside as project deposit account amounted to ₱6 million.

Financial income recognized in the consolidated statements of income on cash in banks amounted to ₱6,888 and ₱13,552 for the quarters ending March 31, 2019 and March 31, 2018 respectively (see Note 20).

5. Accounts Receivable

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Contract assets	**₱159,385,747**	₱310,834,348
Dividend receivable (Note 10)	**80,000,000**	80,000,000
Trade receivables	**12,513,671**	44,950,173
ICR	**134,799,526**	42,390,321
Other receivables	**181,197,764**	85,835,244
	567,896,708	564,010,086
Allowance for credit losses	**-474,380**	-474,380
	567,422,328	563,535,706
Noncurrent portion of contract assets	**266,972,071**	180,140,939
	₱300,450,257	₱383,394,767

Contract receivables on sale of real estate represent amounts due and collectible in monthly installment over a period of 5 to 15 years, and bear interest ranging from less than 10% to 18% in 2019 and 2018.

The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Interest income on contract receivables on sale of real estate amounted to ₱.9 million and ₱1.2 million for the first quarter in 2019 and 2018, respectively (see Note 20).

No contract receivables on sale of real estate are collateralized as of March 31, 2019 and December 31, 2018.

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

Dividend receivables pertain to the cash dividend declarations on November 23, 2018 from PEI, amounting to ₱13.00 million, and on December 14, 2018 from PCPC, amounting to ₱80.00 million. On December 10, 2018, the Group was able to collect the dividend amounting to ₱13.00 million

Trade receivables include receivables from water service and sale of palm olein and its by-products which are noninterest-bearing and are normally collected within seven (7) days.

Other receivables which are interest-free include receivables from various companies for the sale of equity securities and various advances to suppliers and contractors. These receivables are noninterest-bearing and are normally on 30-day terms.

There was no additional provision for doubtful accounts in the first quarter of 2019.

6. Real Estate Held for Sale

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

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Land	**₱ 237,064,655**	₱484,425,012
Development cost and materials	**1,382,746,353**	1,180,153,759
	₱ 1,619,811,008	₱1,664,578,771

Real estate held for sale with carrying value of ₱352.14 million as of March 31, 2019 and December 31, 2018, respectively, are collateralized to the loans obtained from UCPB, AUB, BPI, BPIF, UBP, and DBP (see Note 15).

7. Inventories, Prepayments and Other Current Assets

a. Inventories

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Unaudited)
Crude palm oil	**₱ 10,169,602**	₱9,885,423
Palm Olein	**22,834,004**	20,349,997
Refined bleached deodorized oil	**37,033,746**	34,408,147
Palm Stearin	**9,463,785**	8,323,645
Palm acid oil and fatty acid distillate	**5,921,604**	6,145,660
Supplies and materials	**842,323**	–

Palm kernels	**435,728**	451,333
	₱86, 700,792	₱79,564,205

b. Prepayments and Other Current Assets

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Deposit for land acquisition	**₱98,233,487**	₱98,233,487
Creditable withholding taxes	**89,367,178**	63,786,157
Value-added input taxes	**58,998,875**	22,265,804
Other deposits	**4,415,798**	24,964,445
Prepaid expenses	**17,171,797**	12,106,922
Prepaid commission	**10,125,973**	3,879,053
Advances to officers and employees	**1,576,405**	2,864,006
	₱279,889,513	₱228,099,874

Deposits for land acquisition pertain to installment payments made by the Group to the sellers where sales contracts have yet to be executed. Deposits for land acquisition amounting to 8.52 million were transferred to real estate held for sale when the related sales contracts were executed (see Note 6).

Prepaid expenses include prepaid supplies, insurance and taxes and licenses which are applicable in the future period.

Prepaid commissions pertain to commissions paid to brokers and marketing agents on the sale of real estate projects. These capitalized costs are charged to expense as "Marketing" in the "General, administrative and selling expenses" as the related revenue is recognized.

8. EIFVPL, EIFVOCI and Available-for-Sale Investments

Quoted and unquoted equity securities
The classification of quoted and unquoted equity securities prior to January 1, 2018 are AFS investments. AFS investments amounting to ₱457.01 million was reclassified to investments in EIFVPL and EIFVOCI as at January 1, 2018, following the adoption of PFRS 9.

The Group's EIFVPL consist of marketable equity securities that are traded in the stock exchange and stated at fair value. The fair values have been determined directly by reference to published prices in an active market. Changes in the fair value are recognized in profit and loss.

Fair value of the Group's EIFVOCI is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). Changes in fair value are recognized are recognized directly in equity.

