3	1	1	6	8

SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

XAVIER ESTATES UPTOWN AIRPORT ROAD BALULANG

CAGAYAN DE ORO CITY

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

Allan Ace R. Magdaluyo	02-8638 6832
Contact Person	Company Telephone Number

1 2 / 3 1	2 0 - I S	0 6 /
Month Day	FORM TYPE	Month Day
Fiscal Year		Annual Meeting

Definitive Information Statement

Secondary License Type, if applicable

M	S	R	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,091 (June 30, 2020)	₱1,199,789,967 (Dec. 31, 2019)	- 0 -
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that there will be an annual meeting of the stockholders of **A BROWN COMPANY, INC.** on September 3, 2020 (Thursday)**,** at 1:00 p.m. The meeting will be conducted virtually and can be accessed at the link provided in the Company's website at abrown.ph/asmvirtual.

Items in the agenda of the meeting are as follows:

AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Annual Stockholders' Meeting
5. Approval of 2019 Operations and Results
6. Ratification of All Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The close of business on **June 30, 2020** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Due to the COVID-19 Pandemic resulting in the imposition by the government of regulations limiting mobility and mass gatherings, the Company will not be conducting a physical annual stockholders' meeting. In lieu thereof, the annual stockholders' meeting will be held virtually through an online webinar platform for stockholders to attend by remote communication. They can join by registering online at abrown.ph/asmregister on or before 5:00 p.m. on August 24, 2020. The identities of those registering to participate online will be going through a process of verification, after which an email from the Company will be sent to them giving instructions as to how they will be able to watch the livestream of the annual stockholders' meeting. Please see attached *Guidelines for Participating by Remote Communication and Voting in Absentia*.

The stockholders are likewise encouraged to participate in the meeting by either of the following:

(i) by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City or via electronic copy by emailing corporatesecretary@abrown.ph on or before 5:00 p.m. on August 24, 2020.

For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

(ii) by registering your votes on the matters to be taken up during the meeting through the e-voting platform set up for the purpose which can be accessed at abrown.ph/evoting. The e-voting portal will be open until 12:00 noon of September 3, 2020.

Validation of proxies is set on August 25, 2020 at 2:00 p.m. The votes already cast using the e-voting platform by that time will also be verified on said date.

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

City of Pasig, Metro Manila, August 11, 2020.

JASON C. NALUPTA
Corporate Secretary

DETAILS AND RATIONALE OF THE AGENDA

1.) Call to Order

The President and Chairman of the Meeting, Mr. Robertino E. Pizarro will call the meeting to order.

2.) Certification of Notice and Quorum

The Corporate Secretary will certify the date when written notice of the date, time, place, and purpose of the meeting was sent to all stockholders of record as of June 30, 2020.

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

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

Copies of the minutes of the stockholders meeting held on July 4, 2019 will be distributed to the stockholders upon their registration for this meeting. The minutes are also available at the Company website, https://www.abrown.ph/wp-content/uploads/2019/07/ASM-07042019.pdf.

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

Below is the proposed resolution for this agenda item:

"RESOLVED, to dispense with the reading of the minutes of the previous Annual Shareholders' Meeting of July 04, 2019 and to approve the same as circulated."

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

The Annual Report contains summaries on operations and the audited financial statements of the Company for the calendar year ended December 31, 2019.

The President and Chief Executive Officer, Mr. Robertino E. Pizarro will deliver their reports on the highlights of the Year 2019 Company performance as reflected in the audited financial statements and the outlook for Year 2020.

The President will request the stockholders' approval of the annual report and the audited financial statements as of December 31, 2019.

The stockholders will be given opportunity to ask questions on the Annual Report and the Audited Financial Statements. The 2019 Annual Report and the Audited Financial Statements may be viewed at the Company's website at https://www.abrown.ph/wp-content/uploads/2020/07/06_29_2020_-2019-SEC-Form-17-A-Annual-Report.pdf.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the Company's operations and results for 2019 together with the Audited Financial Statements and the accompanying notes thereto."

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

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

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

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve and ratify all acts and resolutions of the Board of Directors, all the Board Committees, as well as all the acts of the Management and officers of the Company taken or adopted from the date of the last stockholders' meeting up to the present (from July 4, 2019 until September 3, 2020)."

6.) Election of Directors

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

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

7.) Appointment of External Auditor

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

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

The Audit Committee has recommended to the Board, and the Board is endorsing to the stockholders, the re-appointment of SGV & Co. as external auditor for the ensuing year. The profile of the external auditor is provided in the Information Statement.

