3	1	1	6	8

SEC Registration Number

A		B	R	O	W	N		C	O	M	P	A	N	Y	,		I	N	C	.

(Company's Full Name)

A	I	R	P	O	R	T		R	O	A	D		U	P	T	O	W	N

C	A	G	A	Y	A	N		D	E		O	R	O		C	I	T	Y

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

Allan Ace R. Magdaluyo
Contact Person

02-6386832
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

1	7	-	Q

FORM TYPE

0	6			

Month Day
Annual Meeting

Secondary License Type, if applicable

C	G	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
2,100 (June 30, 2018)	Php 1,249,921,055 (June 30, 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

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 **2nd** quarter ended **June 30, 2018**
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: **₱1,846,746,683**

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.

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PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit 1) for the Second (2nd) Quarter ending June 30, 2018.

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

Financial Condition – Consolidated (Unaudited)

In Thousand Pesos	Unaudited 2018	Audited 2017	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	Unaudited 2018	Audited 2017
Current Assets	**1,607,292**	1,704,386	(97,094)	-6%	31%	33%
Noncurrent Assets	**3,558,929**	3,486,613	72,316	2%	69%	67%
Total Assets	**5,166,221**	5,190,999	(24,778)	0%	100%	100%
Current Liabilities	**1,415,960**	1,409,498	6,462	0%	27%	27%
Noncurrent Liabilities	**430,787**	603,478	(172,691)	-29%	8%	12%
Capital	**3,319,474**	3,178,023	141,451	4%	64%	61%
Total Liab. & Capital	**5,166,221**	5,190,999	(24,778)	0%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – June 30, 2018 vs. December 2017

The Group's total assets decreased by **₱24.8 million,** from a balance of ₱5.19 billion as of end of the year 2017 to **₱5.17 billion** as of June 30, 2018.

Current assets decreased by 6% or ₱97.1 million as a result of the net effect of the following:

33% or ₱30.8M decrease in Cash– due to the net effect of cash provided by operating activities and cash used in investments and deposits and other investing and financing activities.

32% or ₱91.0M decrease in Current Receivable due to the net effect of:

a) 0% or ₱341k increase in contract receivables on sale of real estate
b) 21% or ₱2.3M decrease in Trade Receivable – directly related from decrease sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products
c) 38% or ₱1.0M decrease in advances to officers and employees
d) 11% or ₱8.6M decrease in accounts receivable others

12% or ₱90.0M increase in Real estate held for sale – due to the net effect of the increase in development costs of various projects over sales

18% or ₱15.2M decrease in Inventories – due to decrease in production of palm olein and palm stearin

10% or ₱17.1M decrease in Advances to a related party – due to collection of advances

11% or ₱32.9M decrease in Prepayments and other current assets – due to the net effect of:

a) ₱3.7M increase 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) 7% or ₱2.0M increase in prepaid expenses – due to advance payments made by the group during the quarter in relation to various expenses
c) 1% or ₱462k decrease 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
d) 72% or ₱29.7M decrease in other current assets – due to the return of refundable deposits during the quarter

Non-Current assets increased by 2% or ₱72.3 million as a result of the net effect of the following:

17% or ₱79.5M decrease in Available for sale investments – this pertains to the sale of the Group's shares of stocks of Apex Mining Company, Inc.

12% or ₱133.2M increase in Investment in Associates – due to the Group's share in the net income of the associates

₱3.8M increase in Property and Equipment - net due to the net effect in:

a) 1% or ₱0.8M decrease in machinery and equipment
b) 8% or ₱0.9M decrease in building and improvement
c) 24% or ₱0.5M increase in furniture and fixtures
d) 79% or ₱4.3M increase in transportation equipment – due to the net effect of acquisitions and disposals during the period
e) 109% or ₱0.1M increase in tools and other equipment
f) 59% or ₱15k decrease in leasehold improvement
g) 14% or ₱0.6M increase in other fixed assets

39% or ₱66.2M decrease in Investment properties – due to the development of a parcel of land to Ignatius Enclave and Ventura Residences II in Cagayan de Oro City reclassified to real estate held for sale

2% or ₱9.9M decrease in Land and improvements – due to the development of a parcel of land to Mangoville Subdivision and The Terraces in Cagayan de Oro City reclassified to real estate held for sale

2% or ₱0.6M decrease due to amortization of Leasehold Rights

17% or ₱6.6M increase in Deferred Tax Assets – directly related to the increase in the net operating loss carry over (NOLCO) of the group during the quarter.

45% or ₱5.7M increase in Refundable Deposits – due to the additional utility deposits made during the quarter related to new real estate development

Current liabilities increased by ₱6.5M as a result of the net effect of the following:

4% or ₱16.3M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 1% or ₱5.0M increase in accounts payable
b) 7% or ₱1.4M increase in accrued expenses
c) 6% or ₱0.4M decrease in accrued interest payable
d) 34% or ₱3.2M decrease in retention payable
e) 42% or ₱13.5M increase in other payables

16% or ₱9.0M increase in Deposit from Customers – due to the net effect of the increase in sales reservations from sale of new real estate projects and reclassification of deposits as revenue on the sale of real estate upon meeting revenue recognition standard

4% or ₱23.5M increase in Short term Debt – due to the net effect of the additional clean term loan availed by the group against payments made during the quarter

11% or ₱42.3M decrease in Current maturities portion of long-term debt

Non-Current liabilities decreased by 29% or ₱172.7 million as a result of the net effect of the following:

4% or ₱168.4M decrease in Long-term Debt – due to the net effect of the repayments made during the quarter and reclassification of the principal amount that will be due within one year.

6% or ₱4.2M decrease in Deferred tax liabilities - due to the increase in collections pertaining to prior years' real estate sales or decrease in deferred income

Equity increased by 4% or ₱141.5 million as a result of the net effect of the following:

19% or ₱35.9M decrease in Net unrealized gain on available for sale – due to the decrease in market value of available for sale investments and disposal of shares

67% or ₱174.1M increase in the Retained Earnings – due to the effect of net income earned during the quarter and during the year

96% or ₱3.3M increase in Cumulative foreign currency translation – as a result of translation of the transactions of the foreign currency denominated subsidiary

Results of Operations – Consolidated (Unaudited)

In Thousand Pesos	For the Quarter ending		Analysis		Vertical Analysis	
	June 30, 2018	June 30, 2017	Increase		2018	2017
			Amount	%		
Net Sales	178,485	88,280	90,206	102%	65%	33%
Financial Income	1,258	1,103	155	14%	0%	0%
Rental Income	129	1,833	(1,704)	-93%	0%	1%
Gain on Sale of property and equipment	2,967	-	2,967		1%	0%
Gain on Sale of shares	4,307	143,024	(138,717)	-97%	2%	54%
Dividend income	2	(1,076)	1,079	100%	0%	0%
Equity in net income of an associate	86,627	28,891	57,736	200%	31%	11%
Other Income	2,844	4,035	(1,191)	-30%	1%	2%
Total Revenues	**276,620**	**266,089**	10,531	4%	**100%**	**100%**
Cost of sales and services	110,674	47,655	63,019	132%	40%	18%
General and Admin Expenses	60,614	56,128	4,486	8%	22%	21%
Finance Cost	20,610	22,020	(1,410)	-6%	7%	8%
Marketing	12,351	8,446	3,905	46%	4%	3%
Total Cost and Expenses	**204,249**	**134,249**	70,000	52%		
Income before Tax	**72,371**	**131,840**	(59,469)	-45%		
Tax expense	(4,165)	(17,591)	13,426	76%	-2%	-7%
Income after Tax	**76,536**	**149,431**	(72,894)	-49%	**28%**	**56%**
Unrealized gain (loss) on Available-For-Sale investments	(35,574)	(46,087)	10,512	23%		
Actuarial loss	1,398	328	1,070	326%		
Comprehensive Net Income	42,360	103,672	(61,312)	-59%		

In Thousand Pesos	Year-to-Date		Horizontal Analysis		Vertical Analysis	
	June 30, 2018	June 30, 2017	Increase (Decrease)		2018	2017
			Amount	%		
Net Sales	382,385	197,614	184,771	94%	66%	46%
Financial Income	2,461	2,880	(419)	-15%	0%	1%
Rental Income	413	2,069	(1,655)	-80%	0%	0%
Gain on Sale of property and equipment	2,967	-	2,967		1%	0%
Gain on Sale of shares	28,979	172,632	(143,653)	-83%	5%	40%
Dividend income	2	-	2		0%	0%
Equity in net income of an associate	127,794	50,621	77,173	152%	22%	12%
Other Income	35,257	4,271	30,986	725%	6%	1%
Total Revenues	**580,258**	**430,086**	150,172	35%	**100%**	**100%**
Cost of sales and services	230,597	102,713	127,884	125%	40%	24%
General and Admin Expenses	108,866	92,422	16,444	18%	19%	21%
Finance Cost	40,696	39,527	1,168	3%	7%	9%
Marketing	23,757	16,749	7,008	42%	4%	4%
Total Cost and Expenses	**403,916**	**251,411**	152,505	61%		
Income before Tax	**176,342**	**178,674**	(2,332)	-1%		
Tax expense	2,289	(10,379)	12,668	122%	0%	-2%
Income after Tax	**174,053**	**189,053**	(15,001)	-8%	**30%**	**44%**
Unrealized gain (loss) on Available-For-Sale investments	(6,954)	(364,191)	357,237	98%		
Actuarial loss	6,811	328	6,483	1977%		
Comprehensive Net Income	173,910	(174,809)	348,719	199%		

A Brown Company - CONSOLIDATED
Results of Operations
For the 2nd Quarter ending June 30, 2018

The consolidated financial statements for the quarter ending June 30, 2018 resulted to a net income after tax of **₱76.5 million** compared to a **₱149.4 million** net income for the same quarter last year a decrease by 49% or ₱72.9 million due to the net effect of the following:

102% or ₱90.2M increase in Sales on a QTR and 94% or ₱184.8M increase on a YTD due to:

a) **Increase in Real estate Sales by 81% or ₱63.4M on a QTR and 74% or ₱130.6M increase on a YTD** – in the second quarter of 2018, the Group sold 18 socialized, 23 economic and 32 high end units or a total of 73 lots and house and lot units which is 30% higher than last year of the same quarter with a total units of 56 which includes 23 socialized, 9 economic, and 24 high-end units;
On a YTD, the Group sold 26 socialized, 66 economic and 66 high-end units or a total of 158 units which is 22% higher than the 130 units of last year composing of 29 socialized, 53 economic and 48 high-end units

b) **Increase in Sales of crude palm oil by 1052% or ₱19.8M on a QTR and 2188% or ₱41.3M increase on a YTD –** in the second quarter of 2018, the Group sold 705 metric tons (MT) or 1002% higher than last year of the same period with a price variance of 50%; on a YTD, the Group sold a total of 1,422 MT which is 2122% higher than last year with a price variance of 66%

c) **Decrease in Palm Fatty Acid Distillate Sales by 100% or ₱0.6M on a QTR and 69% or ₱0.9M decrease on a YTD –** no palm fatty acid distillate were sold in the second quarter of 2018; on a YTD, the Group sold a total of 18 MT which is 74% lower than last year with a price variance of 5%

d) **Increase in RBDO Sales by 100% or ₱4.0M on a QTR and 100% or ₱6.5M increase on a YTD –** in the second quarter of 2018, the Group sold 102 MT with an average price of P39,399; no sales in the second quarter of 2017; on a YTD, the Group sold a total of 165 MT; no sales in 2017

e) **Increase in Palm Acid Oil Sales by 251% or ₱0.4M on a QTR and 318% or ₱1.1M increase on a YTD –** in the second quarter of 2018, the Group sold 56 MT or 228% higher than last year of the same period with a price variance of 22%; on a YTD, the Group sold a total of 146 MT which is 301% higher than last year with a price variance of 17%

f) **Decrease in Palm Olein Sales by 22% or ₱0.7M on a QTR and 10% or ₱0.7M increase on a YTD –** in the second quarter of 2018, the Group sold 71 MT or 2% lower than last year of the same period with a price variance of -20%; on a YTD, the Group sold a total of 212 MT which is 37% higher than last year but with a price lower by 27% against last year.

g) **Increase in Palm Stearin Sales by 41% or ₱0.5M and 112% or ₱2.5M increase on a YTD –** in the second quarter of 2018, the Group sold 58 MT or 3% lower than last year of the same period with a price variance of 44%; on a YTD, the Group sold a total of 161 MT which is 46% higher than last year with a price variance of 66%

h) **Increase in Kernel Nuts and Fertilizer Sales by 483% or ₱1.3M and 413% or ₱ 2.1M increase on a YTD –** in the second quarter of 2018, the Group sold 63 MT or 245% higher than last year of the same period with a price variance of 238%; on a YTD, the Group sold a total of 160 MT which is 358% higher than last year with a price variance of 55%b

i) **Increase in Water services by 65% or ₱2.0M and 10% or ₱0.9M increase on a YTD –** the increase is relatively due to increase in the quantity of water sold and increase in new connections during the quarter and on a YTD

14% or ₱0.2M increase in Financial income on a QTR and 15% or ₱0.4M decrease on a YTD– due to the net effect of the following:

a) **Increase in Financial income from loans receivable by 495% or ₱39k on a QTR and 100% or ₱50k increase on a YTD –**

b) **Increase in Financial income from sale of real estate sales by 7% or ₱77k on a QTR and 18% or ₱513k decrease on a YTD** – due to the increase in end-buyer's financing by the bank leading to a minimal increase in the collection of penalties and surcharges through the in- house financing of real estate sales during the second quarter and an 18% decrease on a YTD.

c) **Increase in Financial income from cash in bank by 9205% or ₱40k on a QTR and 467% or ₱44k increase on a YTD –**

200% or ₱57.7M increase in Equity in net gain of an associate on a QTR and 152% or ₱ 77.2M increase on a YTD – 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 2018.

93% or ₱1.7M decrease in Rental income on a QTR and 80% or ₱1.7M decrease on a YTD

100% or ₱1.1M increase in dividend income on a QTR or 2K increase on a YTD– dividend received from an investee company

97% or ₱138.7M decrease in gain on sale of shares on a QTR and 83% or ₱143.7M decrease on a YTD – the number of shares of investment in stocks sold in 2018 is lower than in 2017

100% or ₱3.0M increase in gain on sale of Property and Equipment on a QTR and 100% or ₱3.0M increase on a YTD–pertains to the disposal of various transportation equipment which were mostly fully depreciated

30% or ₱1.2M decrease in Other income on a QTR and 725% or ₱31.0M increase on a YTD– due to the net effect of the following:

a) **Decrease in Income from forfeited deposits by 68% or ₱0.8M on a QTR and 30% or ₱0.6M decrease on a YTD –** foreclosed accounts in the first quarter of 2018 is higher compared to last year's forfeited accounts of the same quarter.
b) **Decrease in Income from penalties and surcharges by 66% or ₱1.2M on a QTR and 47% or ₱0.3M increase on a YTD** – 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 92% or ₱0.9M on a QTR and 2050% or ₱31.3M increase on a YTD** – due to the realized foreign exchange gain of Blaze Capital Limited which is denominated in foreign currency amounting to ₱13.8M and other income of ₱16M.