The rollforward analysis of investments in EIFVOCI and EIFVPL follows:

	March 31, 2019		
	FVPL	**FVOCI**	**AFS**
Balances at beginning of year, as restated	**₱ 233,170,738**	**₱168,647,685**	**–**
Disposal			**–**
Fair value adjustment (Note 22)	**13,046,583**	**(53,486,703)**	**–**
Balances as of March 31, 2019	**₱ 246,217,321**	**₱ 114,813,436**	**₱–**

The rollforward analysis of AFS investments follows:

	2018
Balances at beginning of year	₱457,014,387
Cost of sold AFS investment	
Fair value adjustment	
Reclassification	(457,014,387)
Balances at end of year	₱–

The related subscriptions payable on the above investments amounted to ₱0.16 million as of December 31, 2018 and 2017. In 2018, the Group sold its 72,716,000 shares of Apex Mining Corporation (AMC) for ₱122.76 million resulting in a gain amounting to ₱50.04 million. In 2017, the Group sold its 176,236,000 shares and 278,469,784 shares of AMC and Philippine Realty and Holdings Corporation (PRHC) for a total of ₱387.54 million resulting in a gain amounting to ₱65.84 million.

9. **Investment in Associates**

This account consists of the Group's investments in the following companies as of March 31, 2019 and December 31, 2018.

	Percentage of ownership		Amount	
	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)	**As of 03/31/2019 (Unaudited)**	As of 12/31/2018 (Audited)
PCPC	**20.00%**	20.00%	**₱269,233,122**	₱247,218,353
PEI	**20.00%**	20.00%	**1,003,603,245**	931,199,493
EWRTC	**33.33%**	33.33%	**57,745,829**	53,880,303
			₱1,330,582,196	₱1,232,298,149

The rolllforward analysis of this account follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Acquisition cost	**₱1,109,461,443**	₱1,105,595,917
Additions during the year		–
Dividends	**(93,005,420)**	(93,005,420)
Net acquisition cost	**1,016,456,023**	1,012,590,497
Accumulated equity in net earnings		
Balances at beginning of year	**219,707,652**	(32,385,664)
Share in net income	**94,418,521**	252,093,316
	314,126,173	219,707,652
	₱1,330,582,196	₱1,232,298,149

Investment in PEI

PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region. The Group holds 20% of equity ownership as of March 31, 2019 and December 31, 2018.

The following table sets out the summarized financial information of PEI as of March 31, 2019 and December 31, 2018:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Current assets	**₱782,041,042**	₱787,571,313
Noncurrent assets	**2,378,373,262**	2,420,957,054
Current liabilities	**1,821,288,931**	1,062,002,893
Noncurrent liabilities	**1,266,611,198**	918,512,234
Net sales	**259,707,022**	971,558,117
Net expense	**149,589,349**	599,942,655
Net income	**110,117,673**	371,615,462

Investment in PCPC
PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. In 2015, the SEC approved PCPC's application of the increase in its authorized capital stock which reduced the Group's equity interest to 20%. The Group continues to account its investment in PCPC as investment in associate as it continues to exercise significant influence over PCPC.

The following table sets out the summarized financial information of PCPC as of March 31, 2019 and December 31, 2018:

	As of 03/31/2019 (Unaudited)	**As of 12/31/2018 (Aaudited)**
Total Assets		
Current Assets	**₱3,319,233,063**	₱3,218,106,881
Noncurrent Assets	**10,662,655,175**	11,550,877,633
	₱13,981,888,238	₱14,768,984,514
Total Liabilities		
Current Liabilities	**₱1,501,655,325**	₱1,778,560,628
Noncurrent Liabilities	**7,743,342,259**	8,922,388,784
	₱9,244,997,584	₱10,700,949,412
Total Equity		
Capital stock	**₱4,286,000,000**	₱4,286,000,000
Accumulated losses	**450,890,654**	-217,964,898
	₱4,736,890,654	₱4,068,035,102
Gross revenues for the period/year	**₱4,877,289,779**	₱1,128,814,343
Net income for the period/year	**₱ 183,554,272**	₱385,541,829

Investment in EWRTC
The Group has 33.33% investment in EWRTC through BCL. The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) 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.

The following table sets out the summarized financial information of EWRTC as of March 31, 2019 and December 31, 2018:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Current assets	**₱39,947,875**	₱40,111,635
Noncurrent assets	**18,965**	19,043
Current liabilities	**460,748,940**	462,637,705
Noncurrent liabilities		–

Net sales	–	1,305
Net expense	–	1,365,435
Net income	–	-1,364,130

10. **Investment Properties - Net**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Properties held for capital appreciation – net	**₱ 101,903,571**	₱113,659,572
Properties held under lease	**1,610,064**	1,610,063
	₱103,513,635	₱115,269,635

Investment properties are stated at cost less any impairment. The fair value of the Group's investment properties amounted to ₱398.37 million as of March 31, 2019 and December 31, 2018, respectively. The fair value was determined by Cuervo Appraisers, Inc., an SEC accredited and independent real estate appraiser who inspected the property, investigated local market condition and gave consideration to the extent, character and utility of the property and highest best use of property. The valuation model is in accordance with that recommended by the International Valuation Standards Committee and has been applied in accordance with PFRS 13, Fair Value Measurement. As of March 31, 2019 and December 31, 2018, the fair values are based on observable inputs from similar properties (level 2 inputs).