Below is the proposed resolution for this agenda item:

"RESOLVED, to approve the re-appointment of the firm of Sycip Gorres & Velayo as external auditor of the Company for the fiscal year 2020."

8.) Other Matters

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

9.) Adjournment

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

PROXY FORM

The undersigned stockholder of A Brown Company, Inc. (the "Company") hereby appoints the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on September 3, 2020 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.
____ 1.1. Vote for all nominees listed below:
1.1.1. Walter W. Brown
1.1.2. Annabelle P. Brown
1.1.3. Robertino E. Pizarro
1.1.4. Antonio S. Soriano
1.1.5. Joselito H. Sibayan
1.1.6. Renato N. Migrino
1.1.7. Jun Hou
1.1.8. Thomas G. Aquino (Independent Director)
1.1.9. Elpidio M. Paras (Independent Director)

____ 1.2. Withhold authority for all nominees listed above
____ 1.3. Withhold authority to vote for the nominees listed below:

_________________ _________________
_________________ _________________

2. Approval of minutes of previous Annual Stockholders' Meeting.
___ Yes ___ No ___ Abstain

3. Approval of 2019 Operations and Results
___ Yes ___ No ___ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from date of last Stockholders' Meeting to September 3, 2020.
___ Yes ___ No ___ Abstain

5. Appointment of SyCip Gorres Velayo & Co. as external auditor.
___ Yes ___ No ___ Abstain

6. At their discretion, the proxy named above are authorized to vote upon such other matters as may be properly come before the meeting.
___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
Signature of Stockholder / Authorized Signatory

____
Date

THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY (IN HARDCOPY TO THE OFFICE OF THE CORPORATE SECRETARY AT 2704 EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTRE, ORTIGAS CENTER PASIG CITY OR EMAILED TO CORPORATESECRETARY@ABROWN.PH ON OR BEFORE AUGUST 24, 2020.

WE ARE NOT SOLICITING PROXIES.

SECRETARY'S CERTIFICATE

I, ____________________, Filipino, of legal age and with office address at ____________________________, do hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of ___________________________ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ________________________;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on ______________________, the following resolution was passed and approved:

> "RESOLVED, that ____________________ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of A BROWN COMPANY, INC. (A Brown), whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in A Brown and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.
>
> "RESOLVED, FINALLY, That A Brown be furnished with a certified copy of this resolution and A Brown may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in on ________________________.

____
Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on __________________ in _________________. Affiant exhibited to me his Competent Evidence of Identity by way of ________ issued on _______________ at ________________.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of 2020.

A BROWN COMPANY, INC.
2020 ANNUAL STOCKHOLDERS' MEETING

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2020 Annual Stockholders' Meeting (**ASM**) of A Brown Company, Inc. (the "**Company"**) will be held on September 3, 2020 at 1:00 P.M. and the Board of Directors of the Corporation has fixed the end of trading hours of the Philippine Stock Exchange, Inc. on **June 30, 2020** ("**Record Date"**) as the record date for the determination of stockholders entitled to notice of, to attend, and to vote at such meeting and any adjournment thereof.

In view of the continuing mobility restrictions and prohibition on mass gatherings due to the public health emergency, the Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia* or by proxy.

REGISTRATION

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering until August 24, 2020, 5:00 p.m. via abrown.ph/asmregister and by submitting the following requirements and documents, subject to verification and validation:

1. Individual Stockholders
    - 1.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholder (up to 2MB)
    - 1.2. Stock certificate number
    - 1.3. Active e-mail address/es
    - 1.4. Active contact number/s, with area and country codes

2. Multiple Stockholders or with joint accounts
    - 2.1. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others in order to validate the registration of the shareholders (up to 2MB)
    - 2.2. Stock certificate number/s
    - 2.3. Active e-mail addresses of the stockholders
    - 2.4. Active contact numbers, with area and country codes
    - 2.5. Digital copy of an authorization letter executed by all named holders, authorizing a holder to vote for and on behalf of the account

3. Corporate Stockholders
    - 3.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the corporation
    - 3.2. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)

3.3. Active e-mail address/es of the authorized representative
3.4. Active contact number of an authorized representative, with area and country codes