132% or ₱63.0M increase in Cost of Sales on a QTR and 125% or ₱127.9M increase on a YTD due to:

a) **104% or ₱39.9M increase in cost of Real estate on a QTR and 89% or ₱77.5M increase on a YTD –** the increase is relatively due to increase in lots sold of economic units with higher development costs as compared to socialized housing units
b) **Increase in cost of Crude Palm Oil by 1110% or ₱19.0M on a QTR and 2266% or ₱38.8M increase on a YTD** – directly related to the increase in quantity sold
c) **Decrease in cost of Palm Fatty Acid Distillate by 100% or ₱0.3M on a QTR and 64% or ₱0.4M decrease on a YTD** – directly related to the increase in quantity sold
d) **Increase in cost from Water services by 2% or ₱39k on a QTR and 28% or ₱1.1M increase on a YTD**
e) **Increase in cost of Kernel Nuts and Fertilizer by 306% or ₱0.9M on a QTR and 351% or ₱1.7M increase on a YTD -** the increase is relatively due to the increase in sales of Kernel Nuts and Fertilizers
f) **Increase in cost of RBDO by 100% or ₱3.5M on a QTR and 100% or ₱5.5M increase on a YTD**– directly related to the increase in quantity sold
g) **Increase in cost of Palm Acid Oil by 366% or ₱0.4M on a QTR and 431% or ₱ 1.0 increase on a YTD**– directly related to the increase in quantity sold
h) **Decrease in cost of Palm Olein by 14% or ₱0.3M on a QTR and 21% or ₱1.1M increase on a YTD**– directly related to the decrease in quantity sold during the quarter and increase in quantity sold on a YTD

i) **Increase in cost of Palm Stearin by ₱1k on a QTR and 68% or ₱1.8M increase on a YTD**– directly related to the increase in quantity sold

8% or ₱4.5M increase in General and Administrative Expenses on a QTR and 18% or ₱16.4M increase on a YTD - due to the following net effect of:

a) **29% or ₱5.5M increase in Personnel expenses on a QTR and 26% or ₱9.3M increase on a YTD** –due to the additional manpower of the group
b) **19% or ₱0.5M increase in Depreciation and amortization on a QTR and 37% or ₱3.7M decrease on a YTD**– due to the net effect of the fully depreciated and sale of property and equipment items and various additions in the second quarter of 2018
c) **32% or ₱2.5M decrease in Taxes and Licenses on a QTR and 115% or ₱6.6M increase on a YTD –** pertains to the availment of early payment discount in real property tax payments. Increase in Business Tax is directly related to the increase in prior year collected sales.
d) **31% or ₱0.3M increase in Repairs and maintenance on a QTR and 36% or ₱1.4M decrease on a YTD –** due to the increase in cost of repairs and maintenance during the quarter as against the second quarter of 2017.
e) **24% or ₱0.5M increase in Utilities and supplies on a QTR and 155% or ₱2.9M increase on a YTD**
f) **65% or ₱1.1M increase in Rental expense on a QTR and 46% or ₱1.4M increase on a YTD**
g) **17% or ₱49k decrease in Representation and Entertainment on a QTR and 5% or ₱22k decrease on a YTD** – this refers to the cost of providing comfort/convenience (e.g. meals) to the prospective clients
h) **33% or ₱1.2M increase in security services on a QTR and 5% or ₱0.4M increase on a YTD**
i) **71% or ₱6.8M decrease in professional fees on a QTR and 60% or ₱6.4M decrease on a YTD**– directly related to lesser consultancy services incurred by the group compared to last year
j) **35% or ₱1.3M decrease in travel and transportation on a QTR and 4% or ₱0.2M increase** – directly related to the various site visitation for mill, real estate projects and plantation operations and power group operations
k) **8% or ₱26k decrease in board meeting expenses on a QTR and 87% or ₱0.2M increase on a YTD –** due to the various materials and other expenses incurred related to board meetings and annual reports
l) **9% or ₱29k increase in director fees on a QTR**
m) **176% or ₱0.3M increase in training and seminars** – due to the trainings and seminars conducted and attended in the second quarter of 2017 as compared this year
n) **145% or ₱0.1M increase in subscription and dues on a QTR and ₱2k increase on a YTD**
o) **156% or ₱27k increase in litigation expenses on a QTR and 2432% or ₱0.2M increase on a YTD**
p) **100% or ₱0.2M increase in listing fees on a QTR and 100% or ₱0.6M increase on a YTD**
q) **296% or ₱0.2M increase in insurance expense on a QTR and 64% or ₱0.9M decrease on a YTD**
r) **107% or ₱4.8M increase in miscellaneous expenses on a QTR and 114% or ₱6.7M increase on a YTD –** includes community relations expenses

6% or ₱1.4M decrease in Finance costs on a QTR and 3% or ₱1.2M increase on a YTD – pertains to the interest on bank loans acquired specifically for the real estate development

46% or ₱3.9M increase in Marketing expenses on a QTR and 42% or ₱7.0M increase on a YTD – 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

76% or ₱13.4M increase in Income tax expense (benefit) on a QTR and 122% or ₱12.7M increase on a YTD – due to the net effect of the following:

a) **149% or ₱12.5M increase on a QTR in current income tax and 160% or ₱8.1 increase on a YTD –** due to the increase in taxable income during the quarter and during the year
b) **10% or ₱0.9M increase on a QTR in deferred income tax and 30% or ₱4.6M increase on a YTD –** due to the net movement of deferred tax assets and tax liabilities of the Group

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 June 30, 2018	Unaudited June 30, 2017	**Audited** **12/31/2017**
Current ratio[1]	1.14:1	0.82:1	1.21:1
Current Debt to Equity ratio[2]	0.43:1	0.65:1	0.44:1
Total Debt to Equity ratio[3]	0.56:1	0.94:1	0.63:1
Asset to Equity ratio[4]	1.56:1	1.94:1	1.63:1
Interest coverage ratio[5]	5.33x	5.52x	4.46x
Profit Margin ratio[6]	30.00%	43.96%	32.26%
Return on Assets[7]	3.36%	3.46%	5.56%
Return on Equity[8]	5.36%	6.57%	9.67%

[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 nine (9) lots sold for the 2nd quarter of 2018 compared to eleven (11) lots for the 2nd quarter of 2017.

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 seventeen (17) lots recorded as sold this quarter of the year and twenty (20) house and lot packages for the same quarter of last year. For **Ventura Lanes**, there were two (2) lots sold for this quarter compared to three (3) lots 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. There were four (4) units sold for the 2nd quarter of last year and none for this quarter.

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 2nd quarter, forty one (41) lots were sold compared to six (6) 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, 17 single attached units and 9 units which have been allotted for a new design. There were two (2) units sold for this year's 2nd quarter while sixteen (16) units for the 2nd 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% done. Sixteen (16) lots were sold for the 2nd quarter of 2018 while eight (8) lots for the 2nd quarter of 2017.

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 of the project with a development area of 2.5 hectares is 100% completed. Phase 1-Cluster B is currently 100% completed. Four (4) lots were sold for the 2nd quarter of this year while three (3) lots 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 six (6) lots sold for this quarter of the year compared to eighteen (18) 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 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 twenty three (23) house and lot were booked as sale in the 2nd quarter of 2018 while twenty three (23) house and lot also for the 2nd quarter of 2017.

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 forty nine (49) house and lot sold for the 2nd quarter of this year while three (3) 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.

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.

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 shall be launched in 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 June 30, 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	180
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	1,664
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**1,844**

**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 June 30, 2017

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	651
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	3,531
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**4,182**

**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 June 30, 2018:

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 June 30, 2017:

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 4,051 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed for the 2nd quarter of 2018, compared to 1,223.91 metric tons in the same period of last year. This is an average of metric tons of 1,350.33 fresh fruit bunch processed per month as against 407.97 metric tons of the same period last year. The yield for the 2nd quarter of this year was 759.06 metric tons of crude palm oil with an average oil extraction rate of 18.74% as compared to 223.22 metric tons having an average extraction rate of 18.24% for the same period last year.

The kernels that were produced totaled to 72.70 metric tons as compared to 15.25 metric tons of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 2nd quarter of 2018, the refinery produced a total of 171.302 metric tons of RBDO compared to 129.37 metric tons of the same period last year.

In addition, 2.2 metric tons of Palm Fatty Acid Distillate was produced in the 2nd quarter of this year as compared to 8.14 metric tons production and 34.96 metric tons sale on 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 2nd quarter of 2018, there were 54.50 metric tons of Palm Olein compared to 74.66 metric tons for the same period last year and 47.78 metric tons of Palm Stearin compared to 40.96 metric tons for the 2nd quarter of last year were produced. The quantity sold during the 2nd quarter was 70.55 metric tons of Palm Olein compared to 72.06 metric tons and 18.65 metric tons of Palm Stearin compared to 60.14 metric tons for 2nd quarter last year.

Power Generation

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 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 are 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.

In 2014, the SEC approved the increase in authorized capital stock (ACS) and the Plan of Merger of PCPC and PCHLC, with PCPC as the surviving entity. The merger and the increase resulted to the Company's 30% equity interest in PCPC. On January 6, 2015, the SEC approved PCPC's application for another 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. This reduced PTCHC equity interest in PCPC to 20%.

The power plant project in Concepcion, Iloilo 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) 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

In 2013, Peakpower Energy, Inc. 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., 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). Socoteco 2 is the largest distribution utility in Mindanao and its franchise area includes General Santos City, the municipalities of Glan, Malapatan, Alabel, Malungon, Kiamba, Maasim and Maitum in Saranggani and the municipalities of Polomolok and Tupi in South Cotabato. The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (COC) for PSI's first 20.9MW capacity on December 1, 2014 in which the commercial operations started on January 27, 2015.

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

Peakpower San Francisco Inc. (PSFI) – 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). Aselco's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City. San Francisco serves as the primary commercial and service center in the province of Agusan del Sur, being situated at the crossroads leading to other production centers in the region. The commercial operations of the first 5.2MW capacity started on March 1, 2015.

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

Peakpower Bukidnon Inc. (PBI) – 100% owned by PEI

Peakpower Bukidnon Inc. (PBI) is a 10.4MW Diesel/Bunker-Fired Power Plant located in Barangay Alae, Manolo Fortich, Bukidnon. It has a 15-year BOMT agreement with the Bukidnon Second Electric Cooperative Inc. (Buseco). Buseco's franchise area includes the municipalities of Libona, Manolo Fortich, Sumilao, Baungon, Malitbog, Talakag, Impasug-ong, Malaybalay, Lantapan and Cabanglasan, all in the Province of Bukidnon.

The Provisional Certificate of Compliance was granted by the Energy Regulation Commission (ERC) on November 21, 2017. PBI has declared commercial operation on March 26, 2018.

Outlook for the Year and Onwards

Real Estate Business:

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*

For the 2nd quarter of the year, the Philippine economy slowed down to 6% according to the Philippine Statistics Authority (PSA). The gross domestic product (GDP) from April to June 2018 is lower than the revised 1st quarter figure of 6.6%. According to the PSA, the growth in the 2nd quarter of the year was mainly driven by manufacturing, trade, and **construction**. Pernia called for the "timely implementation of the Build, Build, Build program" as it "bodes well [for] the construction industry and is seen to boost not only public construction but private builders as well." *(https://www.rappler.com/business/209165-gross-domestic-product-philippines-q2-2018).*

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/

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

A Brown Company, Inc. (ABCI) has three (3) new projects for the second semester of 2018. These are: Xavier Estates Phase 6 – Ignatius Enclave, Xavier Estates Phase 5B – Ventura 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, golf courses and the Xavier Sports and Country Club. Located in uptown, this location is certified flood-free.

ABCI has created a niche in real estate development following Xavier Estates' metropolis perfected concept and has built a reputation of building perfectly master planned communities with well-developed infrastructure, tree-lined streets and landscaped roadways, own water system and quality houses.

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 shall introduce 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 I, 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 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. It is low dense with less than 50 lots for sale.

There is a rise in demand of housing requirements for middle income, starter families and the high-income single market. There is also a market for the second-home buyers who will pass this on to their children. And there is a market for investors.

More so, in 2016, four per cent (4%) growth in the Overseas Filipino Workers (OFW) for Region X was reported. Of these, sixty per cent (60%) of remittances were channeled into real estate investments (*Philippine Statistics Authority, Bangko Sentral ng Pilipinas, Leechiu Property Consultants).*

Eighty per cent (80%) of the projected market of these new house and lot projects shall come from Cagayan de Oro; while the remaining 20% shall come from residents of nearby Bukidnon and Iligan, and from Luzon.

In particular, Xavier Estates Phase 6 – Ignatius Enclave shall cater to the OFWs, managers and executives of private companies, businessmen, and the second-home buyers; while Ventura II are for professionals and other businessmen. And The Terraces shall be for the high-end market.

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 semester of 2018, 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:

The country's total peak demand in 2017 was recorded at 13,789 MW, which is 517 MW or 3.9% higher than the 13, 272 MW in 2016. On the other hand, the total power supply, in terms of installed capacity, grew by 6.1% from 21,425 MW in 2016 to 22,730 MW in 2017. A total of 835 MW new capacities were added to the country's supply base in 2017 which include coal-fired (630 MW), solar (127 MW), oil-based (77 MW), and hydropower (1 MW). In terms of share by grid, Luzon contributed 392 MW or 47%, Mindanao at 337 MW or 40% and Visayas at 106 MW or 3%. The year also saw the end of the constrained demand in Mindanao, which grew by 6.5% or 107 MW from 1,653 MW in 2016 to 1,760 MW in 2017.

The growth in peak demand is largely attributed to the growth of the residential and industrial sectors, which contributed 1.1 percentage points to the overall growth rate. Expansion in the residential sector is associated with the increasing household electricity consumption, rising income per capita, and intensification of household electrification, among others. Meanwhile, the high industrialization target of the government boosted the performance of the industrial sector. Based on the 2017 National Accounts, the industry sector grew by 7.2% fueled by the expansion in the manufacturing, and public construction subsectors.

The country's total installed capacity grew by 6.1% from 21,425 MW in 2016 to 22,730 MW in 2017. This increase in capacity is brought about by the commercial operation of large coal-fired power plants (630 MW) in Luzon and Mindanao, a number of solar farms in Luzon and Visayas (127 MW), and the entry of additional capacities from oil and hydro power plants (78 MW).

The inclusion of off-grid power plants, primarily oil-based, solar, and hydro, also contributed to the increase in the total installed capacity for 2017. Off-grid capacities constitute to about 2% or 465 MW of the total installed capacity in 2017.

On a per fuel-type basis, the share of coal to the total installed capacity remains the largest at 36% (8,049 MW), followed by renewable energy at 31% (7,079 MW), oil-based at 18% (4,153 MW), and natural gas at 15% (3,447 MW).

Meanwhile, power generation grew at a much lower pace at 3.9% from 90,798 GWh in 2016 to 94,370 GWh in 2017. Coal also remains the major source of electricity generation for Luzon, Visayas, and Mindanao with a combined share of 50% (46,847,274 MWh).

Committed capacities that will be coming in the pipeline are largely coal power projects at 80% (5,190 MW), while the indicative capacities are mainly renewables at 43% (7,518 MW).

Among the three grids, the growth of electricity sales and consumption in Visayas was the highest at 5.8% from 12,231,839 MWh in 2016 to 12,941,701 MWh in 2017. This expansion is fueled by the growth of the residential and commercial sector, which contributed 1.6 percentage points each to Visayas' overall growth rate.

The Philippine Power System continued to exhibit its resiliency and stakeholders' unified actions in the onslaught of challenges in 2017 considering there were numerous significant incidents that affected the system last year. These occurrences resulted to tight supply conditions, several automatic load dropping incidents, issuance of yellow and red alert grid status, and power interruptions, among others. A total of 429 significant forced outages of power generation plants were recorded in 2017. Meanwhile, 3 major earthquakes and 7 typhoons hit the country this year that caused significant damages to power generation, transmission, and distribution facilities and infrastructure. The most notable of these is the 6.5 magnitude earthquake in the Visayas (Jaro, Leyte) which occurred in the second half of 2017, damaging geothermal power generation, transmission and distribution facilities, and resulted to the total loss of power in the provinces of Samar, Leyte, and Bohol. In Mindanao, the Marawi Siege led to the multiple partial blackout in the franchise area of the Lanao Del Sur Electric Cooperative (LASURECO) and total blackout in Marawi City. In view of these incidents, the DOE initiatives to integrate in its plans, policies, and programs the energy resiliency, performance assessment of the power industry participants to improve energy security and reliability were very timely.

Sources: DOE and NGCP

Coal-Fired Power Project:

For the first half of 2017, the power situation in the Visayas has been generally stable due to the additional capacities that went on commercial operation. There are some instances where the Visayas grid experienced tight supply conditions especially during the occurrence of simultaneous outages of large coal-fired and geothermal power plants.

The first unit of the 2 x 135 MW coal-fired power plant of Palm Concepcion Power Corporation in Concepcion, Iloilo is now on its second year of commercial operations. It continuously provides the base load power supply requirements of the Visayas grid, which was in a critical situation in 2016. The power plant started construction in 2013 and was completed in three years as scheduled. It is equipped with a steam turbine generator manufactured by Alstom of Europe.

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

PCPC is now serving its customers, who are mostly electric cooperatives and a distribution utility, for their base load power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers. In December 23, 2017, PCPC signed an Ancillary Services Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines.

For the second unit, requirements for the Environment Compliance Certificate (ECC) have been completed and submitted but approval of the Department of Environment and Natural Resources (DENR) is still pending.

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

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

Bunker-Fired Power Project:

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

After signing a Power Purchase and Transfer Agreements for 20-megawatt of peaking power supply with South Cotabato II Electric Cooperative and 5-megawatt with Agusan del Sur Electric Cooperative in 2013, the respective plants Peakpower Soccsargen, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI) are commercially operational, supplying the very much needed power capacities in their franchise areas.

Expansion of these two plants is also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative has declared commercial operation on March 26, 2018.