Land held for capital appreciation are as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Cost:		
Balances at beginning of year	**₱179,823,894**	₱179,823,894
Additions	**–**	–
Transfer to real estate held for sale (Note 6)	**(77,920,323)**	(66,164,322)
Net carrying value	**₱101,903,571**	₱113,659,572

Land held for lease are as follows:

	As of 03/31/2019 & 12/31/2018		
	Land and Improvements	**Building**	**Total**
Cost:			
Balances at beginning and end of year	**₱1,610,063**	**₱7,142,747**	**₱8,752,810**
Accumulated depreciation:			
Balances at beginning of year	**–**	**7,142,747**	**7,142,747**
Additions	**–**	**–**	**-**
Balances at end of year	**–**	**7,142,747**	**7,142,747**
	₱1,610,063	**₱-**	**₱1,610,063**

Rental income generated from land held under lease included in "Other income" amounted to ₱ .91 million in 2018, respectively.

The Group collateralized investment properties with a carrying amount of ₱- and ₱395.9 million as of March 31, 2019 and December 31, 2018 on its long-term debts from AUB (see Note 15).

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 March 31, 2019 and December 31, 2018.

11. **Property and Equipment - Net**

Rollforward analysis of this account is shown below:

As of March 31, 2019 (Unaudited)	**Land**	**Leasehold Improvements**	**Bearer Plants**	**RBD and Fractionation Machineries**	**Building and Improvements**	**Machineries and Equipment**	**Construction in Progress**	**Other Equipment**	**Total**
Cost									
At January 1	**12,967,297**	**91,157,334**	**342,023,686**	**253,042,963**	**56,966,567**	**305,070,381**	**43,011,570**	**144,918,416**	**1,249,158,214**
Additions	**-**	**-**	**-**	**415,179**	**-**	**-**	**-**	**2,617,873.00**	**3,033,051.57**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31	**12,967,297**	**91,157,334**	**342,023,686**	**253,458,142**	**56,966,567**	**305,070,381**	**43,011,570**	**147,536,289**	**1,252,191,266**
Accumulated depreciation									
At January 1	**-**	**7,383,030**	**9,255,959**	**2,671,375**	**47,435,044**	**174,531,388**	**-**	**115,738,149**	**357,014,945**
Depreciation	**-**	**2,427**	**-**	**-**	**406,406**	**-**	**-**	**4,359,345**	**4,768,177**
Disposals	**–**	–	**–**	**–**	**–**	**–**	**–**	**-**	**0**
At December 31	**-**	**7,385,457**	**9,255,959**	**2,671,375**	**47,841,450**	**174,531,388**	**0**	**120,097,494**	**352,246,768**
Allowance for impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**
Net Book Value at March 31, 2019	**12,967,297**	**83,771,877**	**332,767,727**	**250,786,767**	**9,125,117**	**130,538,993**	**43,011,570**	**27,438,795**	**899,944,498**

As of December 31, 2018 (Audited)	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machinery and Equipment	Construction in Progress	Other Assets	Total
Cost									
At January 1	12,967,297	91,157,334	359,583,194	253,042,963	56,966,567	312,972,292	41,555,362	130,821,367	1,259,066,376
Additions	–	–	–	–	–	2,410,715	1,456,208	18,279,018	22,145,941
Disposals	–	–	–	–	–	(10,312,626)	–	(4,181,969)	(14,494,595)
At December 31	12,967,297	91,157,334	359,583,194	253,042,963	56,966,567	305,070,381	43,011,570	144,918,416	1,266,717,722
Accumulated Depreciation									
At January 1	–	2,944,289	8,688,871	2,279,638	45,757,818	176,009,912	–	109,464,908	345,145,436
Depreciation	–	4,438,741	567,088	391,737	1,677,226	8,050,234	–	10,297,230	25,422,256
Disposals	–	–	–	–	–	-9528758	–	-4,023,989	-13,552,747
At December 31	-	7,383,030	9,255,959	2,671,375	47,435,044	174,531,388	-	115,738,149	357,014,945
Allowance for impairment	-	-	17,559,508	-	-	-	-	-	17,559,508
Net book value at December 31	12,967,297	83,774,304	332,767,727	250,371,588	9,531,523	130,538,993	43,011,570	29,180,267	892,143,269

There are no contractual commitments to purchase property and equipment.