4. PCD Participants/Brokers
   4.1. Digital copy of the Secretary's Certificate (or equivalent for non-resident) attesting to the authority of the representative to vote for and on behalf of the PCD participant/broker
   4.2. Digital copy of the certificate of shareholdings issued by the PCD/broker
   4.3. Clear digital copy of the front and back portion of a valid government-issued identification card/s (ID/s), which include the passport, driver's license, SSS ID, senior citizen ID, among others to validate the registration of the authorized representative (no more than 2MB)
   4.4. Active e-mail address/es of the authorized representative
   4.5. Active contact number of the authorized representative, with area and country codes

Important Reminders:

- **Please refrain from sending duplicate and inconsistent information/documents as these can result in failed registration. All documents/information shall be subject to verification and validation by the Company.**
- **Please be informed that by providing us with the above documents, you consent to the Company's processing of your personal data in accordance with the Data Privacy Act for the purpose of validating your credentials and registration to participate and vote at the Company's annual stockholders' meeting.**

<u>ONLINE VOTING</u>

1. Log-in to the voting portal by clicking the link, and using the log-in credentials, sent to the email address of the shareholder to the Company.

2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended to the Notice of Meeting.

   2.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.

   2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

Note: A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (9 directors) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.

3. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the "Submit" button.

4. The stockholder can still change and re-submit votes, provided, such new votes are submitted within the Voting Period using the same log-in credentials. Previous votes will be automatically overridden and replaced by the system with the new votes cast.

ASM LIVESTREAM

The ASM will be broadcasted live and stockholders who have successfully registered will be provided access to participate via remote communication. Instructions on how to access the livestream will be sent to their emails upon registration.

OPEN FORUM

During the virtual meeting, after all items in the agenda have been discussed, the Company will have the Question and Answer Portion, during which, the meeting's moderator will read and where representatives of the Company shall answer questions and comments received from stockholders, as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "Questions for ASM 2020" to corporatesecretary@abrown.ph on or before 12:00 noon on September 3, 2020. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company via email.

For any concerns, please email us at corporatesecretary@abrown.ph**.**

For complete information on the annual meeting, please visit abrown.ph/asmvirtual.

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

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

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

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

4. SEC Identification Number**: 31168**

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

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

7. Registrant's telephone number, including area code:
   (63)(088)-8588784 or **(63)(02) 8638-6832 (Liaison Office)**

8. Date, time and place of the meeting of security holders:
   Date : 03 September 2020
   Time : 1 o'clock p.m.
   Place : Videoconferencing via [Zoom Webinar]

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **12 August 2020**

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

Titles of each Class	*Number of Shares of Stock Outstanding*
Common Shares as of June 30, 2020	**2,477,667,911**
Amount of Debt Outstanding as of December 31, 2019	**₱2,118,979,675**

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

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

INFORMATION REQUIRED IN INFORMATION STATEMENT
GENERAL INFORMATION

Date, Time and Place Meeting of security holders.

Date	:	**September 03, 2020**
Time	:	**1 o'clock p.m.**
Place	:	**Videoconferencing via Zoom Webinar**

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

Approximate date on which the Information Statement is first sent or given to security holders:
12 August 2020

Dissenter's Right of Appraisal

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

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

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

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

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

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

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) Class of Voting Securities — Common shares

Number of Shares Outstanding as of 30 June 2020 — 2,477,667,911

Common shares are the only equity securities registered and issued by the Company. As of June 30, 2020, 32,836,282 shares or 1.33% of the total outstanding shares are owned by Non-Filipinos.

(b) Record Date: All stockholders of record as of 30 June 2020 are entitled to notice and to vote at the Annual Stockholders' Meeting.

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

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

(d) Security ownership of Certain Record and Beneficial Owners

1. Owners of more than 5% of any class of registrant's voting securities as of June 30, 2020.

Title of Class	Name and Address of Record / Beneficial Owner	Relationship with Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	No. of Shares Owned	Percent of Class
Common	**PCD Nomineee Corporation**** (adjusted) 37/F Enterprise Bldg., Makati City	PCD Nominee	various shareholders	Filipino/Alien	785,436,023	31.70%
Common	**Walter W. Brown** No. 10 Giraffe St., Greenmeadows Q. C.	Chairman	direct & indirect	Filipino	697,243,335	28.14%
Common	**Annabelle P. Brown** No. 10 Giraffe St., Greenmeadows Q. C.	Director	direct & indirect	Filipino	205,444,488	8.29%
Common	**Brownfield Holdings Inc.** 3301-C PSE Tektite West Tower, Exchange Road, Ortigas Center, Pasig City	Stockholder	direct	Domestic Corp.	647,238,938	26.12%
	Total				2,335,362,784	94.26%