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

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

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

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

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

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

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

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

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

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

ROEL Z. CASTRO
President & Chief Executive Officer

IGNACIO A. MANIPULA
SVP-Chief Finance Officer

Date: August 17, 2018

EXHIBIT I

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Notes	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
ASSETS			
Current Assets			
Cash	6	**₱62,963,995**	₱93,812,552
Current portion of accounts receivable – net	7	**191,977,455**	282,946,969
Real estate held for sale	8	**866,746,810**	776,747,504
Inventories	9	**69,706,424**	84,943,191
Prepayments and other current assets	9	**269,830,457**	302,779,043
Advances to a related party	18	**146,066,680**	163,156,701
Total Current Assets		**1,607,291,821**	1,704,385,960
Noncurrent Assets			
Noncurrent portion of accounts receivable	7	**218,452,874**	139,171,066
Available-for-sale investments	10	**377,535,095**	457,014,388
Goodwill	2	**43,007**	43,007
Investment in associates	11	**1,206,402,457**	1,073,210,253
Investment properties – net	12	**105,669,635**	171,833,958
Property and equipment – net	2, 13	**917,698,853**	913,920,940
Land and improvements	14	**638,832,956**	648,752,617
Leasehold rights	15	**31,154,582**	31,773,429
Deferred tax assets	27	**45,016,915**	38,430,497
Refundable Deposits	5	**18,122,746**	12,462,873
Total Noncurrent Assets		**3,558,929,121**	3,486,613,027
		₱5,166,220,942	₱5,190,998,987

	Notes	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	16	**₱433,817,766**	₱417,505,716
Short-term debt	17	**568,000,000**	544,500,000
Current portion of long-term debt	17	**347,810,501**	390,139,290
Deposit from customers	29	**66,166,853**	57,188,217
Subscription payable	10	**164,505**	164,505
Total Current Liabilities		**1,415,959,625**	1,409,497,728

(Forward)

(Carryforward)

	Notes	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Noncurrent Liabilities			
Long-term debt – net of current portion	17	**₱334,110,554**	₱502,559,746
Retirement liability	25	**26,809,512**	26,809,512
Deferred tax liabilities	27	**69,866,992**	74,109,199
Total Noncurrent Liabilities		**430,787,058**	603,478,457
Total Liabilities		**1,846,746,683**	2,012,976,185
Equity	31		
Equity attributable to equity holders of Parent Company			
Share capital	19	**2,477,668,925**	2,477,668,925
Additional paid-in capital	19	**637,968,859**	637,968,859
Retained earnings		**433,654,879**	259,592,539
Treasury shares, at cost		**(1,014)**	(1,014)
Net cumulative unrealized gain on fair value of available-for-sale investments	10	**(225,290,784)**	(189,358,490)
Net cumulative remeasurement loss on retirement benefits	25	**(14,841,898)**	(14,841,898)
Cumulative foreign translation		**6,811,063**	3,480,210
		3,315,970,030	3,174,509,131
Non-controlling interests		**3,504,229**	3,513,672
Total Equity		**3,319,474,259**	3,178,022,802
		₱5,166,220,942	₱5,190,998,987

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Philippine Pesos)

	Notes	**For the quarter ending June 30** **2018 (Unaudited)**	2017 (Unaudited)	**Year-to-Date** **6/30/2018 (Unaudited)**	06/30/2017 (Unaudited)
REVENUES					
Sales	20	**₱178,485,409**	₱88,279,851	**₱382,385,384**	₱197,614,162
Financial income	21	**1,258,300**	1,103,363	**2,460,795**	2,879,512
Rental income	20, 26	**129,315**	1,833,322	**413,178**	2,068,630
Equity in net income of an associate		**86,627,255**	28,890,878	**127,793,667**	50,620,651
Gain on sale of shares		**4,307,330**	143,023,837	**28,978,600**	172,631,541
Gain on sale of property and equipment		**2,966,668**	–	**2,966,668**	–
Dividend Income	11	**2,372**	(1,076,400)	**2,372**	–
Others	22	**2,843,617**	4,034,639	**35,257,282**	4,271,033
		₱276,620,265	₱266,089,489	**₱580,257,945**	₱430,085,529
COST AND EXPENSES					
Cost of sales and services	23	**₱110,673,740**	₱47,655,214	**₱230,596,937**	₱102,713,219
General and administrative	24	**60,614,074**	56,127,764	**108,866,275**	92,422,340
Finance costs	17	**20,610,034**	22,020,486	**40,695,927**	39,527,428
Marketing		**12,351,030**	8,445,879	**23,756,987**	16,748,509
		204,248,878	134,249,343	**403,916,126**	251,411,496
INCOME BEFORE INCOME TAX		**72,371,387**	131,840,146	**176,341,819**	178,674,033
INCOME TAX EXPENSE (BENEFIT)	27				
Current		**4,105,569**	(8,417,277)	**13,139,507**	5,051,811
Deferred		**(8,270,630)**	(9,173,339)	**(10,850,590)**	(15,431,242)
		(4,165,061)	(17,590,616)	**2,288,917**	(10,379,431)
NET INCOME		**₱76,536,448**	₱149,430,762	**₱174,052,902**	₱189,053,464
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		**₱76,528,726**	₱149,424,899	**₱174,062,340**	₱189,046,342
Non-controlling interests		**7,722**	5,863	**(9,438)**	7,122
		₱76,536,448	₱149,430,762	**₱174,052,902**	₱189,053,464
BASIC AND DILUTED EARNINGS PER SHARE	28				
Attributable to:					
Equity holders of the Parent Company		**₱0.03089**	₱0.07186	**₱0.07025**	₱0.09091

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

		For the quarter ending June 30		Year-to-Date	
	Note	**2018 (Unaudited)**	2017 (Unaudited)	**6/30/2018 (Unaudited)**	6/30/2017 (Unaudited)
NET INCOME		**₱76,536,448**	₱149,430,762	**₱174,052,902**	₱189,053,464
OTHER COMPREHENSIVE INCOME					
Unrealized gain on available-for-sale investments	10	**(35,574,391)**	(46,086,577)	**(6,953,694)**	(364,190,611)
Translation gain (loss)		**1,398,142**	328,002	**6,811,063**	328,002
COMPREHENSIVE NET INCOME (LOSS)		**₱42,360,199**	₱103,672,187	**₱173,910,271**	(₱174,809,145)
Attributable to:					
Equity holders of the Parent Company		**₱42,352,477**	₱103,666,324	**₱173,919,709**	(₱174,816,266)
Non-controlling interests		**7,722**	5,863	**(9,438)**	7,122
		₱42,360,199	₱103,672,187	**₱173,910,271**	(₱174,809,145)

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 06/30/2018 (Unaudited)**	As of 06/30/2017 (Unaudited)	As of 12/31/2017 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				
CAPITAL STOCK - ₱1 par value	19			
Authorized – 3,300,000,000 shares in 2018 and 2017				
Subscribed – 2,477,668,925 in 2018 and 2017				
Balance at beginning of year		**₱2,477,668,925**	₱1,732,866,536	₱1,732,866,536
Issuances during the year	37	**–**	346,572,301	744,802,389
Balance at end of year		**2,477,668,925**	2,079,438,837	2,477,668,925
ADDITIONAL PAID-IN CAPITAL	19			
Balance at beginning and end of year		**637,968,859**	586,198,947	586,198,947
Additions during the year		–	–	51,769,912
Balance at end of year		**637,968,859**	586,198,947	637,968,859
STOCK DIVIDEND DISTRIBUTABLE				
Balance at beginning of year		–	346,573,104	346,573,104
Stock dividend distributed during the year		–	(346,573,104)	(346,573,104)
Balance at end of the period		–	–	–
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		**259,592,539**	(61,743,400)	(61,743,399)
Net profit during the year		**174,062,340**	189,046,342	299,590,438
Increase due to:				
Consolidated subsidiaries		–	25,233,000	–
Acquisition during the year		–	–	21,745,500
Balance at end of year	32	**433,654,879**	152,535,942	259,592,539
TREASURY SHARES, AT COST	37	**(1,014)**	(1,014)	(1,014)
NET CUMULATIVE UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS				
Balance at beginning of year		**(189,358,490)**	424,459,419	424,459,419
Net change in unrealized gain (loss) during the year	10	**(6,953,694)**	(364,190,611)	(347,980,348)
Realized gain on sale of AFS		**(28,978,600)**	(128,701,643)	(265,837,561)
Balance at end of year		**(225,290,784)**	(68,432,835)	(189,358,490)

(Forward)

(Carryforward)

	Note	**As of 06/30/2018 (Unaudited)**	As of 06/30/2017 (Unaudited)	As of 12/31/2017 (Audited)
NET UNREALIZED TRANSLATION GAIN		**₱6,811,063**	₱328,002	₱3,480,210
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS	25			
Balance at beginning of year		**(14,841,898)**	(13,629,399)	(13,629,399)
Remeasurement gain (loss) during the year		–	–	(1,212,499)
Balance at end of year		**(14,841,898)**	(13,629,399)	(14,841,898)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT		**6,811,063**	–	3,480,210
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		**3,309,158,967**	2,736,438,480	3,174,509,131
NON-CONTROLLING INTERESTS				
Balance at beginning of year		**3,513,671**	3,522,220	3,522,220
Increase (decrease) during the year		**(9,422)**	7,122	(8,549)
Balance at end of year		**3,504,229**	3,529,342	3,513,671
		₱3,319,474,259	₱2,739,967,822	₱3,178,022,802

See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Philippine Pesos)

		Three months ended June 30		Year-to-date	
	Note	**2018 (Unaudited)**	2017 (Unaudited)	**6/30/2018 (Unaudited)**	6/30/2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax and non-controlling interest		**₱72,371,387**	₱131,605,146	**₱176,341,819**	₱178,674,033
Adjustments for:					
Gain on sale of available for sale investment	10	**(4,307,330)**	(143,023,837)	**(28,978,600)**	(172,631,541)
Discount on long-term debt		–	8,206,727	–	8,206,727
Property and equipment	13	**(2,966,668)**	–	**(2,966,668)**	–
Equity in net profit of an associate	12	**(86,627,254)**	(28,890,878)	**(127,793,667)**	(50,620,651)
Finance costs	17	**20,610,034**	22,020,486	**40,695,927**	39,527,428
Depreciation and amortization	13, 14	**1,102,537**	4,337,654	**5,753,899**	8,832,802
Financial income	21	**(1,258,299)**	(1,103,363)	**(2,460,795)**	(2,879,512)
Provision for retirement benefits	25		3,922,626	–	3,922,626
Amortization of leasehold rights	16	**(105,830)**	309,426	**203,592**	618,846
Cumulative foreign translation		**(574,372)**	–	**(2,067,684)**	–
Increase in equity due to consolidation of subsidiary		**–**	25,233,000	–	25,233,000
Unrealized foreign exchange loss	30	**(13,885,721)**	(89,360)	**(13,885,721)**	(89,360)
Operating income before working capital changes		**(15,641,516)**	22,527,627	**44,842,102**	38,794,398
Decrease (increase) in:					
Accounts receivable	7	**(27,799,065)**	(51,844,117)	**11,687,706**	(45,426,953)
Inventories	8	**7,364,274**	191,547,633	**15,236,767**	-
Prepayments and other current assets	9	**2,542,438**	30,381,241	**28,189,682**	29,654,188
Real estate held for sale	8	**(24,570,255)**	(16,746,626)	**(5,260,902)**	5,179,823
Increase (decrease) in:					
Accounts payable and accrued expenses	16	**104,020,104**	-	**16,708,573**	177,119,940
Deposit from customers	20	**33,737,285**	(8,284,887)	**8,978,635**	(4,717,390)
Cash provided by operations		**79,653,265**	167,580,871	**120,382,563**	200,604,006
Interest received		**1,258,299**	1,103,363	**2,460,795**	2,879,512
Income tax paid		**(7,970,816)**	(11,816,679)	**(16,883,464)**	(14,662,042)
Net cash provided by operating activities		**72,940,748**	156,867,555	**105,959,894**	188,821,476

(Forward)

(Carryforward)

	Note	Three months ended June 30 2018 (Unaudited)	2017 (Unaudited)	Year-to-Date 6/30/2018 (Unaudited)	6/30/2017 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to:					
Property and equipment	13	**(₱2,106,183)**	(₱15,623,622)	**(₱10,657,548)**	(₱18,838,403)
Leasehold rights		**415,255**	–	**415,255**	–
Land and improvements	13	**(112,314)**	(16,582)	**(129,601)**	(48,323)
Refundable deposits		**3,699,948**	(8,137,823)	**(5,659,873)**	(21,963,580)
Investment in an associate		**–**	(75,699,504)	**–**	(75,699,504)
Investment Properties		**–**	415,393	**–**	415,392
Decrease (increase) in:					
Proceeds from sale of Available for sale investments	10	**10,472,330**	101,600,226	**72,525,600**	176,600,230
Advances made to related parties	18	**(6,740,431)**	(11,856,400)	**17,090,021**	(11,856,400)
Proceeds from sale of property and equipment	13	**4,092,406**	–	**4,092,406**	126,017
Net cash provided (used) in investing activities		**9,721,011**	(9,318,312)	**77,676,260**	48,735,430
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Short-term debt	17	**(1,500,000)**	(58,389,555)	**(6,500,000)**	(78,302,055)
Long-term debt	17	**(118,276,208)**	(69,157,924)	**(218,423,279)**	(182,159,574)
Proceeds from:					
Short-term debt	17	**–**	60,278,000	**30,000,000**	120,278,000
Long-term debt	17	**–**	22,180,469	**7,645,298**	44,180,469
Finance cost paid	17	**(21,588,308)**	(24,787,034)	**(41,092,451)**	(52,766,404)
Net cash used in financing activities		**(138,364,516)**	(69,876,044)	**(228,370,432)**	(148,769,564)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6	**13,885,721**	89,360	**13,885,721**	89,360
TRANSLATION GAIN/ LOSS		**–**	328,002	**–**	328,002
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(41,817,036)**	78,090,561	**(30,848,557)**	89,204,704
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		**104,781,031**	59,945,654	**93,812,552**	48,831,511
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	6	**₱62,963,995**	₱138,036,215	**₱62,963,995**	₱138,036,215

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

A Brown Company, Inc. (Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as 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 June 30, 2018.*

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 president 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 was increased 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.

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 2018, 2017 and 2016.

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	**2018**	2017
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**	100

**Has not yet started commercial operations as of June 30, 2018.*

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 June 30, 2018 and December 31, 2017.

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 June 30, 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 June 30, 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 June 30, 2018, ABBWCI has not started its operations.

Investment in MCPI
In 2007, the Parent Company invested ₱4.9 million in MCPI representing 49% equity holdings. However, control over the operating and financial policies of MCPI is exercised by the Parent Company through its representations in the BOD. Accordingly, MCPI qualifies as a subsidiary of the Parent Company. The financial statements of MCPI as at and for each years ended June 30, 2018 & December 31, 2017 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 June 30, 2018 and December 31, 2017.

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.

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3. Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial year except for the following amended PFRS, amended PAS and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) which became effective in 2018:

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

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

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

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with

the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

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

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

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

- PFRS 9, *"Financial Instruments: Classification and Measurement"*
  PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

  The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. The Company is currently assessing the impact of this new standard to its financial statements.

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

- 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. The amendments should be applied retrospectively, with earlier application permitted.

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

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

  The amendment is not expected to have a significant impact on the Groups' financial statements.

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

- Amendments to PFRS 1, *"Deletion of Short-term Exemptions for First-time Adopters"* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  This is not applicable to the Group as it is not a first-time adopter.

Effective in 2019

- PFRS 16, *"Leases"*

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

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

Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Management will continuously assess the impact of this interpretation. Currently, management believes that the adoption of the interpretation will have no a significant impact on the Group's financial statements.

- PFRS 10, *"Consolidated Financial Statements" and PAS 28, "Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is a housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are currently not expected to have significant impact on the Group's financial statements.

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

4. **Summary of Significant Accounting and Financial Reporting Policies**

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the Consolidated Statements of financial position based on whether it is current and noncurrent.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

All other liabilities are classified as noncurrent.

Fair Value Measurement

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Financial Assets and Liabilities

Date of recognition

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

Initial recognition

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

Determination of fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques.

Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Financial Assets

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

- *Financial asset at fair value through profit or loss (FVPL)*

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

As at June 30, 2018 & December 31, 2017, the Group has no financial asset at FVPL.

- *Loans and receivables*

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

  Such assets are carried initially at cost and at amortized cost subsequent to initial recognition in the Consolidated Statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as noncurrent assets.

  As at June 30, 2018 and December 31, 2017, the Group's cash on hand and in banks, receivables (including advances to employees for car loans; excluding advances to suppliers and contractors), notes receivable, due from a related party, investments and deposits and refundable deposits under noncurrent assets are included in this category (see Notes 6, 7, 12, 18 and 29).

- *Held-to-maturity investments*

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

  As at June 30, 2018 and December 31, 2017, the Group has no held-to-maturity investments.

- *Available-for-sale financial assets*

  Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Consolidated Statements of income.

  The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include reference to recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

  The Group's investment in shares of stocks in golf, sports and country clubs, listed and non-listed companies which the Group does not have significant influence and control are included in this category (see Note 10).

<u>*Financial Liabilities*</u>

- *Financial liabilities at FVPL*

  Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category. As at June 30, 2018 and December 31, 2017, the Group has no financial liabilities at FVPL.

- *Other financial liabilities*
  This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. As at June 30, 2018 and December 31, 2017, these include liabilities arising from operations (e.g. accounts payable and accrued expenses including payable to related parties, if any; excluding statutory regulated payables) or borrowings (e.g., short term and long-term debt), and subscription payable (see Notes 10, 17 and 18).