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

	Note	**As of 03/31/2019 (Unaudited)**	2018 (Audited)
General and administrative expenses	24	**₱ 3,234,063**	₱16,442,595
Real estate held for sale	6	**510,635**	6,403,558
Inventories	7	**1,023,479**	2,576,103
		₱4,768,177	₱25,422,256

In 2018, management assessed that the carrying amount of bearer plants may not be fully recoverable due to the three-year consecutive operating losses of the Group's agricultural segment. Accordingly, the Group preformed and impairment test review and recognized an allowance for impairment loss on it bearer plants amounting to P=17.56 million in 2018. The recoverable amount is the value in use computed by discounting the future cash flows using a discount rate of 7.07%.

The Group sold property and equipment which resulted to a gain (loss) of ₱2.97 million in 2018. Proceeds from the sale amounted to ₱3.91 million.

12. **Accounts and Other Payables**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Trade accounts payable	**₱364,886,460**	₱405,047,650
Accrued expenses	**44,199,501**	43,638,421
Output VAT	**59,042,862**	32,290,658
Construction bond and retention payable	**17,358,397**	24,100,743
Statutory payables	**4,366,290**	11,748,227
Accrued interest payable	**7,009,310**	9,964,349
Other payables	**9,250,870**	5,904,349
	₱506,113,690	₱532,694,397

Trade accounts payable are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Accrued expenses, which are normally on a 30-day term, pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and settled upon completion and acceptance of the relevant contracts within the year.

13. **Deposit from Contract Liabilities**

Deposits from customers and contract liabilities consist of collections from real estate customers which have not reached the threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC. As of March 31, 2019 and December 31, 2018, contract liabilities amounted to ₱70.67 million and ₱68.37 million, respectively.

14. **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.

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. Short-term debt

The Group has loans from shareholders classified under short-term debt amounting ₱368 million and ₱362 million as of March 31 2019 and December 31, 2018, respectively (Note 15).

b. Advances made to an associate

The Group made has advances to PEI (an associate) amounting to ₱18.3 and ₱86.90 million as of March 31, 2019 and December 31, 2018, respectively.

c. In 2018, the Group entered into an agreement with EWRTC, an associate wherein the Group will manage the business operations and administer the associate's affairs for a fee. Management fees recognized in 2018 amounted to ₱16.00 million (see Note 21).

15. **Loans Payable**

The Group entered into loan agreements with the following banks, Union Bank of the Philippines (UBP), Asia United Bank (AUB), BPI Family Savings Bank (BPIF), Bank of Philippines Island (BPIC), May Bank Philippines (MBI), China Bank Corporation (CBC), Development Bank of the Philippines (DBP), United Coconut Planters Bank (UCPB), Philippine Bank of Communication (PBCOM) and from its shareholders.

Short-term debt consists of:

As of March 31, 2019

Bank	Beginning Balance	Availments	Payments	Reclassification	Outstanding Balance	Interest per annum	Terms
UBP	₱100,000,000	₱90,000,000	-₱90,000,000		₱100,000,000	6.75% to 8.50%	Payable 90 days to 1 year, secured by real estate mortgage
UCPB	50,395,200	10,000,000	-10,395,200		50,000,000	6.00% to 7.50%	
CBC	100,000,000	10,000,000	-10,000,000		100,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
DBP	59,680,000	4,948,000			64,628,000	4.75% to 6.27%	
Shareholders	376,973,519			-376,973,519	-		Due upon demand
	₱687,048,719	₱114,948,000	-₱110,395,200	-₱376,973,519	₱314,628,000		

As of December 31, 2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱90,000,000	₱100,000,000	-₱90,000,000	₱100,000,000	6.75% to 8.50%	Payable 90 days to 1 year, secured by real estate mortgage
UCPB	50,000,000	10,000,000	-9,604,800	50,395,200	6.00% to 7.50%	
CBC	390,000,000	10,000,000	-300,000,000	100,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
DBP	–	59,680,000	–	59,680,000	4.75% to 6.27%	
Shareholders	14,500,000	368,973,519	-6,500,000	376,973,519		Due upon demand
	₱544,500,000	₱548,653,519	-₱406,104,800	₱687,048,719		

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

As of March 31, 2019

Bank	Beginning Balance	Reclassification	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱ 164,387,181			-₱ 35,670,321	₱ 128,716,860	5.56% to 9.10%	Payable in installment from 1 to 4 years; secured by real estate mortgage
AUB	66,219,492			(16,562,333)	49,657,159	5.50%	
BPIC	12,000,000			(4,200,000)	7,800,000	5.23%	
UCPB	180,218,808			(31,970,560)	148,248,248	5.25%	
MBI	-				-	5.50% to 6.38%	
DBP	24,210,860			(2,187,500)	22,023,360	5%	
PBCOM	62,672,218			(5,794,306)	56,877,912	8.00% to 8.5%	
CBC	8,604,624		4,229,754	(477,122)	12,357,256	8.08% to 10%	
BPIF	79,534,554			(7,371,721)	72,162,833	5.50%	
Shareholders		376,973,519		(4,793,456)	372,180,063		
Total	597,847,737	376,973,519		-109,027,320	870,023,691		
Current	325,725,830				340,364,688		
Noncurrent	₱ 272,121,907				₱ 529,659,003		