*** PCD Nominee Corporation has a total shares of 2,082,620,967 or 84.0557% of the outstanding capital stock (OCS) including clients - beneficial owners owning 5% or more as enumerated below:*

*** The following are the PCD participants with shareholdings of 5% or more of the OCS:*

COL Financial Group, Inc. *2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	*891,695,659*	*35.99%*
Campos, Lanuza & Company, Inc. *Unit 2003B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City*	*372,369,665*	*15.03%*
F. Yap Securities, Inc. *17F, Lepanto Building, 8747 Paseo de Roxas, Makati City*	*177,228,161*	*7.15%*
Maybank ATR-Kim Eng Securities, Inc. *17F, Tower One & Exchange Plaza, Makati City*	*148,918,441*	*6.01%*

*** The following are the clients - beneficial owners of the PCD participants owning 5% or more of the OCS:*

Walter W. Brown (direct and indirect) *No. 10 Giraffe St., Greenmeadows Q. C.*	*518,810,132*	*20.94%*
Annabelle P. Brown (direct and indirect) *No. 10 Giraffe St., Greenmeadows Q. C.*	*131,135,874*	*5.29%*
Brownfield Holdings Inc. *3301-C PSE Tektite West Tower, Exchange Road, Ortigas Center, Pasig City*	*647,238,938*	*26.12%*

- PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants who hold shares on their behalf or in behalf of their clients. PCD is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Phil.
- Brownfield Holdings Incorporated is represented by its authorized officer as approved by its Board of Directors to vote or direct the voting or disposition of its shares

2. Security Ownership of Management

Shares held by Directors and Executive Officers as of 30 June 2020.

Title of Class	Name of Beneficial Owner	Citizenship	No. of Shares Owned	Nature of Ownership (r/b)	% of Class
Common	Walter W. Brown	Filipino	697,243,335	direct & indirect	28.1411%
Common	Annabelle P. Brown	Filipino	205,444,488	direct & indirect	8.2918%
Common	Robertino E. Pizarro	Filipino	3,105,143	direct & indirect	0.1253%
Common	Antonio S. Soriano	Filipino	911,581	r/b	0.0368%
Common	Elpidio M. Paras	Filipino	1,581	r/b	0.0001%
Common	Thomas G. Aquino	Filipino	3,500	r/b	0.0001%
Common	Joselito H. Sibayan	Filipino	146,400	r/b	0.0059%
Common	Renato N. Migriño	Filipino	120	r/b	0.0000%
Common	Jun Hou	Chinese	100	r/b	0.0000%
Common	Marie Antonette U. Quinito	Filipino	120	r/b	0.0000%
Common	John L. Batac	Filipino	-		0.0000%
Common	Paul Francis B. Juat	Filipino	5,703,410	r/b	0.2302%
Common	Jason C. Nalupta	Filipino	-		0.0000%
Common	Daniel Winston C. Tan-Chi	Filipino	7,147,600	r/b	0.2885%
Common	Allan Ace R. Magdaluyo	Filipino	-		0.0000%
	Total		919,707,378		

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

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

Directors and Executive Officers

Incumbent Directors and Executive Officers

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

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

WALTER W. BROWN, Director and Chairman

Walter W. Brown, Filipino, 80, is Director and Chairman of A Brown Company, Inc. Prior to his re-election in December 2018 as Chairman of the Company, he was conferred as Chairman Emeritus in September 2016. He is also the Chairman of A Brown Energy & Resources Development Inc., Palm

Thermal Consolidated Holdings Corporation, PeakPower Energy Inc. and Monte Oro Resources and Energy, Inc. He is the Chairman Emeritus of Apex Mining Co., Inc., a company listed in the Philippine Stock Exchange.

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

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

He is currently Chairman and Director of Family Farm School (PPAI), Chairman and President of Studium Theologiae Foundation, and President of Philippine Mine Safety & Environment Association (PMSEA), and lifetime member of the Geological Society of the Philippines. He was a member of the Board of Trustees of Xavier University from 2003 to 2014, concurrently serving as Vice Chairman from 2006 to 2014.