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

  The Group's accounts payable and accrued expenses, short-term and long-term debt, and subscription payable are included in this category (see Notes 16, 17 and 18).

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

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

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

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

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

- *Available-for-sale financial assets.* If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the Consolidated Statements of income, is transferred from consolidated equity to the Consolidated Statements of income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the Consolidated Statements of income. For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Consolidated Statements of income, is removed from consolidated equity and recognized in the Consolidated Statements of income. Impairment losses on equity investments are not reversed through the Consolidated Statements of income; increases in their fair value after impairment are recognized directly in consolidated equity.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in Consolidated Statements of income.

Classification of Financial Instrument between Debt and Equity

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

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

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

Offsetting Financial Instruments

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

Cash and Cash Equivalents

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

Advances to Suppliers and Contractors

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

Advances to Officers and Employees

Advances to employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are subsequently applied to the related assets, costs or expenses incurred. Current noninterest–bearing advances to employees for personal cash advances, if any, are stated at the expected cash consideration to be received.

Real Estate Held for Sale and Land and Improvements

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

Inventories

Inventories are initially recorded at cost. Cost consists of direct costs in bringing the inventories to their present location and condition. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value.

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

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

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

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

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

Prepayments and Other Current Assets

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

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

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

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

Prepayments and other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset. Prepayments and other current assets are stated at their realizable value (cost less impairment).

Deferred Input VAT

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

Investment in an Associate

Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for under the equity method. Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. Any excess of the fair value of the identifiable assets, liabilities and contingent liabilities and assets of the investee company over cost is included in the determination of the Group's share of the profit or loss in the period in which the investment is acquired.

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

Investment Properties

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

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

Investment properties are derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the Consolidated Statements of income in the year of retirement or disposal. Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from owner-occupied property to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property. Transfers to or from investment properties are measured at the carrying value of the assets transferred.

Property and Equipment

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

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

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over their estimated lives or term of the lease, whichever is shorter, crushing equipment included in machinery and equipment, which is depreciated using units of production method based on estimated recoverable reserves, and bearer plants which are depreciated based on output method:

Category	Estimated useful life
Refined bleached deodorized (RBD) and fractionation machineries	2 to 25 years
Land improvements	1 to 10 years
Building and improvements	10 to 20 years
Leasehold improvements	2 to 5 years
Machinery and equipment	2 to 10 years
Furniture, fixtures and equipment	2 to 9 years
Transportation equipment	2 to 5 years
Tools and other equipment	2 to 5 years
Other assets	3 to 5 years

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statements of income in the year the asset is derecognized.

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the Consolidated Statements of income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. The intangible asset recognized and determined by the Group has finite useful lives and represents leasehold rights.

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

Goodwill

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

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

Investments and Deposits

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

Impairment of Non-financial Assets

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

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

<u>Equity</u>
Capital stock is determined using the nominal value of shares that have been issued.

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

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

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

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

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

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

Non-controlling Interests

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

Earnings (loss) per Share (EPS)

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

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

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue, related cost incurred or to be incurred/cost to complete the transactions can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any value added taxes. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of real estate*

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

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

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

- *Sale of goods (e.g. crude palm oil, agricultural produce, food and beverage items)* Revenue is recognized when the risks and rewards are transferred to the buyer, specifically, upon delivery or shipment of goods to customers.

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

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

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

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

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

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

- *Penalties, surcharges and other income*
  Revenue is recognized as this accrues.

- *Income from forfeited deposits*
  Revenue is recognized when the customer cancel their reservation as this accrues in accordance with the substance of agreement relative to the receipt of deposit.

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

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

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

<u>Pre-operating Expenses</u>
Pre-operating expenses are charged to expense as incurred.

<u>VAT</u>
Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which

case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

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

<u>Operating Lease</u>
Group as a lessee
Leases of assets under which the lessor effectively retains all the risks and reward of ownership are classified as operating lease. Operating lease payments are recognized as expense in the Consolidated Statements of income on a straight-line basis over the lease term. Associated costs such as repairs and maintenance and business taxes are expensed when incurred.

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

<u>Employee Benefits</u>
Short-Term Benefits
Short-term employee benefits are recognized as expense at undiscounted amount expected to be paid in exchange of service in the period when the economic benefits are given. Unpaid benefits at end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term employee benefits given by the Company includes salaries and wages, life and health insurances, social security system contributions, short-term compensated absences, bonuses and other non-monetary benefits.

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

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

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

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

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

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

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

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

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

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

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

All other borrowing costs are expensed as incurred.

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine Pesos, which is the Group’s functional and presentation currency. Items included in the consolidated financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as at the financial reporting date. Gains or losses arising from these transactions and translations are recognized in the Consolidated Statements of income.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Tax

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

Current income tax

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

Deferred income tax

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

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

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

Provisions

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

Contingencies

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

Segment Reporting

For management purposes, the Group is organized into six (6) major operating businesses which comprise the bases on which the Group reports its primary segment information. Financial information on business segments is presented in Note 33. The Group has no geographical segments as all of the companies primarily operate in the Philippines only.

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at date of the consolidated financial statements. Actual results could differ from such estimates, and such estimates will be adjusted accordingly.

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

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

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

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

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

- *Real Estate Revenue and Cost Recognition*
  In determining whether economic benefits will flow to the Group and the revenue can be reliably measured, the Group assesses certain judgments based on buyers' commitment on sale which may be ascertained through the significance of the buyer's initial down payment, and stage of completion of the project development. Total costs of property development are based on cost estimates made by the Group's technical personnel made in concurrence with management. These estimated costs are reviewed at least annually and are updated if expectations differ from previous estimates. Changes are mainly due to adjustments in development plan, materials and labor prices.

Also, the Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate sales are recognized based on the percentage-of-completion and the completion rate is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of projects. Revenue and costs from sale of real estate are shown in Notes 20 and 23, respectively.

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

  The summary of the carrying values and fair values of the Group's financial instruments as at June 30, 2018 and December 31, 2017 is shown in Note 29.

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

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

  Rental expense and income for June 30, 2018 and December 31, 2017 are shown in Notes 24 and 26.

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

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

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

- *Operating Lease Commitments – the Group as a Lessee*
  The Group has entered into various lease agreements as a lessee. Management has determined that all the significant risk and benefits of ownership of the properties, which the Group leases

under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

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

- *Measurement of Refundable Deposits and Utility Deposits*
  The fair value of refundable deposits under noncurrent assets which significantly include utility deposits are not readily determinable nor reliably measured because the actual timing of receipt is linked to the cessation of the service of the utility or service entities to the Group which cannot be reasonably predicted. Accordingly, the refundable deposits are carried at cost less any impairment. The carrying value of refundable deposits shown under noncurrent assets amounted to ₱18,122,746 and ₱12,462,873 as at June 30, 2018 and December 31, 2017, respectively.

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

- *Estimation of Allowances for Impairment of Receivables and Deposits*
  Recoverability of specific receivables including amounts due from related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible. In the case of refundable utility deposits, the Group considers the utility service companies' ability to continuously provide the services. Any increase in impairment on financial assets would increase operating expenses and decrease the related accounts.

  The Group's allowance for doubtful accounts amounted to ₱474,380 as at June 30, 2018 and December 31, 2017, respectively (see Note 7). The carrying values of receivables and notes receivable as at June 30, 2018 and December 31, 2017 are shown in Notes 7 and 8, respectively.

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

  The carrying values of available-for-sale investments amounted to ₱377.5 million and ₱457.0 million as at June 30, 2018 and December 31, 2017, respectively (see Note 10).

- *Estimation of Useful Lives of Certain Assets*
  The Group estimates the useful lives of investment properties, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The useful lives of intangible assets are assessed at the individual asset level as having

either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets, if any. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by any changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment properties, property and equipment and intangible assets would increase recorded operating expenses and decrease the related noncurrent assets. There were no significant changes on the estimated useful lives of the abovementioned assets.

The carrying values of the Group's depreciable investment properties, property and equipment, and leasehold rights as at June 30, 2018 and December 31, 2017 are shown in Notes 12, 13 and 15, respectively.

As at June 30, 2018 and December 31, 2017, the Group's property and equipment have no residual values.

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

  As at June 30, 2018 and December 31, 2017, the carrying values of real estate held for sale, inventories and land and improvements are shown in Notes 8 and 14, respectively.

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

  The carrying amounts of prepayments and other current assets, investment in associates, investment properties, property and equipment, and leasehold rights are disclosed in Notes 9, 11, 12, 13, and 15 respectively.

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

  The assumptions for obligations and cost of retirement benefits are described in Note 26, and include among others, discount rates and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's retirement obligations. Any changes in assumptions would increase or decrease the net retirement liability and the amount recognized in total comprehensive income.

  Retirement liability amounted to ₱26.8 million as at June 30, 2018 and December 31, 2017, respectively (see Note 25).

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

  The Group's deferred income tax assets amounted to ₱45.0 million and ₱38.4 million as at June 30, 2018 and December 31, 2017, respectively. The Group's deferred tax liabilities amounted to ₱69.9 million and ₱74.1 million as at June 30, 2018 and December 31, 2017, respectively (see Note 27).

- *Estimation of Provisions for Contingencies*
  The estimate of the probable costs for the resolution of possible third party claims including current tax assessments, if any, is developed in consultation with outside consultant handling the Group's defense on these matters and is based upon an analysis of potential results. When management and its outside consultant/legal counsel believe that the eventual liabilities under these claims, if any, will not have material effect on the Group's consolidated financial statements, no provision for probable losses is recognized in the Group's consolidated financial statements. The Group has an outstanding assessment for taxable year 2011 from the Bureau of Internal Revenue amounting to ₱24.9 million. The Group protested such assessment which was re-investigated. On August 16, 2016, the Group received the Final Assessment Notice amounting to ₱3.1 million which was recognized in the Group's consolidated financial statements in 2017.

- *Estimation of Production and Amortization of Bearer plants*
  The total estimated production of the Group's bearer plants is based on the expected crop yield over its expected lifespan which is patterned on the scientific studies conducted on neighboring countries wherein similar biological assets are also grown. Unit-of-harvest method is used in determining the periodic amortization over the estimated yield of the crops over its life span. Any decrease in estimated production would increase the amortization per unit and decrease related assets.

  As at June 30, 2018 and December 31, 2017, the net carrying value of the Group's bearer plants reported under property and equipment, amounted to ₱445.5 and ₱439.1 million, respectively (see Note 13).

6. **Cash**

This account consists of:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Cash on hand	**₱1,797,836**	₱881,666
Cash in banks	**61,166,159**	92,930,886
	₱62,963,995	₱93,812,552

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 ₱1,862,868 and ₱13,183,700 as at June 30, 2018 and December 31, 2017, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of ₱53.522/$1.00 and ₱49.923/$1.00 as at June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017, total cash in bank set-aside as project deposit account amounted to ₱4.5 million and ₱6.4 million, respectively.

Financial income recognized in the consolidated statements of income on cash in banks amounted to ₱40,139 and ₱436 for the quarters ending June 30, 2018 and June 30, 2017 respectively (see Note 21).

7. **Accounts Receivable**

This account consists of:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Contract receivables on sale of real estate	**₱333,077,839**	₱332,736,812
Trade receivable	**8,889,820**	11,134,814
Advances to officers and employees	**1,752,645**	2,838,371
Others	**67,184,405**	75,882,418
Total receivables	**410,904,709**	422,592,415
Allowance for doubtful accounts	**(474,380)**	(474,380)
	410,430,329	422,118,035
Noncurrent portion of receivables:		
Contract receivables on sale of real estates	**(218,452,874)**	(139,171,066)
	₱191,977,455	₱282,946,969

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 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 on contract receivables on sale of real estate amounted to ₱1.2 million and ₱1.8 million for the second quarter in 2018 and 2017, respectively (see Note 21).

No contract receivables on sale of real estate are collateralized as of June 30, 2018 and December 31, 2017.

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

Other receivables are interest-free. These include receivables from various companies for the sale of available-for-sale investments in 2008 and various advances to suppliers and contractors in 2017 and 2016. Other receivables amounting to ₱474,380 million as of June 30, 2018 and December 31, 2017, were impaired and fully provided for.

There was no additional provision for doubtful accounts in the second quarter of 2018.

8. Real Estate Held for Sale

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

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Land	**₱250,567,023**	₱186,707,747
Development cost and materials	**616,179,787**	590,039,757
	₱866,746,810	₱776,747,504

Real estate held for sale with carrying value of ₱523.2 million and ₱405.5 as of June 30, 2018 and December 31, 2017, respectively, are collateralized to the loans obtained from UCPB, AUB, BPI, BPIF, UBP, and DBP (see Note 17).

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

The Group reclassified land and improvements with a total cost of ₱10.0 million and ₱55.6 million to real estate held for sale in June 30, 2018 and December 31, 2017, respectively (see Note 14). The Group also reclassified investment properties amounting to ₱12.1 million to real estate held for sale (see Note 12). In 2017, real estate held for sale amounting to ₱5.8 million was reclassified to land and improvements. The reclassifications have no impact on the consolidated statements of cash flows.

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

a. Inventories

This account consists of:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Crude palm oil	**₱10,056,882**	₱27,331,496
Palm Olein	**20,628,865**	21,660,351
Refined bleached deodorized oil	**23,115,806**	19,427,826
Palm Stearin	**8,026,078**	9,043,073
Palm acid oil and fatty acid distillate	**6,096,759**	5,803,530
Fresh fruit bunches	–	1,442,996
Supplies and materials	**54,305**	230,294
Palm kernels	–	3,625
Fertilizers	**1,727,729**	–
	₱69,706,424	₱84,943,191

b. Prepayments and Other Current Assets

This account consists of:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Deposit for land acquisition	**₱98,233,487**	₱106,758,303
Creditable withholding taxes	**86,904,853**	83,160,895
Value-added input taxes	**44,684,832**	45,146,398
Other deposits	**11,418,233**	41,105,888
Prepaid expenses	**28,589,052**	24,541,757
Supplies and materials	**–**	2,065,802
	₱269,830,457	₱302,779,043

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

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

10. **Available-for-Sale Investments**

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

	As of 06/30/2018 (Unaudited)			
	Golf, Sports and Country Clubs	Non-listed Companies	Listed Companies	Total
Carrying value:				
Balance at beginning of year	₱115,979,001	₱11,881,018	₱329,154,368	₱457,014,387
Cost of sold investment during the year	–	–	(43,547,000)	(43,547,000)
Realized gain from disposal	–	–	(28,978,600)	(28,978,600)
Unrealized gain on fair value	–	–	(6,953,693)	(6,953,693)
Balance at end of year	₱115,979,001	₱11,881,018	₱249,675,075	₱377,535,095

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

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

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

  The related subscriptions payable on the above investments in listed companies amounted to ₱164,505 as of June 30, 2018 and December 31, 2017, respectively.

  In 2017, the Group sold its 176,236,000 shares and 278,469,784 shares of Apex Mining Company, Inc. (APX) and Phil. Realty & Holdings Corporation (RLT) investments, listed companies, for ₱311.4 million and ₱146 million, respectively. Total gain recognized wass₱265.8 million. As of June 2018, the Group sold 53,897,000 APX shares with a total gain of ₱29.0 million.

- On November 29, 2011, the Group acquired investment in shares of stock of Phigold Limited (Phigold), with 22.87% ownership wherein it exercises significant influence over its operations. The acquisition cost equals the fair value of the net assets acquired. The Group reclassified its investment in shares of stock of Phigold Limited amounting to ₱209.0 million previously recognized as investment in associate into available-for-sale investment after losing significant influence in 2013. As of December 31, 2014, the Group's equity interest in Phigold was reduced to 18.70% with the entry of new investors. As of December 31, 2017, the Group's equity interest to Phigold remains at 18.70%.

The net change in unrealized gain (loss) on available-for-sale investments are as follows:

	June 30, 2018 (Unaudited)	2017
Balance at the beginning of the year	**(₱189,358,490)**	₱424,459,419
Net unrealized gain (loss) on fair value during the year	**(6,953,696)**	(347,980,348)
Net unrealized loss on fair value of sold investments removed from equity and included in profit or loss	**(28,978,600)**	(265,837,561)
Balance at end of year	**(₱225,290,786)**	(₱189,358,490)

11. **Investment in Associates**

This account consists of the Group's investments in the following companies as of June 30, 2018 and December 31, 2017.