As of December 31, 2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱ 176,512,949	₱ 100,000,000	-₱112,125,768	₱ 164,387,181	5.56% to 9.10%	Payable in installment from 1 to 4 years; secured by real estate mortgage
AUB	169,968,825	-	(103,749,333)	66,219,492	5.50%	
BPIC	28,800,000	-	(16,800,000)	12,000,000	5.23%	
UCPB	276,835,788	-	(96,616,980)	180,218,808	5.25%	
MBI	13,333,333	-	(13,333,333)	-	5.50% to 6.38%	
DBP	30,773,360	-	(6,562,500)	24,210,860	5%	
PBCOM	86,914,595	-	(24,242,377)	62,672,218	8.00% to 8.5%	
CBC	1,489,801	8,815,298	(1,700,475)	8,604,624	8.08% to 10%	
BPIF	108,070,385	-	(28,535,831)	79,534,554	5.50%	
Total	892,699,036	108,815,298	-403,666,597	597,847,737		
Current	395,541,029	-	-	325,725,830		
Noncurrent	₱ 497,158,007			₱ 272,121,907		

Security and Debt Covenants
The Group's debt covenants require the Group to submit individual financial statements within 120 days from the report date. The Group is not subject to any financial or negative covenants from its short-term and long-term debts. The Group will comply with the covenant by submitting its individual financial statements before the 120-day deadline.

Real estate held for sale with carrying value of ₱352.14 million as of March 31, 2019 and December 31, 2018, respectively, are collateralized to the loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 6). Investment properties with a carrying amount of ₱395.9 million as of March 31, 2019 and December 31, 2018 and 2017 are collateralized to the loans obtained from AUB (see Note 10).

Interest Expense and Other Finance Charges
Interest and other financing charges for the short-term and long-term debts as of March 31, 2019 and December 31, 2018 totaled to ₱ 23.4 million and ₱84.03 million, respectively.

16. **Equity**

Earnings per share

Basic earnings per share amounts attributable to equity holders of the Parent Company as follow:

	March 31, 2019	March 31, 2018
Net income attributable to the owners of the Parent Company	**₱181,215,052**	₱97,518,150
Weighted average number of shares	**2,477,667,911**	2,477,667,911
Basic earnings per share	**0.07314**	0.03936

Earnings per share are calculated using the consolidated net income attributable to the equity holders of Parent Company divided by the weighted average number of shares.

Common stock

In 2017, there was 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 was 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 Group'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.

As of December 31, 2018 and 2017, the Group has 3,300 million shares of authorized common stock with par value of ₱1.00 each. As of March 31, 2019 and December 31, 2018, 2,478.67 million of these shares with a total par value of ₱2,477.67 million were issued and outstanding.

Additional paid-in capital

Additional paid-in-capital amounted to ₱637.97 million as of March 31, 2019 and December 31, 2018.

Treasury shares

In 2013, the Parent Company repurchased 1,014 of its own shares at cost amounting to ₱1.00 per share.

Retained earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱630 million and ₱678 million as of March 31, 2019 and December 31, 2018, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Non-controlling interests

The Group's non-controlling interest recognized is the proportionate interests of the Parent Company in MCPI. Non-controlling interest amounted to ₱3.50 million and ₱3.51 million as of March 31, 2019 and December 31, 2018, respectively.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

Debt consists of short-term and long-term debts. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding other components of equity and cumulative unrealized loss on AFS investments and EIFVOCI amounting to ₱3,763.17 million and ₱3,375.23 as of March 31, 2019 and December 31, 2018, respectively.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2019 and 2018.

There are 2,097 and 2,098 stockholders as of March 31, 2019 and December 31, 2018 in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.77 on March 29, 2019 and ₱0.79 on December 29, 2018.

17. **General and Administrative Expenses**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 03/31/2018 (Audited)
Personnel cost	**₱20,372,178**	20,940,701
Taxes and Licenses	**7,920,767**	7,048,320
Outside services	**3,122,791**	3,470,693
Depreciation	**3,234,063**	2,824,050
Rental	**3,252,017**	1,618,269
Professional fees	**2,544,009**	1,601,261
Transportation and travel	**1,957,172**	2,720,739
Utilities and supplies	**3,136,815**	2,004,536
Repairs and maintenance	**1,076,729**	1,267,960
Insurance	**376,868**	209,418
Board meetings	**39,731**	156,187
Directors fee	**34,000**	
Subscription and dues	**336,266**	
Entertainment, amusement and recreation	**81,657**	172,004
Trainings and seminars	**30,492**	
Bank charges	**13,397**	
Others	**467,267**	4,218,064
	₱47,996,219	₱48,252,203

Marketing expenses significantly include commission on real estate sales and advertising expenses incurred by the Group.