ANNABELLE P. BROWN, Director

Ms. Annabelle P. Brown, Filipino, 77. Director of A Brown Company, Inc. from 1992 to present. She holds the position of: Treasurer since 1993 to July 2011, and Member of the Executive Committee and Corporate Governance Committee.

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

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

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

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

ROBERTINO E. PIZARRO, Director and President and Chief Executive Officer

Mr. Robertino E. Pizarro, Filipino, 65, was elected as President and Chief Executive Officer on December 7, 2018. Prior to his current position, he was an Executive Chairman beginning September 2016 until March 2017 when it was changed to Chairman. He was the President of the company from August 2003 to Sept. 2016. He finished the course on Strategic Business Economic Program at University of Asia and the Pacific (Aug 2002–Aug 2003). He was the former (2017 to 2018) and is the present President and Member of the Board of Directors of Cagayan de Oro Chamber of Commerce and Industry. He is also the President of ABERDI, Brown Resources Corporation, NAKEEN Corporation (February 26, 1997 to present), Xavier Sports and Country Club (1999 to present), Simple Homes Development, Inc., Bonsai Agricultural Corporation and Minpalm Agricultural Co., Inc. (2004 to present). He was the former President and now Director of Philippine Palmoil Development Council, Inc. (PPDCI).

As three-time elected President of Cagayan de Oro Chamber of Commerce and Industry Foundation (2017, 2018 and 2020), Mr. Pizarro presides the 422-member chamber. He will espouse increased and satisfied membership; and calls for its members to take advantage of the Duterte administration's thrust to develop the countryside and to ramp up economic activities in the rural areas. These economic benefits mean development of the city and its neighboring areas, bringing in tourists, increasing the number of business meetings and conventions, and promoting a conducive business atmosphere. He is also an advocate of the Metro Cagayan de Oro.

Mr. Pizarro is in the forefront of introducing new concepts for urban planning, infrastructure and land management focusing on real estate development in Mindanao. Under his leadership, ABCI introduced Cagayan de Oro's first mixed-use, nature-themed, well-planned integrated residential subdivision, the Xavier Estates. ABCI also developed Northern Mindanao's first agri-residential subdivision in Bukidnon; first residential resort in Misamis Oriental; and the first residential estates in Caraga Region located beside a driving range and a golf course. The demand for ABCI real estate properties continue to be strong due to its idyllic views, high elevation and flood-free locations, well-developed infrastructure with wide main roads, centralized water system and tree-lined streets and landscaped roadways.

As Director and former President of the Philippine Palm Oil Development Council, Inc. (PPDCI), he espoused agriculture development and job creation in the countryside. New interests and investments in the oil palm industry were created during his term. During the 8th National Palm Oil Congress, which he chaired, the utilization of unproductive lands and promotion of economic stability through investments in the palm oil industry was highlighted.

He has no directorship in other publicly-listed companies.

ELPIDIO M. PARAS, Independent Director

Engr. Elpidio M. Paras, Filipino, 66, Independent Director, June 28, 2002 to present. He obtained his Bachelor of Science major in Mechanical Engineering from the De La Salle University (1974). He is the President and CEO of Parasat Cable TV, Inc. (1991 to present), UC-1 Corporation (2002 to present), Arriba Telecontact, Inc. (2005 - present). , Trustee - Promote Northern Mindanao Foundation, Inc. (2005 to present), President – Cagayan de Oro Chamber (2007), Chairman of the Board of Trustees – Xavier University (2007 to 2016) and independent director of Southbank. He is a founding member of the Philippine Society for Orphan Disorders (PSOD). He was also a Board member of the Cagayan de Oro International Trade and Convention Center Foundation, Inc. (2005). He is also a member of PhilAAPA (Philippine Association of Amusement Parks& Attractions), and Member of the Board of trustees of Maria Reyna-Xavier University Hospital, Inc. (MRXUH). He was also three-time Pres. and Chairman of the Philippine Cable TV Association and currently he is a Board Director for the Mindanao area. He is a trustee in the Tourism Congress of the Philippines.

He has no directorship in other publicly-listed companies.

THOMAS G. AQUINO, Independent Director

Dr. Thomas G. Aquino, Filipino, 71, Independent Director since March 12, 2012 to present. He has professional expertise in several fields namely business strategy, trade, investments and technology promotions, industrial policy and international trade negotiations.