	Percentage of ownership		Amount	
	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)	**As of 06/30/2018 (Unaudited)**	As of 12/31/2017 (Audited)
PCPC	20.00%	20.00%	**₱945,395,423**	₱849,284,689
PEI	20.00%	20.00%	**201,806,692**	169,590,597
EWRTC	33.33%	33.33%	**59,200,342**	54,334,967
			₱1,206,402,457	₱1,073,210,253

The roll-forward analysis of this account follows:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Carrying value at beginning of year	**₱1,073,210,253**	₱906,306,991
Equity in net income (loss) for the year	**127,793,667**	92,018,263
Foreign currency translation adjustment	**5,398,537**	–
Acquisition during the year	**–**	74,884,999
Carrying value at end of year	**₱1,206,402,457**	₱1,073,210,253

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

  Total deposit for future stock subscriptions to PEI amounted to ₱63.8 million as of December 31, 2013. In 2014, the deposits of ₱63.8 million were applied to subscription of PEI's capital stock. The Parent Company holds 20% equity ownership as of June 30, 2018 and December 31, 2017.

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

ACEHI in PCPC and PCLHC in 2013 bringing its interest to 70%. OKL subscribed to the 30.46% equity interest of PCPC from the PTCHC.

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

After the merger of PCPC and PCLHC, PTCHC retained its 30% interest in the outstanding capital of PCPC. As a result of the merger and the increase in PCPC's authorized capital stock, the PTCHC's investment in PCLHC was converted to Investment in PCPC – Redeemable Preferred Share comprising of the net asset of PCLHC amounting to ₱34,634,779 and DFFS amounting to ₱35,000,000. In addition, PTCHC's DFFS in PCPC amounting to ₱91,373,331 was converted to Investment in PCPC - Common Shares while another DFFS amounting to ₱412,113,000 was converted to Investment in PCPC - Preferred Shares. Total costs of the investment including direct costs fees related to the acquisition of such investment totaled ₱1,173,510,918 as of December 31, 2016. As of June 30, 2018, the subscription payable related to the above investment amounted to ₱ 164,505.

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

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

Type of Shares	PCPC	PEI
Common	210,000,000	40,000,000
Redeemable Preferred	647,200,000	70,000,000
Total	857,200,000	110,000,000

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

The financial information of the associates is summarized below:

a. PCPC

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Total Assets		
Current Assets	**₱3,712,242,578**	₱2,963,388,267
Noncurrent Assets	**11,228,662,601**	11,651,808,955
	₱14,940,905,179	₱14,615,197,222
Total Liabilities		
Current Liabilities	**₱1,644,643,028**	₱1,822,568,946
Noncurrent Liabilities	**8,931,283,837**	8,914,743,521
	₱10,575,926,865	₱10,737,312,467
Total Equity		
Capital stock	**₱4,286,000,000**	₱4,286,000,000
Retained earnings	**78,978,314**	(408,115,245)
	₱4,364,978,314	₱3,877,884,755
Gross revenues for the period/year	**₱2,449,683,904**	₱3,759,702,545
Net income for the period/year	**₱480,553,671**	₱385,541,829

b. PEI

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Total Assets		
Current Assets	**₱1,326,194,358**	₱807,016,560
Noncurrent Assets	**2,638,186,663**	3,142,997,759
	₱3,964,381,021	₱3,950,014,319
Total Liabilities		
Current Liabilities	**₱588,221,720**	₱1,754,220,249
Noncurrent Liabilities	**2,293,409,232**	1,274,665,368
	₱2,881,630,952	₱3,028,885,617
Total Equity		
Capital stock	**₱550,000,000**	₱550,000,000
Retained earnings	**532,750,069**	371,128,702
	₱1,082,750,069	₱921,128,702
Gross revenues for the period/year	**₱446,371,393**	₱613,785,445
Net profit for the period/year	**₱161,080,477**	₱177,299,645

c. EWRTC

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Total Assets		
Current Assets	**$760,229**	$1,839,068
Non Current Assets	**362**	-
	$760,591	$1,839,068
Total Liabilities		
Current Liabilities	**$4,787,023**	$5,835,442
Total Equity		
Capital stock	**$3,000,030**	$3,000,030
Share premium	**500,000**	500,000
Retained earnings	**(7,526,462)**	(7,496,404)
	($4,026,432)	($3,996,374)
Gross revenues for the period/year	**$17**	$1,594,004
Net profit (loss) for the period/year	**($29,804)**	$1,222,500

12. **Investment Properties - Net**

This account consists of:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Properties held for capital appreciation – net	**₱104,059,571**	₱170,223,894
Properties held under lease	**1,610,064**	1,610,064
	₱105,669,635	₱171,833,958

Investment properties are stated at cost less any impairment. Investment properties have a fair market value of about ₱329.8 million and ₱395.9 million as of June 30, 2018 and December 31, 2017, respectively, as determined by an independent firm of appraisers. The excess of the fair market value over the carrying amount of the asset is not recognized in the consolidated financial statements.

The rollforward analysis of properties held for capital appreciation as of June 30, 2018 and December 31, 2017 follows:

	Land and improvements	
	As of June 30, 2018 (Unaudited)	As of December 31, 2017 (Audited)
Cost:		
Balance at beginning of year	₱170,223,894	₱182,577,374
Adjustment	–	(415,393)
Additions	–	175,874
Reclassifications	(66,164,323)	(12,113,961)
Net carrying value	₱104,059,571	₱170,223,894

The disposals in 2016 include sale of building located in Davao City and land properties which resulted to a total gain of ₱2.4 million, and sale of land and building at the carrying value of ₱12.5 million.

In 2017, the Parent Company reclassified investment properties to real estate held for sale amounting to ₱12.1 million (see note 8).

The details of the properties held under lease follows:

	As of June 30, 2018 (Unaudited)		
	Land	Building and improvements	Total
Cost:			
Balance at beginning and end of year	₱1,610,063	₱1	₱1,610,064
Accumulated depreciation:			
Balance at beginning of year	–	–	–
Additions	–	–	–
Balance at end of year	–	–	–
Net carrying value	₱1,610,063	₱1	₱1,610,064

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

In 2016, the Group sold land, land and improvements, and building and improvements which resulted to a gain of ₱70.0 million.

Rental income generated from investment properties held under lease amounted to ₱0.1 million and ₱1.8 million for the second quarter of 2018 and 2017, respectively.

The Group collateralized investment properties with a carrying amount of ₱21.2 million as of June 30, 2018 and December 31, 2017 on its long-term debts from AUB and MPI (see Note 17).

There are no restrictions on the realizability of investment properties nor on the remittance of income. There are also no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance or enhancements as of June 30, 2018 and December 31, 2017.

13. **Property and Equipment - Net**

The carrying value of this account is as follows:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Land	**₱12,967,297**	₱12,967,297
Bearer Plants	**439,081,416**	439,081,416
Refined bleached deodorized (RBD) and fractionation machineries	**250,763,325**	250,763,325
Land improvements	**2,779,368**	2,779,368
Building and improvements	**10,354,267**	11,208,749
Leasehold improvements	**10,630**	25,952
Machinery and equipment	**136,117,681**	136,962,380
Furniture, fixtures and equipment	**2,593,335**	2,083,286
Transportation equipment	**9,666,384**	5,409,400
Tools and other equipment	**280,431**	134,039
Packaging equipment	**6,894,269**	6,894,269
Other assets	**4,635,088**	4,056,098
Construction in progress	**41,555,362**	41,555,362
	₱917,698,853	₱913,920,940

Rollforward analysis of this account is shown below:

	As of June 30, 2018 (Unaudited)			
	Balance at beginning of year	Additions/ Depreciations	Disposals/ Reclassification	Balance at end of year
Cost:				
Land	₱12,967,297	₱–	₱–	₱12,967,297
Land improvements	4,003,005	–	–	4,003,005
Building and improvement	56,966,567	–	–	56,966,567
Machinery and equipment	312,972,292	2,410,714	(714,286)	314,668,721
Furniture, fixture and equipment	23,551,982	810,004	–	24,361,986
Transportation equipment	55,968,019	5,775,799	(13,575,309)	48,168,510
Tools and other equipment	3,027,479	229,669	–	3,257,148
Leasehold improvement	2,970,241	–	–	2,970,241
Construction in progress	41,555,362	–	–	41,555,362
Bearer plants	447,770,287	–	–	447,770,287
Packaging equipment	6,894,269	–	–	6,894,269
Others	37,376,614	1,431,362	–	38,807,976
RBD/ Fractionation Machineries	253,042,963	–	–	253,042,963
	1,259,066,377	10,657,548	(14,289,594)	1,255,434,332
Accumulated depreciation and amortization:				
Land improvements	1,223,637	–	–	1,223,637
Building and improvement	45,757,818	854,482	–	46,612,300
Machinery and equipment	176,009,912	2,801,545	(260,417)	178,551,040
Furniture, fixture and equipment	21,468,696	299,955	–	21,768,651
Transportation equipment	50,558,619	719,113	(12,775,606)	38,502,126
Tools and other equipment	2,893,440	83,277	–	2,976,717
RBD and fractionation machineries	2,279,638	–	–	2,279,638
Bearer plants	8,688,871	–	–	8,688,871
Leasehold improvement	2,944,289	15,322	–	2,959,611
Others	33,320,517	980,204	(127,833)	34,172,888
	345,145,437	5,753,899	(13,163,856)	337,735,479
Net carrying value	₱913,920,940	₱4,903,649	₱(1,125,738)	₱917,698,853

	As of December 31, 2017 (Audited)			
	Balance at beginning of year	Additions/ Depreciations	Disposals/ Reclassification	Balance at end of year
Cost:				
Land	₱12,967,297	₱–	₱–	₱12,967,297
Bearer plants	442,029,650	5,740,637	–	447,770,287
RBD and fractionation machineries	252,770,963	432,394	(160,394)	253,042,963
Land improvements	2,410,830	–	1,592,175	4,003,005
Building and improvements	53,831,471	–	3,135,096	56,966,567
Leasehold improvements	2,970,241	–	–	2,970,241
Machinery and equipment	301,831,042	11,141,250	–	312,972,292
Furniture, fixtures and equipment	23,177,585	374,397	–	23,551,982
Transportation equipment	52,801,367	3,847,607	(680,955)	55,968,019
Tools and other equipment	3,121,710	62,595	(156,826)	3,027,479
Packaging equipment	–	–	6,894,269	6,894,269
Other assets	35,729,358	1,695,047	(47,791)	37,376,614
Construction in progress	47,084,932	5,958,694	(11,488,264)	41,555,362
	1,230,726,446	29,252,621	(912,690)	1,259,066,376
Accumulated depreciation and amortization:				
Bearer plants	1,627,960	651,678	–	2,279,638
RBD and fractionation machineries	8,688,871	–	–	8,688,871
Land improvements	1,131,824	91,813	–	1,223,637
Building and improvements	44,606,674	1,151,144	–	45,757,818
Leasehold improvements	2,939,384	4,905	–	2,944,289
Machinery and equipment	167,968,067	8,041,845	–	176,009,912
Furniture, fixtures and equipment	20,847,146	621,550	–	21,468,696
Transportation equipment	47,495,500	3,467,437	(404,318)	50,558,619
Tools and other equipment	2,626,811	266,629	–	2,893,440
Packaging equipment	–	–	–	–
Other assets	28,565,754	4,754,762	–	33,320,516
	326,497,991	19,051,763	(404,318)	345,145,436
Net carrying value	₱904,228,455	₱10,200,858	₱(508,372)	₱913,920,940

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

As of June 30, 2018 and December 31, 2017, the Company has 85,955 palm oil trees planted on a land under leasehold (see Note 15). Amortization of bearer plants was suspended starting 2014 in Kalabugao area because of the change in estimate of the harvesting age to year 2017 based on the latest study made for the plantation in this area. The palm oil trees in Kalabugao area are considered to be commercially fruiting for a longer period from the year of planting. The amortization of bearer plants was charged to cost of sales in the consolidated statement of comprehensive income.

The Group sold property and equipment which resulted to a gain of ₱2,966,668 in 2018 and a loss of ₱29,673 in 2017.

The RBD and fractionation machineries, machineries and equipment, and land with carrying value totaling to ₱346.2 million and ₱330.6 as of June 30, 2018 and December 31, 2017 were used as collateral to the Group's loans availed from UCPB (see Note 17).

There are no contractual commitments to purchase property and equipment.

The Group's management had reviewed the carrying values of the property and equipment for any impairment as of June 30, 2018 and December 31, 2017. Based on the evaluation, there are no indications that the property and equipment might be impaired. Furthermore, there is no property whose title is restricted from use of the Group in both years.

14. Land and Improvements

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

The rollforward analysis of this account is shown below:

	As of June 30, 2018 (Unaudited)		
	Land	Improvements	Total
December 31, 2017	₱266,358,422	₱382,394,195	₱648,752,617
Reclassifications	(10,049,262)	–	(10,049,262)
Additions	–	129,601	129,601
June 30, 2018	₱256,309,160	₱382,523,796	₱638,832,956

		As of December 31, 2017 (Audited)		
	Note	Land	Improvements	Total
December 31, 2016		₱321,933,545	₱376,396,439	₱698,329,984
Reclassifications	8	(55,575,123)	5,840,083	(49,735,040)
Additions		–	157,673	157,673
December 31, 2017		₱266,358,422	₱382,394,195	₱648,752,617

The Group reclassified land and improvements with a total cost of ₱10.0 million and ₱55.6 million to real estate held for sale in June 30, 2018 and December 31, 2017, respectively (see Note 8).

The Group also reclassified real estate held for sale to land and improvements with a total cost of ₱5.8 million as of December 31, 2017, respectively (see Note 8).

The reclassification has no impact on the statements of cash flows.

15. Leasehold Rights - Net

This account pertains to amounts paid by the Group for the rights to use parcels of land in Impasugong and Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as oil palm commercial plantations (see Note 35).

Roll-forward analysis of this account is shown below:

		As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Cost:			
Balance at beginning and end of year		**₱41,655,391**	₱41,665,391
Accumulated amortization:			
Balance at beginning of year		**7,410,784**	8,644,268
Amortization during the year	13, 23	**3,090,025**	1,247,694
Balance at end of year		**10,500,809**	9,891,963
Balance at end of year		**₱31,154,582**	₱31,773,428

As of June 30, 2018, the biological assets in all the plantation areas were still in their growing stage. Accordingly, the amortization of leasehold rights was capitalized as part of the production cost of the Company's biological assets as of June 30, 2018. In 2014, some of the palm oil trees in plantation reached their commercially fruiting stage. The amortization of leasehold rights in these areas were directly charged to direct plantation cost. The amortization of leasehold rights attributable to palm oil trees that were still in growing stage were still capitalized as part of the production costs of the Company's biological assets. As of June 30, 2018, the management has re-assessed that biological asset in all the plantation areas have not reached their commercially fruiting stage.

Amortization of leasehold rights is distributed as follows:

	Note	**As of 06/30/2018 (Unaudited)**	2017	2016
Capitalized to bearer plants under property and equipment	13	**₱33,931**	₱772,477	₱1,121,945
Charged to other direct costs	23	-	465,217	111,539
		₱33,931	₱1,237,694	₱1,233,484

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

16. **Accounts Payable and Accrued Expenses**

This account consists of:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Accounts payable	**₱349,864,992**	₱344,932,701
Accrued expenses:		
Third parties	**19,191,995**	17,181,228
Related parties	**2,332,259**	2,887,988
Retention Payable	**6,072,475**	9,253,676
Accrued interest payable	**6,676,613**	7,073,136
Contracts payable	**4,346,335**	4,346,335
Others	**45,333,097**	31,830,652
	₱433,817,766	₱417,505,716

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

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

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

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Construction bond payable	**₱13,509,486**	₱11,985,920
Output VAT payable	**8,113,668**	9,303,014
Withholding tax payable	**9,133,046**	5,106,888
SSS, HDMF, PHIC premium payable	**3,217,604**	2,951,785
Others	**11,359,293**	2,483,045
	₱45,333,097	₱31,830,652

Others include unearned income on land lease and payable to shareholders for treasury shares (see Note 32).

17. Short-term and Long-term Debt

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

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Financial Institutions:		
China Banking Corp. (CBC)	**₱400,000,000**	₱390,000,000
Union Bank of the Philippines (UBP)	**100,000,000**	90,000,000
United Coconut Planters Bank (UCPB)	**60,000,000**	50,000,000
Shareholders	**8,000,000**	14,500,000
	₱568,000,000	₱544,500,000

- The loan from CBC pertains to a clean term loan availed by the Group amounting to ₱70 million in September 2012 with an annual interest rate of 6.0%. The loan matured in July 2013 and was renewed for another year until July 2014 with an annual interest rate of 5.5%. On October 4, 2013, the Group availed term loan amounting to ₱30 million with an annual interest rate of 5.5% which matured on July 31, 2014. In April 2014, the Group availed additional clean loan amounting to ₱5 million with an interest of 5.5% which was repaid in July 2014. In October 2014, a total of ₱100 million loans were renewed for another year until October 23, 2015 of which ₱10 million was already repaid on December 29, 2014. On January 29, 2015, the Group availed additional loan amounting to ₱10 million which bears annual interest rate of 5.5% and will mature one (1) year from the date of availment. On October 23, 2015, a total of ₱100 million loans were renewed for another year until October 23, 2016 with an annual interest rate of 5.5%. ₱10 million was repaid in 2016 and remaining balance of ₱90 million was renewed for another year maturing on October 12, 2017 with annual interest of 5.75%. The Group also availed additional loans on various dates within February to March 2016 totaling ₱300 million and will mature on February 16, 2017 with an annual interest rate of 5.75%. On January 2018, the Group availed a ₱10 million loan which bears annual interest rate of 5.75% and will mature on July of the same calendar year.