"Others" pertain to expenses arising from business and research development and software maintenance.

18. **Income Taxes**

Provision for income tax pertains to minimum corporate income tax (MCIT) and regular corporate income tax (RCIT) as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
RCIT	**₱37,360,009**	₱39,866,601
MCIT	**4,100,396**	373,900
	₱41,460,405	₱40,240,501

The components of the Group's deferred tax assets and deferred tax liabilities are as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Recognized in profit or loss:		
Deferred tax assets on:		
Retirement benefit obligation	**₱ 8,270,194**	₱6,770,721
Allowance for doubtful accounts	**126,439**	142,314
Capitalized borrowing cost	**7,822,916**	–
Allowance for credit losses	–	5,267,852
Capitalized commission	–	3,632,077
NOLCO	**39,825**	–

MCIT	**1,149,107**	–
	17,408,480	15,812,964
Deferred tax liabilities on:		
Deferred income on sale of real estate	**(76,040,480)**	-61,002,783
Deferred rental income	**(3,514)**	–
Unrealized foreign exchange gain	**(2,370)**	-4,411,494
	(58,637,885)	-49,601,313
Recognized directly in equity:		
Deferred tax asset on retirement benefit obligation	**4,300,898**	4,300,898
	(₱54,336,987)	₱-45,300,415

The adoption of PFRS 15 decreased the Group's deferred tax liabilities by ₱7.17 million as of January 1, 2018 (see Note 2).

The above deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Deferred tax assets - net	**₱17,408,480**	₱ 12,532,479
Deferred tax liabilities - net	**-76,046,365**	-57,832,894

As of March 31 2019, carryover NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2019	**₱39,825**	–	**₱39,825**	2022
	₱39,825	–	**₱39,825**	

As of March 31 2019, MCIT that can be used as deductions against income tax liabilities are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2019	₱ 1,149,107	–	₱ 1,149,107	2022
	₱ 1,149,107	–	₱ 1,149,107	

Statutory reconciliation

The reconciliation of the provision for income tax computed at statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2019	2018
Provision for income tax computed at statutory rate	**₱ 37,243,385**	₱ 104,720,759
Adjustments for:		
Nontaxable income	**-**	-92,411,780
Nondeductible expenses	**118,690**	12,398,707
Change in unrecognized deferred tax assets	**-**	35,714,597

Expired NOLCO	**-**	-1,415,977
Interest income subjected to final tax	**(2,067)**	-23,377
Expired MCIT	**-**	1,090,692
	₱ 37,360,009	₱ 60,073,621

19. **Operating Lease Agreement**

Operating lease - Group as a Lessor

The Group leased its various properties under operating lease with various lessees. The term of the lease agreements is for three (3) to ten (10) years and is renewable upon mutual agreement of both parties. The lease agreements that are existing as of December 31, 2018 and 2017 will expire in various dates in 2019. 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. There is no escalation clause and the leases are classified as operating leases.

Rental income from non-related parties under these operating leases amounted to ₱0.91 million in 2018.

Operating lease - 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 terms of the lease agreements are for one year and renewable upon the agreement of both parties.

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations. These are recognized on a straight-line basis amounting P=1.24 million in 2018, 2017 and 2016 each. The prepaid amount included under "Other noncurrent assets" amounted to ₱30.2 million and ₱30.54 million million as of March 31, 2019 and December 31, 2018, respectively. There are no future lease payments related to these lease agreement.

Rent expense charged to profit or loss amounted to ₱4.1 million and ₱17.6 million in 2019 and 2018 respectively (see Note 18).

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

20. **Other Income**

This account consists of:

	For the three months ended 03/31/2019	For the three months ended 03/31/2018
Income from forfeited accounts (Note 20)	**(₱5,681)**	₱ 1,093,768
Surcharge income	**1,357,436**	278,692
Others	**511,483**	31,041,205
	₱1,863,238	₱ 32,413,665

Others pertain to green fees, and management fee.

21. **Financial Instruments**

Fair Value Information

The carrying amounts approximate fair values for the Group's financial assets and financial liabilities, except for the following financial instrument as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities				
Long-term debt	**870,023,690**	**870,023,690**	979,051,009	979,051,009

Cash, receivables, refundable deposits, accounts and other payables and short term-debt
The fair values approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Equity instruments at fair value through profit and loss
The carrying value is equivalent to its fair value. The fair values have been determined directly by reference to published prices in an active market (Level 1 input).

Equity instruments at fair value through other comprehensive income
The fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

Long-term debt
The fair value of long-term debt is estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The Group has no financial instruments measured under Level 3 of fair value hierarchy. In 2018 and 2017, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Policies and Objectives
The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, receivables, investments in equity securities, and short and long-term debt. The main purpose of short-term and long-term debt is to finance the Group's operations. The Group has various other financial assets and liabilities such as advances to a related party, refundable deposits, trade and other payables, 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 and interest rate risk,. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and due to a related party, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets. The table below shows the credit quality and aging analysis of the Group's financial assets:

March 31, 2019

	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Cash in banks	₱108,735,211	-	-	-	₱108,735,211
Receivables	145,385,968	₱310,246,590	₱111,315,390	₱474,380	567,422,328
Advances to a related party	18,306,824	-		-	18,306,824
Refundable deposits	3,879,053	-	-	-	3,879,053
	₱369,612,336	₱10,299,564	₱42,390,321	₱474,380	₱698,343,416

December 31, 2018

	Neither past due nor impaired		Past due but not		
	High grade	Standard grade	impaired	Impaired	Total
Cash in banks	74,825,294	–	–	–	74,825,294
Receivables	204,011,473	10,299,564	42,390,321	474,380	257,175,738
Advances to a related party	86,896,516	–	–	–	86,896,516
Refundable deposits	3,879,053	–	–	–	3,879,053
	369,612,336	10,299,564	42,390,321	474,380	422,776,601

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

Cash in banks, receivables and refundable deposits are considered as high grade financial asset as this is entered into with highly reputable counterparties.

Receivables - high grade pertains to receivables with no default in payments, standard grade pertains to receivables with up to 3 defaults in payment.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

	March 31, 2019			
	On demand	Due within 1 year	Due beyond 1 year	Total
Financial assets:				
Cash	74,825,294	–	–	74,825,294
Receivables	124,190,196	177,920,452	265,311,680	567,422,328
Advances to a related party	18,306,824	–	–	18,306,824
Refundable deposits	–	3,879,053	–	3,879,053
	217,322,314	181,799,505	–	664,433,499
Financial liabilities:				
Accounts and other payables*	43,638,421	462,475,269	–	506,113,690
Short-term debt	–	314,628,000	–	314,628,000
Long-term debt	–	340,364,688	529,659,002	870,023,690
	43,638,421	1,117,467,957	529,659,002	1,690,765,380

	December 31, 2018			
	On demand	Due within 1 year	Due beyond 1 year	Total
Financial assets:				
Cash	75,730,032	–	–	75,730,032
Receivables	–	256,701,358	–	256,701,358
Advances to a related party	86,896,516	–	–	86,896,516
Refundable deposits	–	3,879,053	–	3,879,053
	162,626,548	260,580,411	–	423,206,959
Financial liabilities:				
Accounts and other payables*	43,638,421	444,885,975	–	488,524,396
Short-term debt	–	687,048,719	–	687,048,719
Long-term debt	–	325,725,831	272,121,907	597,847,738
	43,638,421	1,457,660,525	272,121,907	1,773,420,853

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates.

Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table sets out the carrying amount, by maturity, of the Group's long term debt that are exposed to interest rate risk.

	Interest terms (p.a.)	Rate fixing period	Within 1 year	Beyond 1 year
2019	**4.75-10.5%**	**Monthly; Annually**	**340,364,688**	**589,909,878**
2018	4.75-10%	Monthly; Annually	1,012,774,549	272,121,907

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity (through the impact on floating rate borrowings):

	2019		2018	
	Increase (decrease) in interest rates	**Effect on profit before tax**	Increase (decrease) in interest rates	Effect on profit before tax
Basis points	**0.33%**	4,507,001	0.33%	13,410,840
	-0.33%	4,507,001	-0.33%	13,410,840

There is no other impact on the Group's total comprehensive income other than those already affecting the net income

22. 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	Quarrying and mining of basalt rocks for production of construction

Mining	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
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 2019.
Holding	Holding of properties of every kind and description

Exhibit 1-B regarding business segments presents assets and liabilities as of March 31, 2019 and revenue and profit information for quarters ending March 31, 20189 and December 31, 2018 (in thousands).

23. **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 19).

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.

EXHIBIT 1-A

A BROWN COMPANY, INC. & SUBSIDIARIES
AGING OF INSTALLMENT CONTRACTS AND TRADE RECEIVABLES
As of March 31, 2019

	TOTAL	Long-term	Current	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
ABCI	507,895,310	265,311,680	124,190,196	2,746,792	1,714,891	281,524	2,334,838	111,315,390
ABERDI	5,779,482	-	2,948,815	-	-	-108	2,830,775	-
TOTAL	513,674,792	265,311,680	127,139,010	2,746,792	1,714,891	281,416	5,165,613	111,315,390