  The outstanding loans of ₱300 million were subsequently renewed in 2018 under the same term and interest rate.

- The loan from UBP pertains to the term loans availed by the Group totaling ₱100 million in January 2012 and October 2011. The loan bears annual interest rate of 5.5% and will mature one (1) year from the date of availment and was subsequently renewed annually in December 2013, 2014, 2015 and 2016 under the same terms and interest rate. In December 2017 and 2016, ₱10.0 million of the total outstanding balance was repaid before the renewal of the balance of ₱90.0 million for another year. The loan balance as of December 31, 2017 and 2016 is unsecured. On March 2018, the Group availed another loan amounting to ₱10 million which bears annual interest rate of 6.75% and will mature one (1) year from the date of availment.

- A clean term loan amounting to ₱65 million was obtained by the Group on May 8, 2014 from PBCOM. The loan bears annual interest rate of 5.5% which is subject to renewal and collectible monthly in arrears and will mature on April 30, 2015. Prior to maturity, total principal payments made amounted to ₱15 million. The remaining ₱50 million loan was renewed on the same date payable after one year from the date of availment with 5.5% interest rate. On April 16, 2015, the Group availed additional loan amounting to ₱15 million payable after one year from the date of availment which bears annual interest rate of 5.5%. Also, in April 2016, loans totaling to ₱65 million were renewed for another year of which ₱19.8 million was already repaid in 2016. In July 2016, the Group availed two (2) additional loans from PBCOM totaling to ₱16.25 million. The loans consist of ₱3.75 million with annual interest rate of 5.625% maturing on January 4, 2017 of which ₱1.0 million was already repaid during 2016, and ₱12.5 million with annual interest rate of 5.75% maturing on January 17, 2017 with ₱0.2 million already repaid during the year. Total outstanding loan balance in 2016 was repaid in 2017.

- On March 18, 2016, the Group availed a clean term loan from UCPB amounting to ₱20 million payable after one year from the date of availment with 5.75% interest rate. The loan was subsequently renewed on March 31, 2014. Total principal payments in 2014 amounted to ₱10 million. On March 6, 2015, the ₱10 million remaining loan in 2014 was renewed for another year maturing on February 29, 2016 which bears 5.5% interest rate. The outstanding loans of ₱20.2 million were subsequently renewed in 2016 under the same term and interest rate. The Group availed additional loans on June 2, 2016 and July 30, 2016 amounting to ₱6 million and ₱2 million, respectively, with 5.5% interest rates, which were subsequently paid by the Group on July 1, 2016 and October 24, 2016, respectively. On January 13, 2017, the Group availed a clean loan amounting to ₱40 million with 5.5% interest rate maturing on January 8, 2018. This was renewed for another year until January 3, 2019.

  Another loan was availed on February 15, 2018 amounting to ₱10 million with annual interest rate of 5.5% and will mature one (1) year from the date of availment.

- On December 17, 2015, the Group obtained a noninterest-bearing and unsecured loan amounting to ₱3.0 million from a shareholder payable on June 14, 2016. This was subsequently paid before maturity period. The Group availed additional loans on various dates within April to July 2016 totaling ₱13.0 million of which repayments of loans in 2016 amounted to ₱5.0 million. The Group availed additional loans from other shareholders on various date within February to December 2016 totaling ₱197.1 million with six (6) months term subject to renewal upon maturity. Also, on various dates within March to August 2016, the Group availed loans totaling ₱16.6 million with an interest rate of 5% payable after 90 days. Total outstanding loan balance in 2016 was repaid in 2017.

- In June 2015, the Group obtained a noninterest-bearing and unsecured loan amounting to ₱1.0 million from XSCCI, an affiliate, payable in June 2016. This was renewed for another year maturing on June 14, 2017 (see Note 18). This was paid in 2017.

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

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

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

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Financial Institutions:		
Union Bank of the Philippines (UBP)	**₱121,838,974**	₱320,507,949
Asia United Bank (AUB)	**99,344,158**	169,968,825
United Coconut Planters Bank (UCPB)	**230,743,928**	132,840,788
BPI Family Savings Bank (BPIF)	**93,990,952**	108,070,385
Philippine Bank of Communications (PBCOM)	**75,325,982**	86,914,595
Development bank of the Philippines (DBP)	**28,585,860**	30,773,360
Bank of the Philippine Islands (BPI)	**20,400,000**	28,800,000
Maybank Philippines Inc. (MPI)	**3,333,333**	13,333,333
China Banking Corp. (CBC)	**8,357,868**	1,489,801
Total loans long-term debt	**681,921,055**	892,699,036
Less current portion	**347,810,501**	390,139,290
Noncurrent portion of long-term debt	**₱334,110,554**	₱502,559,746

- On December 2, 2013, the Group availed of loan from AUB amounting to ₱85 million that will mature on December 1, 2017 with an interest rate of 5%. This loan is collateralized by real estate mortgage on the Group's investment properties with net carrying amount of ₱0.1 million as of June 30, 2018 (see Note 12) and real estate mortgage on the property of the Group's stockholder.

  In January 2014, the Group obtained loan from AUB amounting to ₱180.00 million that will mature in 5 years from release date. This loan bears an annual interest of 5.5%. In March 2014, additional loans totaling ₱83.8 million were obtained by the Group from AUB. The ₱65.0 million loans bear an annual interest rate of 5.0% and will mature in December 2017 and the ₱18.8 million loans bear an annual interest rate of 5.5% and will mature in January 2019. These loans were collateralized by the Group's real estate held for sale assets with carrying amount of ₱67.29 million as of June 30, 2018.

- The Group availed several clean loans from CBC on various dates within February to July 2011 and will mature five (5) years after loan release dates. These loans bear interest rate of 7.33% per annum. The Group obtained from CBC a 3-year car plan loan with 8.08% annual interest rate loan amounting to ₱0.9 million availed in July 2015. Another car plan loan was availed in August 2015 amounting to ₱0.8 million with 10% annual interest rate. The loans are payable monthly in arrears. On January and March 2018, the Group availed several car loans amounting to ₱2.9 million and ₱4.8 million, respectively. These loans bear an annual interest rate of 8.76% and will mature five (5) years from the date of availment.

- In August and December of 2011, the Group obtained ₱400 million loan from UCPB to refinance its outstanding term loan and finance various real estate development projects. The loan has a term which shall expire at the end of ten (10) years from initial date of drawdown and bears interest payable quarterly in arrears, based on 3-month Philippine Dealing System Treasury-Fixing rate obtaining at the time of availment, plus a spread of two percent (2.0%) inclusive of Gross Receipt Tax (GRT) or floor rate 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting. This loan is collateralized by real estate mortgage over the real estate held for sale with a carrying value of ₱179.28 million as of June 30, 2018 (see Note 8).

- On September 22, 2015, the Group availed a loan from UCPB amounting to ₱80.1 million to pay the remaining balance of the loan from BPI with interest initially fixed at the rate of 5.50% per annum which is the prevailing market rate at the time of issuance for the first three (3) years. Succeeding rate shall be based on the present prevailing market rate and shall have a term of six (6) years until September 21, 2021. The principal shall be payable in quarterly installments amounting to ₱4.0 million to commence on December 22, 2016. On October 29, 2015, the Group availed additional loans amounting to ₱104.9 million from UCPB with interest initially fixed at the rate of 5.50% per annum with a term of six (6) years until October 29, 2021 to finance the rehabilitation of RBD and fractionation plant. The principal shall be payable in quarterly installments amounting to ₱5.3 million to commence on January 29, 2017. The loan is collateralized by the Company's land and machineries under Property and equipment with a total carrying amount of ₱346.2 million (see Note 13).

- The loan from UBP pertains to a 7-year loan availed by the Group in 2012, with 3 years grace period on principal. Principal payments of 48 equal monthly amortizations will be made starting on the end of the grace period which will start in 2015. Quarterly interest payment in arrears is made for the first 3 years, then monthly payments for the rest of the term. The loan bears annual interest of 5.56% and is collateralized by the Group's real estate held for sale assets with carrying amount of ₱92.81 million as of June 30, 2018.

- The loans from BPIF were obtained on various dates within 2004 to 2012 and will mature ten (10) years after loan release dates, the last of which will be in 2022. These bear interest at the rates ranging from 5.5% to 11.50% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Group with a total carrying value of ₱77.1 million as of June 30, 2018 (see Note 8).

- The loans from BPI were obtained on various dates within 2011 and will mature five (5) years after loan release dates, the last of which being 2016. These bear interest at 3-month Philippine Dealing System Treasury- R2 plus a spread of one and a half percent (1.50%) per annum or the applicable bank floor lending rate at the time of availment, whichever is higher, subject to monthly payment and quarterly resetting, with one time option to fix rate based on 5-year Philippine Dealing System Treasury- R2 rate, plus a spread of one and a quarter percent (1.25%) per annum. The interest rate is currently at 4.75% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Group with a total carrying value of ₱87.4 million as of June 30, 2018.

  On December 20, 2012, the Group availed a loan amounting to ₱89 million with interest initially fixed at the rate of 4.75% per annum which is the prevailing market rate at the time of issuance hereof repriceable quarterly and payable monthly in arrears with option for rate fixing for one (1) or three (3) or five (5) years and payable monthly in arrears and shall have a term of seven (7) years until December 20, 2019. This loan was settled by the UCPB loan availed by the Group last September 22, 2015.

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

- On March 18, 2016, the Group obtained a loan from DBP amounting to ₱35 million that will mature on March 18, 2022 with 2 years grace period on principal. This loan bears an interest of 5.25% per annum (exclusive of GRT). Quarterly interest payment in arrears. The principal shall be payable in quarterly installments amounting to ₱2.2 million to start on June 18, 2018. The loans are collateralized by the Group's real estate held for sale assets with carrying amount of ₱19.5 million as of June 30, 2018.

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

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

The following table presents the contractual maturity of short-term and long-term debt as of June 30, 2018 and December 31, 2017:

	As of 06/30/2018 (Unaudited)	2017
Due within 1 year	**₱915,810,501**	₱934,639,290
Due beyond 1 year, not later than 5 years	**326,110,554**	502,559,746
	₱1,241,921,055	₱1,437,199,036

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

	As of 06/30/2018 (Unaudited)	2017
Finance costs under profit or loss	**₱40,695,927**	₱85,542,204
Real estate held for sale	–	26,750,000
	₱40,695,927	₱112,196,043

18. **Related Party Transactions**

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

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

a. Noninterest-bearing loans received from shareholders

   The Group received noninterest-bearing loans from shareholders.

b. Advances made to an associate

   The Group made unsecured and noninterest-bearing advances to PEI, an associate, amounting to ₱110.5 million as of June 30, 2018 and December 31, 2017.

c. Lease of Group's office space from affiliates

	Note	For the quarters ending June 30	
		2018	2017
Rent expense charged to profit or loss	24	**₱1,337,110**	₱1,124,516
Rent expense capitalized to REHS	8	**29,952**	149,958
Total rent expense		**₱1,369,080**	₱1,274,474
Outstanding balances	16	**₱2,738,160**	₱647,031

d. Loan availed from an affiliate

On June 2015, the Parent Company availed a ₱1.0 million noninterest-bearing loan from XSCCI payable within one year from date of availment. This was renewed for another year maturing on June 14, 2017. This loan was paid in 2017 (see Note 17).

e. Treasury shares

The summary of the above related party transactions follows:

	June 30, 2018			
Category	Amount/Volume	Outstanding balance	Terms and Condition	Guaranty/Settlement /Provision
Shareholders				
Treasury shares (see Notes 16 and 37)	₱–	(₱1,014)	Payable in cash on demand	Unsecured; no significant warranties and covenants
Affiliates				
1. Lease of office space from an affiliate Rent expense	₱1,369,080	₱2,738,160	One year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
			Noninterest-bearing and repayable in cash within 1 year from date of availment	Unsecured; no significant warranties and covenants
Associate				
2. Advances made	₱–	₱110,543,761	Payable on demand; noninterest-bearing	Unsecured; no significant warranties and covenants; no impairment

Category	Amount/Volume	Outstanding balance	Terms and Condition	Guaranty/Settlement /Provision
	December 31, 2017			
Shareholders				
a. Loans received from shareholders (see note 17)		(₱14,500,000)	Noninterest-bearing and repayable in lump sum in cash on or before maturity after 10 years from 2012	Unsecured; no significant warranties and covenants
• Loans received	(₱178,146,500)			
• Payments made	197,514,769			
• Amortization of discount	(23,725,336)			
• Debt converted to equity	250,000,000			
b. Treasury shares (see Notes 16 and 37)	–	(1,014)	Payable in cash on demand	Unsecured; no significant warranties and covenants
Associate				
c. Advances				
• Advances made	80,822,861	110,543,761	Noninterest-bearing; payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
Affiliate				
d. Lease of office space from an affiliate (see Notes 16 and 26)		2,887,988	Noninterest-bearing; one year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
• Rent expense	4,532,167			
e. Loans availed		–	Noninterest-bearing and repayable in cash within 1 year from date of availment	Unsecured; no significant warranties and covenants
• Payment made	1,000,000			

Below are the account balances as of June 30, 2018 and December 31, 2017 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

- Receivables/Payables

As of June 30, 2018 (Unaudited)

	Receivables			
	ABCI-Parent	ABERDI	NC	Total
Payables:				
ABCI-Parent	₱7,966,604	₱–	₱–	₱7,966,604
ABBWCI	13,235,171	–	–	13,235,171
PTCHC	12,134	–	–	12,134
ABERDI	–	–	9,339,250	9,339,250
NC	700,075	2,361,502	–	3,061,577
SHDC	371,423	–	–	371,423
MCPI	558	–	–	558
	₱22,285,965	₱ 2,361,502	₱ 9,339,250	₱ 33,986,717

	As of December 31, 2017 (Audited)			
	Receivables			
	ABCI-Parent	ABERDI	SHDC	Total
Payables:				
ABCI-Parent	₱–	₱7,996,604	₱–	₱7,996,604
ABBWCI	13,235,171	–	–	13,235,171
PTCHC	3,077	–	–	3,077
ABERDI	–	–	94,899	94,899
NC	700,075	1,709,210	–	2,409,285
SHDC	380,479	–	–	380,479
MCPI	558	–	–	558
BAC	–	815,386	–	815,386
	₱14,319,360	₱10,521,200	₱94,899	₱24,935,459

- Deposits for future stock subscription

	As of June 30, 2018 (Unaudited)		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱ 826,698,893	₱–	₱ 826,698,893
ABERDI	583,968,776	–	583,968,776
HLPC	24,480,273	–	24,480,273
SHDI	9,600,000	–	9,600,000
NC	–	248,037,603	248,037,603
Total	₱1,444,747,942	₱ 248,037,603	₱1,692,785,545

	As of December 31, 2017 (Audited)		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱826,606,836	₱–	₱826,606,836
ABERDI	548,815,431	–	548,815,431
HLPC	23,699,073	–	23,699,073
SHDC	9,600,000	–	9,600,000
NC	–	248,037,603	248,037,603
BCL	5,000,000	–	5,000,000
BAC	–	815,386	815,386
Total	₱1,413,721,341	₱248,852,989	₱1,662,574,330

The Group has no transactions with its retirement fund involving loans (neither as creditor nor debtor), investments (neither as investor nor investee), lease on services and guarantee or surety made or received. The following information is shown in Note 25.

a. Carrying value and fair value of fund,
b. Amount of contributions to the fund,
c. Description and composition of the fund, and
d. Trustee of the fund.

There are no other related party transactions.

19. **Share Capital**

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

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Authorized (Note 1)	3,300,000,000	3,300,000,000
Subscribed and issued (Note 1)	2,477,668,925	2,477,668,925
Treasury Shares (Note 37)	(1,014)	(1,014)

**Includes fractional shares from the 2013 stock dividend totaling 1,014 shares*

All subscribed shares are issued and outstanding as of June 30, 2018 and December 31, 2017.

Movements of the amount of subscribed capital stock and additional paid in capital (APIC) during the quarter ending June 30, 2018 follow:

	CAPITAL STOCK			
	Subscribed and issued	Subscribed but not issued	Total	Additional paid in capital
Balance as at January 1, 2018	**₱ 2,477,668,925**	**₱-**	**₱ 2,477,668,925**	**₱ 637,968,859**
Subscribed and Issued for the period	-	-	-	-
Balance as at June 30, 2018	**₱ 2,477,668,925**	**₱-**	**₱ 2,477,668,925**	**₱ 637,968,859**

In 2017, there is an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000 and 744,802,389 common shares, respectively. In 2016, there is no movement in the number of Company's authorized and prescribed shares of capita.