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

EXHIBIT 1-B

	ABCI Real Estate		ABERDI, Water Service/ Manufacturing/		Nakeen, Bonsai, Andesite Agriculture		Masinloc, PCPC Power operations		PanayLand & PalmTher Holding		Aggregates Quarry & Mining		Total		Adjustments and eliminations		Consolidated	
1ST QUARTER 2019	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues																		
External revenues	**299,856**	165,045	**29,851**	39,139	**-**	-	**-**	-	**-**	-	**-**	9,652	**329,707**	213,836	**-**		**329,707**	213,836
Inter-segment revenues	**-**		**-**		**875**		**-**		**-**		**-**		**875**	875	**(875)**	(875)	**0.06**	**-**
Total revenues	**299,856**	165,045	**29,851**	39,139	**875**	-	**-**	-	**-**	-	**-**	9,652	**330,582**	214,711	**(875)**	(875)	**329,707**	213,836
Operating expenses	**152,418**	138,770	**32,056**	40,411	**339**	405	**19**	839	**26**	32	**-**	7,946	**184,858**	188,402	**(875)**	(875)	**183,984**	189,277
	147,438	26,275	**(2,204)**	(1,272)	**536**	(405)	**(19)**	(839)	**(26)**	(32)	**-**	1,706	**145,724**	26,308	**-**	**-**	**145,724**	24,558
Gain on sale of investment properties	**-**		**-**		**-**		**-**		**-**		**-**		**-**	-	**-**		**-**	-
Gain on sale of AFS investments	**-**	24,671	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	24,671	**-**	-	**-**	24,671
Equity in net income (loss) of associate		-		-		-		-		-		-		-	**94,419**	41,166	**94,419**	41,166
Dividends income	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Financial income	**1,352**	1,246	**-**	0	**-**	-	**-**	-	**-**	-	**-**	-	**1,352**	1,246	**-**	-	**1,352**	1,246
Financial expenses	**(20,194)** -	18,315	**(3,252)** -	1,771	**-**	-	**-**	-	**-**	-	**-**	-	**(23,446)**	(20,086)	**-**	-	**(23,446)**	(20,086)
Gain (loss) on sale of assets	**4**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**4**	-	**-**	-	**4**	-
Other income (loss)	**511**	18,315	**-**	14,099	**-**	-	**-**	-	**-**	-	**-**	0	**511**	32,414	**-**	-	**511**	32,414
Income tax benefit (expense)	**(37,360)** -	9,755	**-**	3,041	**-**	-	**4**	251	**9**	10	**-**	-	**(37,347)**	(6,454)	**-**	-	**(37,347)**	(6,454)
Net income	**91,751**	42,437	**(5,456)**	14,097	**536**	(405)	**(15)**	(588)	**(17)**	(23)	**-**		**86,798**	58,100	**94,419**	41,166	**181,216**	97,516
Net income attributable to:																		
Equity holders of Parent Company																	**181,219**	97,518
Noncontrolling interest																	**(3)**	(2)
																	181,216	97,516
Other information																		
Segment assets	**5,263,140**	5,067,633	**1,209,646**	1,063,809	**258,072**	255,711	**27,883**	144,531	**1,006,078**	926,071	**-**	22,826	**7,764,818**	7,480,581	(2,299,591)	(2,026,887)	**5,465,227**	5,453,694
Deferred tax assets	**16,018**	11,794	**1,378**	-	**-**	-	**4**	251	**9**	488	**-**	-	**17,408**	12,532	**-**	-	**17,408**	12,532
Total assets	**5,279,157**	5,079,428	**1,211,024**	1,063,809	**258,072**	255,711	**27,887**	144,782	**1,006,087**	926,559	**-**	22,826	**7,782,227**	7,493,113	**(2,299,591)**	(2,026,887)	**5,482,635**	5,466,226
																		-
Segment liabilities	**1,539,859**	1,520,692	**910,138**	773,749	**252,490**	252,141	**26,125**	85,139	**826,842**	826,702	**-**	13,375	**3,555,454**	3,471,797	**(1,766,456)**	(1,552,120)	**1,788,997**	1,919,678
Deferred tax liabilities	**76,043**	57,833	**-**	-	**-**	-	**4**	-	**-**	-	**-**	-	**76,046**	57,833	**-**		**76,046**	57,833
Total liabilities	**1,615,902**	1,578,525	**910,138**	773,749	**252,490**	252,141	**26,128**	85,139	**826,842**	826,702	**-**	13,375	**3,631,500**	3,529,630	**(1,766,456)**	**(1,552,120)**	**1,865,044**	1,977,510
Segment additions to property and equipment and investment properties	**2,649**	6,039	**421**	2,512	**159**	-	**-**	-	**-**	-	**-**	1,650	**3,229**	18,954	**-**		**3,229**	18,954
																		-
Depreciation and amortization	**(3,036)**	(15,081)	**(1,667)**	(1,214)	**(65)**	(246)	**(0)**	(128)	**-**	(2)	**-**	(169)	**(4,768)**	(25,422)	**-**		**(4,768)**	(25,422)
																		-
Impairment loss	-	-	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**		**-**	-

EXHIBIT 1-C
A BROWN COMPANY, INC. AND SUBSIDIARIES
ABCI GROUP CHART