On October 12, 2017, the Board of Directors approved the conversion of the Group's debt to Brownfield Holdings Incorporated (BHI) amounting to ₱250 million and deposits for future subscription of Valueleases, Inc. and RME Consulting, Inc. amounting to ₱200 million to equity at ₱1.13 per share resulting to increase the number of issued shares by 398,230,088 shares. The said shares are yet to be listed to the stock exchange. Additional paid-in capital amounting to Php 51,769,912 was recorded as a result of the above conversion to equity.

Additional paid-in capital amounting to ₱638 million as of June 30, 2018 and December 31, 2017, respectively.

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities: SEC-BED Order No. 1179 issued on December 17, 1993 amounting to ₱200,000,000; SEC-BED Order No. 847 issued on August 15, 1994 amounting to ₱230,000,000 and SEC-CFD Order No. 64 issued on March 12, 1996 totaling ₱530,000,000. Common shares are the only equity securities registered and issued by the Group.

As of June 30, 2018 and December 31, 2017, there are 2,100 and 2,104 stockholders in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI), respectively.

The share price closed at ₱0.98 and ₱1.00 on June 30, 2018 and December 29, 2017, respectively.

20. **Sales**

This account consists of:

	For the three months ended 06/30/2018	For the three months ended 06/30/2017
Real estate	**₱141,452,062**	₱78,009,168
Crude palm oil (CPO)	**21,726,075**	1,885,815
Water services	**5,048,011**	3,050,830
Palm olein	**2,397,796**	3,061,337
Palm stearin	**1,714,085**	1,217,768
RBDO	**4,028,059**	–
Kernel nuts and fertilizers	**1,530,429**	262,576
Palm Acid Oil	**588,892**	167,971
Palm Fatty Acid Distillate	**-**	624,386
	₱178,485,409	₱88,279,851

Sales of crops include sales of cassava.

Deposits from customers representing cash received from buyers when conditions for recording sales are not met amounting to₱66 million, ₱57 million, and ₱41 million as of June 30, 2018, 2017 and 2016, respectively. Reservation fees are forfeited when customers cancelled their reservation. Income from forfeited accounts amounted to ₱0.4 million and ₱1.2 million in the second quarter of 2018 and 2017, respectively (see Note 22).

21. **Financial Income**

This account consists of:

	For the three months ended 06/30/2018	For the three months ended 06/30/2017
Interest from:		
Sales of real estate (Note 7)	**₱1,171,682**	₱1,095,126
Notes receivable (Notes 7)	**46,479**	7,805
Cash in banks (Note 6)	**40,139**	431
	₱1,258,300	₱1,103,363

22. **Other Income**

This account consists of:

	For the three months ended 06/30/2018	For the three months ended 06/30/2017
Income from forfeited accounts (Note 20)	**₱ 391,335**	₱1,207,424
Surcharge income	**648,632**	1,885,867
Others	**1,803,650**	941,348
	₱ 2,843,617	₱4,034,639

Other income significantly includes revenue from providing services to foreign entity, income from sale of scrap oil and diesel, rental of pay loader and trucking services, lot staking and driving range fees.

23. **Cost of Sales and Services**

This account consists of:

	For the three months ended 06/30/2018	For the three months ended 06/30/2017
Real estate	**₱ 78,504,995**	₱38,558,766
Crude palm oil	**20,692,951**	1,709,784
Palm olein	**2,160,431**	2,508,662
Palm stearin	**1,611,608**	1,610,845
Water services	**2,462,170**	2,423,433
RBDO	**3,497,655**	–
Kernel nuts and fertilizers	**1,137,138**	279,819
Palm acid oil	**490,489**	105,346
Palm fatty acid distillate	–	339,942
Other direct costs	**116,303**	118,617
	₱110,673,740	47,655,214

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

24. **General and Administrative Expenses**

a. General and Administrative Expenses

This account consists of:

	For the three months ended 06/30/2018	For the three months ended 06/30/2017
Personnel cost	**₱ 24,088,353**	₱18,605,561
Taxes and licenses	**5,359,825**	7,895,276
Depreciation and amortization (Notes 12 and 13)	**3,416,278**	2,879,408
Utilities and supplies	**2,542,729**	2,080,346
Rental (Notes 18 and 26)	**2,712,252**	1,640,904
Repairs and maintenance	**1,117,185**	853,322
Entertainment, amusement and recreation	**232,964**	281,899
Others	**21,144,488**	21,891,047
	₱60,614,074	₱56,127,764

Personnel costs include salaries and wages, short-term employee benefits and SSS, PHIC and HDMF contributions.

Significant components of other operating expenses follow:

	For the three months ended 06/30/2018	For the three months ended 06/30/2017
Security and janitorial services	**₱ 4,824,862**	₱3,625,781
Transportation and travel	**2,409,284**	3,690,928
Professional fees	**2,764,432**	9,590,594
Listing fees	**172,619**	–
Insurance	**286,319**	72,323
Subscription and dues	**244,111**	99,573
Board meetings	**286,701**	312,800
Litigation fees	**44,755**	17,500
Trainings and seminars	**400,744**	145,125
Bank charges	**13,208**	4,750
Directors' fees	**345,500**	316,870
Notarization	**38,268**	–
Miscellaneous	**9,313,685**	4,014,802
	₱21,144,488	21,891,047

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

b. Marketing Expenses

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

25. Retirement Benefits Costs

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

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

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

Responsibilities of Trustee
The Group's plan assets are maintained by a trustee bank. The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund.

The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund, and an actuary to value the Retirement Fund.

Unusual or Significant Risks to which the Retirement Plan Exposes the Group
There are no unusual significant risks to which the plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the

benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

Plan Amendments, Curtailments, or Settlements
There were no plan amendments, curtailments or settlements recognized for the years ended June 30, 2018.

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

	06/30/2018	2017
Discount rate, beginning of year	**5.38%**	**5.38%**
Discount rate, end of year	**5.70%**	**5.70%**
Salary increase rate , beginning and end of year	**5.00%**	**5.00%**

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

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

26. Lease Agreement

Group as a Lessor

The Group leased its various properties under operating lease with various lessees. The term of the lease agreements is for one to five years and is renewable upon the agreement of both parties. The lease agreements that are existing as of June 30, 2018 and December 31, 2017 will expire in various dates in 2018 to 2024.

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

Group as a Lessee

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

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

27. Income Taxes

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

	06/30/2018	06/30/2017
RCIT	**₱13,139,507**	₱–
MCIT	–	5,051,811
	₱13,139,507	₱5,051,811

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

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Deferred tax assets		
Tax effects of:		
NOLCO	**₱28,999,247**	₱19,563,857
Retirement liability and unamortized past service cost	**8,270,194**	9,025,321
Allowance for doubtful accounts	**126,439**	142,314
Unrealized foreign exchange loss	–	
Others	**7,621,035**	7,859,701
MCIT	–	1,839,304
	₱45,016,915	₱38,430,497

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Deferred tax liabilities		
Tax effects of:		
Deferred income on sale of real estate	**₱ 69,861,107**	₱74,103,315
Deferred rental income	**3,514**	3,514
Unrealized foreign exchange gain	**2,370**	2,370
	₱ 69,866,992	₱74,109,199

The Group did not recognize the deferred income tax asset on NOLCO amounting to ₱21,492 as of June 30, 2018 since management believes that this could not be utilized prior to its expiration. NOLCO amounting to ₱96.6 million as of June 30, 2018, can be carried forward and claimed as deduction against regular taxable income for the next three (3) years as follows:

Date Incurred	Amount	Expired/Applied	Balance	Tax effect	Expiry Date
December 31, 2014	₱ 1,032,987	(₱1,032,987)	₱–	₱–	December 31, 2017
December 31, 2015	1,213,549	–	1,213,549	364,065	December 31, 2018
December 31, 2016	204,567	–	204,567	61,370	December 31, 2019
December 31, 2017	175,043	–	175,043	52,513	December 31, 2020
June 30, 2018	94,982,447	–	94,982,447	28,494,734	June 30, 2021
	₱ 97,608,593	(₱1,032,987)	₱ 96,575,606	₱ 28,972,682	

The benefits of MCIT were fully applied as of June 30, 2018, as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
December 31, 2015	₱1,090,692	(₱1,090,692)	₱–	December 31, 2018
December 31, 2016	556,831	(556,831)	–	December 31, 2019
December 31, 2017	253,461	(253,461)	–	December 31, 2020
June 30, 2018	–	–	–	June 30, 2021
	₱1,900,984	(₱1,900,984)	₱–	

c. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax expense (benefit) shown in consolidated statements of income follows:

	As of 06/30/2018 (Unaudited)	As of 06/30/2017 (Unaudited)
Income tax expense computed at statutory tax rate	**₱14,564,445**	₱38,474,745
Income tax effects of:		
Provision for Retirement Expense	–	466,233
Gain on sale of AFS – net	**(8,693,580)**	(51,789,462)
Amortization of discount on long-term debt	–	9,232
Amortization of discount on notes receivable	–	2,452,781
Nondeductible expenses	**5,638**	372
Dividend income	**(711)**	–
Interest income subject to final tax	**550,640**	(2,467)
Unrecognized NOLCO	**21,492**	9,429
Net loss (profit) not subject to income tax	**(4,159,007)**	–
Unrealized Forex Gain	–	(293)
	₱2,288,917	(₱10,379,431)

d. The Group opted for the itemized deduction scheme for its income tax reporting in June 30, 2018 and December 31, 2017.

28. **Earnings per Share (EPS)**

Basic EPS is computed as follows:

	For the Quarter 06/30/2018 (Unaudited)	For the Quarter 06/30/2017 (Unaudited)
Net income attributable to equity holders of Parent Company	**₱ 76,528,726**	₱149,424,899
Divided by weighted average number of shares outstanding	**2,477,667,911**	2,079,437,823
Basic earnings per share (for the quarter)	**₱ 0.03089**	₱0.07186

The Group has no dilutive potential shares as of June 30, 2018.

29. **Financial Instruments**

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of June 30, 2018 and December 31, 2017:

	As of June 30, 2018 (Unaudited)	
	Carrying value	Fair value
Financial assets:		
Cash (Note 6)	₱ 62,963,995	₱ 62,963,995
Accounts receivable (Note 7)*	410,430,329	410,430,329
Advances to a related party (Note 18)	146,066,680	146,066,680
Refundable deposits (Note 5)	18,122,746	18,122,746
AFS investments (Note 10)	377,535,095	377,535,095
	₱1,015,118,845	₱1,015,118,845

Financial liabilities:		
Accounts payable and accrued expenses (Note 16)**	₱ 413,353,448	₱ 413,353,448
Short-term debt (Note 17)	560,000,000	560,000,000
Long-term debt (Note 17)	689,921,055	689,921,055
Subscription payable (Notes 10)	164,505	164,505
	₱1,663,439,008	₱1,663,439,008

	As of December 31, 2017 (Audited)	
	Carrying value	Fair value
Financial assets:		
Cash (Note 6)	₱ 93,812,552	₱ 93,812,552
Accounts receivable (Note 7)*	417,629,624	417,629,624
Advances to a related party (Note 18)	163,156,701	163,156,701
Refundable deposits (Note 5)	12,462,873	12,462,873
AFS investments (Note 10)	457,014,387	457,014,387
	₱1,144,076,137	₱1,144,076,137
Financial liabilities:		
Accounts payable and accrued expenses (Note 16)**	₱396,265,491	₱396,265,491
Short-term debt (Note 17)	544,500,000	544,500,000
Long-term debt (Note 17)	892,699,036	892,699,036
Subscription payable (Notes 10)	164,505	164,505
	₱1,833,629,032	₱1,833,629,032

*Receivables exclude advances to suppliers and contractors as of June 30, 2018 and December 31, 2017.
**Accounts payable and accrued expenses exclude statutory payables as of June 30, 2018 and December 31, 2017.

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

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

30. Financial Risk Management Objectives and Policies

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

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

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

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

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Cash	**₱ 61,166,159**	₱ 92,930,886
Accounts receivable – net	**410,430,329**	417,629,624
Advances to a related party	**146,066,680**	163,156,701
Available-for-sale investments	**377,535,095**	457,014,387
Refundable deposits	**18,122,746**	12,462,873
	₱1,013,321,009	₱1,143,194,471

  The Group's cash have been invested with various creditworthy banks, thus limiting exposure to credit risk, in regard to its liquid assets. The Parent Company's contract receivable consists of significant number and various customers/lot buyers. Customers of the Group have been subjected to credit evaluation prior to sale. Moreover, ownership of the shares and title of the real estate sold on installment to various customers/lot buyers are only transferred, upon full payment of the agreed total contract price.

  Available-for-sale investments include investment in shares that are actively traded in the stock market. The Group uses other publicly available financial information to monitor its investments.

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

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

As of June 30, 2018 and December 31, 2017, the available credit lines with banks and outstanding balances are as follows:

	As of June 30, 2018 (Unaudited)		
	Available credit line	Drawable line	Unpaid
UCPB	₱640,000,000	₱–	₱290,743,928
UBP	475,000,000	–	221,838,974
CBC	410,279,698	–	408,357,868
AUB	348,748,000	–	99,344,158
BPIF	203,991,300	–	93,990,952
PBCOM	94,242,601	–	75,325,982
MPI	60,000,000	–	3,333,333
BPI	54,000,000	–	20,400,000
DBP	35,000,000	–	28,585,860
	₱2,321,261,599	₱–	₱1,241,921,055

	As of December 31, 2017 (Audited)		
	Available credit line	Drawable line	Unpaid
UBP	₱475,000,000	₱10,000,000	₱266,512,909
UCPB	460,000,000	10,000,000	342,253,501
CBC	410,000,000	15,389,200	390,572,129
AUB	348,748,000	–	169,968,825
BPIF	275,983,414	–	108,070,385
BPI	189,000,000	–	28,800,000
PBCOM	94,242,601	–	86,914,595
MPI	60,000,000	–	13,333,333
DBP	35,000,000	–	30,773,360
	₱2,347,974,015	₱35,389,200	₱1,437,199,036

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

The following table presents the Group's non-derivative financial assets and liabilities by contractual maturity and settlement dates as of June 30, 2018 and December 31, 2017. These have been based on the undiscounted cash flows and on the earliest date on which the Group will earn and/or will be required to pay.

	As of June 30, 2018 (Unaudited)		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash	₱ 62,963,995	₱–	₱ 62,963,995
Accounts receivable*	191,977,455	218,452,874	410,430,329
Advances to a related party	146,066,680	–	146,066,680
AFS investments	–	377,535,095	377,535,095
Refundable deposits	–	18,122,746	18,122,746
	₱ 401,008,130	₱614,110,715	₱ 1,015,118,845

	As of June 30, 2018 (Unaudited)		
	Due within one year	Due beyond one year	Total
Financial liabilities:			
Accounts payable and accrued expenses**	₱ 413,353,448	₱–	₱ 413,353,448
Short-term debt	560,000,000	–	560,000,000
Long-term debt	355,810,501	334,110,554	689,921,055
Subscription payable	164,505	–	164,505
	₱1,329,328,454	₱ 334,110,554	₱ 1,663,439,008

	As of December 31, 2017 (Audited)		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash (Note 6)	₱93,812,552	₱–	₱93,812,552
Accounts receivable* (Note 7)	281,638,558	135,906,229	417,544,787
Advances to a related party (Note 18)	163,241,538	–	163,241,538
AFS investments (Note 10)	–	457,014,387	457,014,387
Refundable deposits (Note 5)	–	12,462,873	12,462,873
	₱538,692,648	₱605,383,489	₱1,144,076,137
Financial liabilities:			
Accounts payable and accrued expenses** (Note 16)	₱396,265,491	₱–	₱396,265,491
Short-term debt (Note 17)	544,500,000	–	544,500,000
Long-term debt (Note 17)	390,139,290	502,559,746	892,699,036
Subscription payable	164,505	–	164,505
	₱1,331,069,286	₱502,559,746	₱1,833,629,032

**Excluding nonfinancial assets*

***Excluding nonfinancial liabilities*

- *Market risks*

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

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

  a. *Interest Rate Risk*

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

     Historically, the rate of fluctuations relative to its cash in bank is minimal. Interest rates in 2018 and 2017 are approximately less than 1% for cash in banks.

     The contract receivables on sale of real estate are managed within the parameters approved by management. Currently, these have been offered at approved fixed rates. Interest rates, which are highly controllable by the Parent Company, ranged from 10% to 18% in 2018 and 2017, depending on the terms and length of payment in years. Any changes in the interest rate have been subjected to thorough review and approval of the management.

     Interest-bearing long-term debt carries interest rates which ranged from 5% to 8.5% in 2018 and 2017. Interest rates of certain debt are subject to quarterly repricing or subject to variability based on agreed terms with bank. An increase in interest rate by 1% would decrease equity by ₱0.8 million. An equal change in the opposite would increase equity by the same amount.

b. *Equity Price Risk*
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. Changes in fair value of available-for-sale equity instruments due to a reasonably possible change in equity indices, with all other variables held constant will increase equity by ₱ million as of June 30, 2018, if equity prices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

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

The following table demonstrates the sensitivity to a reasonable possible change in the Philippine Peso – United States (US) dollar exchange rate, with all variable held constant, the Group's profit before tax and the Group's equity on June 30, 2018.

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

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

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

31. Capital Management

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

The Group considers the following accounts as its capital:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Capital stock	**₱2,477,668,925**	₱2,477,668,925
Additional paid-in capital	**637,968,859**	637,968,859
Retained earnings	**433,654,879**	259,592,539
Treasury shares	**(1,014)**	(1,014)
	₱3,549,291,649	₱3,375,229,309

The debt-to-equity ratios as at June 30, 2018 and December 31, 2017 follow:

	As of 06/30/2018 (Unaudited)	As of 12/31/2017 (Audited)
Total debt	**₱1,846,746,683**	₱2,012,976,185
Divided by total equity	**3,549,291,649**	3,375,229,309
Debt-to-equity ratio	**0.52:1.00**	0.596:1:00

The Group had not been subjected to externally imposed capital requirements in 2018 and 2017. No changes were made in the objectives, policies, and processes during the quarter ended June 30, 2018 and year ended December 31, 2017.

32. **Dividend Declaration**

a. Dividend Declaration

On May 19, 2016, the Parent Company's BOD declared a 20% stock dividend equivalent to 346,573,104 shares of the Parent Company's outstanding shares to be distributed to the stockholders of record as at February 10, 2017 and issued from the ₱1.3 billion increase in the Parent Company's authorized capital stock approved by the SEC on January 11, 2017 (see Note 34).

On June 7, 2013, the Parent Company declared stock dividends equivalent to 25% of its outstanding capital stock for the stockholders of record as at September 12, 2013 and distributed the shares to the stockholders in October 2013.

b. Retained earnings of Parent Company available for dividend declaration

The retained earnings of Parent Company available for dividend declaration is as follows:

	Notes	**06/30/2018 (Unaudited)**	12/31/2017 (Audited)
Unappropriated Parent Company retained earnings, beginning		**₱482,789,369**	₱242,071,800
Reconciliations:			
Less: Deferred tax assets, beginning		**38,430,497**	10,046,995
Discount on long-term debt (net amortization)		–	22,354,229
Unappropriated Parent Company retained earnings, as adjusted, beginning		**444,358,872**	209,670,576
Add: Actual net profit			
Net profit during the year		**174,052,902**	249,937,600
Add (deduct): Non-actual losses /(unrealized income or non-actual income or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS)			
• Amortization of discounts on long-term debt	17	–	23,725,336
• Change in deferred tax assets (excluding net change in deferred tax asset in Other comprehensive income and loss)		**5,103,299**	(544,143)
Actual net profit		**179,156,201**	273,118,793
Actual unappropriated Parent Company retained earnings before any dividend declarations		**623,515,073**	482,789,369
Less: Dividends declared during the year		–	–
Issuance of shares during the year	37	–	–
Unappropriated retained earnings, as adjusted, ending		**₱623,515,073**	₱482,789,369

33. **Business Segment Information**

The operating subsidiaries of the Group engaged in varied principal activities or operations such as real estate, quarry and mining, service/manufacturing/trading, agriculture, power and holding of which two or more subsidiaries share the same line of business. The operating results of these segments are regularly monitored by the President who is the chief operating decision maker (CODM) of the Group for the purpose of making decisions about resource allocation and performance assessment. However, as permitted by PFRS 8, Operating Segments, the Group has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

a. Nature of products and services

b. Nature of operating processes

c. Methods used to distribute their products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's CODM.

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

Real estate	Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales
Quarry and Mining	Quarrying and mining of basalt rocks for production of construction aggregates
Service/ Manufacturing /Trading	Holding and providing rights to water to public utilities and cooperatives; Manufacturing of crude palm oil; Selling of goods on wholesale and retail basis
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 as of June 2018.
Holding	Holding of properties of every kind and description

Exhibit 1-B regarding business segments presents assets and liabilities as of June 30, 2018 and revenue and profit information for quarters ending June 30, 2018 and December 31, 2017 (in thousands).

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

- In the BOD Meeting held on May 19, 2016, the BOD approved the amendment of Article VII of the Articles of Incorporation of the Parent Company to increase its authorized capital stock from the current ₱2.0 billion divided into 2.0 common shares up to ₱4.0 billion divided into 4.0 billion common shares.

  The increase in the Parent Company's authorized capital stock is to be implemented in two tranches, as follows:

  a. First, an increase by ₱1.3 billion divided into 1.3 billion common shares will be implemented immediately and out of said increase, the twenty percent (20%) stock dividend declaration will be issued.

  b. Second, an increase of up to ₱700.0 million divided into 700.0 million common shares, to be issued, together with the remaining authorized but unissued capital stock of the Parent Company in a capital raising exercise to be undertaken by the Parent Company subsequent to the issuance and listing of the 20% stock dividend declaration.

- On August 8, 2016, the Board of Directors amended its previous Board approval of an increase in authorized capital stock of up to ₱4.0 billion divided into 4.0 billion common shares to up to ₱5.0 billion divided into 5.0 billion common shares.
  The increase in the Parent Company's authorized capital stock to up to ₱5.0 billion divided into 5.0 billion common shares is to be implemented in two tranches, as follows:

  a. First, an increase by ₱1.3 billion divided into 1.3 billion common shares will be implemented immediately and out of said increase, the twenty percent (20%) stock dividend declared on May 19, 2016 will be issued.

  b. Second, an increase of up to ₱1.7 billion divided into 1.7 billion common shares, to be issued, together with the remaining authorized but unissued capital stock of the Parent Company in a capital raising exercise that may be undertaken by the Parent Company subsequent to the issuance and listing of the 20% stock dividend declaration.

- During the Annual Stockholders' Meeting on September 28, 2016, stockholders representing at least 2/3 of the outstanding capital stock approved the following amendment in the Articles of Incorporation:

  Amendment to paragraph 7: "That the amount of capital stock of this Parent Company is Three Billion Three Hundred Million Pesos (₱3,300,000,000.00), Philippine Currency and the said capital stock is divided into Three Billion Three Hundred Million (3,300,000,000) shares with a par value of One Peso (₱1.00) each, provided that, stockholders shall have no preemptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors."

  On January 11, 2017, the SEC approved the Parent Company’s increase in its authorized capital stock of ₱1.3 billion consisting of 1.3 billion shares with a par value of ₱1 from ₱2.0 billion consisting of 2.0 billion shares with a par value of ₱1 to ₱3.3 billion consisting of 3.3 billion shares with par value of ₱1. The Parent Company’s subscribed share capital increased from ₱1.7 billion to ₱2.1 billion.

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

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

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

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

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

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

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

35. Other Matter

Impasug-Ong and Kalabugao Plantations

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

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

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

The responsibilities of KASAMAKA with regards to the project follow:

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

On the other hand, the responsibility of ABERDI in regard to the project is to provide technical and financial resources to develop the 894 hectares into palm oil plantation for a period of 20 years up to 2026.

Relative to the agreement, the Group paid for leasehold rights on the land that are applicable up to year 2026 (see Note 15).

Opol Plantation

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

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

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

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

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

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36. **Litigation**

Yulo Case

On December 15, 2008, the First Division of the Supreme Court issued a resolution, denying with finality the motion for reconsideration filed by the Parent Company on October 15, 2008 concerning the case involving a claim for sum of money, specific performance and damage by a certain individual in November 2001. As a result, the Parent Company recognized an estimated litigation loss of ₱34.4 million, inclusive of 12% legal interest computed from default until judgment is fully satisfied based on the Court of Appeals amended decision on July 23, 2008 and claimant. On July 15, 2009, pursuant to the assailed Order of the trial court dated June 25, 2009, the Parent Company paid the claimant the amount of ₱22.4 million. The said payment was made with the intention of putting closure to the case. The difference between the amount of litigation liability and the amount of settlement has been recorded by the Parent Company as withholding tax on compensation pursuant to the BIR ruling that the nature of the claim is compensation income. In May 2010, the amount recorded by the Parent Company as withholding tax on compensation was released to the Court of Appeals until the decision is final. The presiding judge who handled the case was eventually replaced.

In an Order dated April 15, 2010, the new presiding judge, reversed the order of the former presiding judge, declaring that the judgment award is not subject to income tax and, at the same time, eliminating the threshold date of 15 July 2009 set by the former presiding judge in the computation of the total amount payable to the claimant. The new presiding judge ruled that the Parent Company was "still obligated to pay the amount of ₱14.1 million as at April 15, 2010, subject to daily interest at the rate of ₱4,305.73 until judgment is fully satisfied."

The Parent Company moved for reconsideration of the said order but, to no avail. The matter is elevated to the Court of Appeals and, thereafter, the Supreme Court. In due course, the Court of Appeals and the Supreme Court confirmed that the award in favor of Yulo is subject to 32% tax. Plaintiff filed a motion for execution with the RTC seeking additional interest. The court granted the said motion. On January 12, 2016, the Parent Company filed a Motion for Reconsideration (MR) which was denied outright by the judge.

On February 5, 2016, the Parent Company filed a petition for certiorari with prayer for temporary restraining order with Court of Appeals. However, on March 10, 2016 through a Compromise Agreement, the Parent Company settled the additional interest. The Plaintiff's counsel executed a notice of satisfaction of judgment to confirm the full and final satisfaction of the award last March 10, 2016. The plaintiff and the respondent reached an amicable settlement. The Private Respondent paid the plaintiff ₱7.2 million on March 10, 2016.

Lustre Case

The Parent Company filed with the trial court a case for rescission with damages against defendants Home Industries Development Corporation ("HIDC") and/or Mr. Antonio Lustre. The instant case was brought about by the defendants' non-delivery of lots subject of a contract to sell. The amount involved in the instant case is Six Million Four Hundred Sixty-Four Thousand Four Hundred Twenty-

Five Pesos (₱6,464,425.00) [(cash actually paid by the Parent Company) ₱794,425.00 + (present value of shares of stock) ₱5,400,000.00 + (difference between value of the shares of stock at the date of the execution of the Contract to Sell and the present value of the shares of stock) ₱270,000.00]. The trial court ruled in favor of the Parent Company.

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

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

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

On June 23, 2016, the Regional Trial Court of Malolos, Branch 12 ("Trial Court") granted the Plaintiff's Motion for the Surrender of Owner's Duplicate Transfer Certificate of Title. Accordingly, Mr. Antonio U. Lustre of HIDC, or whoever actually possesses the duplicate copies as ordered by the Trial Court to deliver/surrender the same to the mentioned Branch of Court within fifteen days from the receipt of the Order. In this regard, the Deputy Sheriff of the Trial Court was directed to make a necessary return as to the implementation of the said Order. On August 19, 2016, the Court released the same to the Parent Company. The title of the property is already in the name of the Parent Company.

Culiat Case
This is a case of a recovery of possession of two parcels of land against Defendants (Spouses Romeo Bernardino, Cristina Bernardino, spouses Rogelio Bernardino and Leticia Policarpio, et al). The case is ongoing before the Branch 88 RTC of Quezon City.

Bitangcor Tanay Case
This is a Civil case between the Parent Company, the Plaintiff, against ANANIAS A. BITANGCOR and all persons claiming rights under him for recovery of possession and damages over a certain parcel of land situated at Sitio Bayucan, Brgy. Sampaloc, Tanay, Rizal. The case is still ongoing.

37. Treasury Shares

On November 28, 2016, pursuant to the authority granted under Section 41 of the Corporation Code, the Parent Company has acquired all of the unissued fractional shares arising from the 2013 stock dividend declaration, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value. The related payables to shareholders are included in Other payables under "Accounts payable and accrued expenses" (see Notes 16 and 19).

On June 1, 2010, the Parent Company acquired 300,000,000 treasury shares held by Baysfield Investments Limited (BIL) at the purchase price of ₱335,212,810, or about ₱1.12 per share.

On October 12, 2010, the Parent Company sold 63,865,705 common shares held in treasury at ₱3.01 per share resulting to additional paid-in capital amounting to ₱120,873,766.

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

EXHIBIT 1-A

A BROWN COMPANY, INC. & SUBSIDIARIES
AGING OF INSTALLMENT CONTRACTS AND TRADE RECEIVABLES
As of June 30, 2018

	TOTAL	Long-term	Current	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
ABCI	₱298,514,965	₱218,452,873	₱34,562,874	₱ 2,349,542	₱ 3,854,487	₱7,027,968	₱1,030,632	₱65,799,463
ABERDI	8,889,820	–	2,994,776	27,920	1,514,046	1,082,645	1,903,591	1,366,842
TOTAL	₱341,967,659	₱218,452,873	₱37,557,650	₱ 2,377,462	₱ 5,368,533	₱ 8,110,613	₱ 2,934,223	₱ 67,166,305

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

EXHIBIT 1-B

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

	Real Estate		Service/ Manufacturing/ Trading		Agriculture		Power operations		Holding		Total		Adjustments and eliminations		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenues																
External revenues	306,626	177,686	76,173	21,997	-	-	-	-	-	-	382,799	199,683	-	-	382,799	199,683
Inter-segment revenues	-	-	-	-	1,750	1,750	-	-	-	-	1,750	1,750	(1,750)	(1,750)	-	-
Total revenues	306,626	177,686	76,173	21,997	1,750	1,750	-	-	-	-	384,549	201,433	(1,750)	-	382,799	201,433
Operating expenses	279,117	178,810	83,475	30,987	726	1,758	1,582	2,012	70	68	364,970	213,634	(1,750)	-	363,220	213,634
	27,509	(1,124)	(7,302)	(8,990)	1,024	(8)	(1,582)	(2,012)	(70)	(68)	19,578	(12,201)	-	-	19,578	(12,201)
Gain on sale of AFS investments	28,979	172,632	-	-	-	-	-	-	-	-	28,979	172,632	-	-	28,979	172,632
Equity in net income (loss) of associate	-	-	-	-	-	-	-	-	-	-	-	-	127,794	50,621	127,794	50,621
Dividends income	2	-	-	-	-	-	-		-	-	2	-	-	-	2	-
Financial income	2,453	2,874	4	5	-	-	4	31	-	-	2,461	2,910	-	(31)	2,461	2,879
Financial expenses	(35,325)	(34,835)	(5,371)	(4,692)	-	-	-	-	-	(31)	(40,696)	(39,558)	-	31	(40,696)	(39,527)
Gain (loss) on sale of assets	2,561	-	147	-	258	-	-	-	-	(31)	2,967	(31)	-	-	2,967	(31)
Other income (loss)	20,934	4,377	437	(107)	-	-	-	1	-	-	21,372	4,271	-	-	21,372	4,271
Income tax benefit (expense)	(8,466)	2,922	6,082	6,899	(386)	(60)	461	598	21	20	(2,289)	10,379	-	-	(2,289)	10,379
Net income	38,647	146,847	(6,003)	(6,887)	895	(68)	(1,117)	(1,381)	(49)	(78)	32,374	138,402	127,794	50,621	160,167	189,023
Net income attributable to:																
Equity holders of Parent Company															174,062	189,046
Noncontrolling interest															(9)	7
															174,053	189,053
Other information																
Segment assets	4,994,893	5,255,624	1,063,469	1,053,832	256,252	255,254	144,443	143,631	926,083	926,048	7,407,966	7,652,277	(2,109,376)	(2,374,634)	5,298,590	5,277,643
Deferred tax assets	16,018	31,182	28,013	18,714	-	-	461	598	499	756	44,990	51,250	-	-	44,990	51,250
Total assets	5,010,911	5,286,806	1,091,482	1,072,546	256,252	255,254	144,903	144,230	926,582	926,803	7,452,956	7,703,528	(2,109,376)	(2,374,634)	5,343,580	5,328,894
																-
Segment liabilities	1,546,164	2,237,848	786,124	740,269	252,258	252,123	84,391	86,183	826,751	826,538	3,509,062	4,154,114	(1,718,806)	(1,637,539)	1,790,257	2,516,575
Deferred tax liabilities	69,865	83,531	-	-	-	-	-	-	-	-	69,865	83,531	-	-	69,865	83,531
Total liabilities	1,616,029	2,321,379	786,124	740,269	252,258	252,123	84,391	86,183	826,751	826,538	3,578,927	4,237,646	(1,718,806)	(1,637,539)	1,860,121	2,600,107
Segment additions to property and equipment and investment properties	10,568	1,916	90	15,048	-	329	-	1,546	-	-	10,658	18,838	-	-	10,658	18,838
																-
Depreciation and amortization	(3,067)	(2,481)	(2,466)	(2,482)	(452)	(546)	(255)	(255)	-		(6,240)	(5,763)	-	-	(6,240)	(5,763)

A BROWN COMPANY, INC. AND SUBSIDIARIES
GROUP CHART