He is Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He specializes in economic policy related to reinvigorating manufacturing for regional and global competition. He is Chairman of NOW Corporation, a publicly listed firm engaged in telecommunications, media and technology, and an Independent Director of Alsons Consolidated Resources Inc., also a publicly listed firm involved in property development and power generation in Mindanao. He is Chairman of REID Foundation, a provider of economic solutions experts to partners on reform packages to facilitate inclusive economic growth and development.

Dr. Aquino was formerly Senior Undersecretary of the Philippine Department of Trade and Industry. He managed international trade promotions by assisting exporters to the country's trade partners and led the country's trade policy negotiations in the World Trade Organization and Asean Economic Community and representation in Asia Pacific Economic Cooperation. He was the lead negotiator for the Philippines-Japan Economic Partnership Agreement, the first modern bilateral free trade agreement for the Philippines. He was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country at home and abroad by the President of the Republic of the Philippines. He is a member of the Philippines APEC Vision Group 2020.

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

ANTONIO S. SORIANO, Director

Atty. Antonio S. Soriano, Filipino, 71, Director from Aug 2007 to present and Corporate Secretary (June 2002 to Nov. 2008). He obtained his Bachelor of Laws Degree from the University of the East in 1974 and was admitted to the Bar in 1975. He is the Senior Managing Partner of Soriano, Saarenas & Llido Law Office. He acts as the Corporate Secretary of the following: RISE Foundation, Inc. (1994 to present), ICS Development Corporation (1980 to present), PACEMAN General Services (1993 to present), Kagayhaan-Davao Resources Management Corporation (1994 to present), Kagayhaan - Cagayan de Oro City Resources Management Corporation (1993 to present), Chairman of Xavier Sports and Country Club (2000 to present), and Roadside Shops, Inc. (2000 to present). He is the Chairman of Cagayan de Oro Medical Centre, Philippine National Red Cross and First Industrial Plastic Ventures, Inc. (present). He is also active in civic and professional organizations like Integrated Bar of the Phils. – Misamis Oriental Chapter (Vice-President 1984-1986), Rotary Club of Cagayan de Oro City (IPP & SAG), Philippine Association of Voluntary Arbitrators (member - 1994) and Court of Appeals Mediation-Mindanao Station (member - 2007). He was also elected as Vice Mayor of Cagayan de Oro City from 1992-1995 and member of the City Council of the same city from 1988-1992. During his tenure he was able to pass several ordinances and resolutions that contributed to the development of the City. He has no directorship in other publicly-listed companies.

JOSELITO H. SIBAYAN, Director

Joselito H. Sibayan, Filipino, 61, was appointed as Director and Treasurer of A Brown Company, Inc. on March 28, 2017. His designation as Treasurer has ceased with the appointment of Mr. Joel A. Bañares on May 04, 2017. Currently, he is an Independent Director of Apex Mining Co. Inc. and SM Prime Holdings, Inc., publicly-listed companies. He is also President and CEO of Mabuhay Capital.

Prior to forming Mabuhay Capital, he was the Vice-Chairman of Investment Banking-Philippines and Philippine Country Manager for Credit Suisse First Boston (1998-2005). He held various positions from Senior Vice-President, Head of International Fixed Income Sales to Executive Director and Chief Representative at Natwest Markets (1993-1998). He was also the Head of International Fixed Income Sales at Deutsche Bank in New York (1988-1993). He spent 32 years in investment banking with experience spanning securities sales and trading, capital-raising, and mergers & acquisitions advisory.

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

RENATO N. MIGRIÑO, Director and Treasurer

Mr. Renato N. Migriño, Filipino, 70, is currently the Treasurer of Apex Mining Co., Inc. and an Independent Director of Mabuhay Vinyl Corporation, both listed companies. Mr. Migrino is also a Director and Treasurer of Monte Oro Resources & Energy, Inc. Prior to his joining A Brown, Mr. Migriño was Treasurer, Chief Financial Officer, Senior Vice President for Finance, and Compliance Officer of Philex Mining Corporation, Director and Chief Financial Officer of Philex Gold Inc., and Director of FEC Resources Inc., Silangan Mindanao Mining Co., Inc., Brixton Energy & Mining Corporation and Lascogon Mining Corporation. He was also formerly Senior Vice President & Controller of Benguet Corporation.

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

JUN HOU, Director

Mr. Jun Hou, Chinese, 48, holds the position of Executive Chairman of Huli Fund Philippines, a firm that specializes in buyout investments especially in real estate, energy, minerals, and health industries. He is the President of Yi Ding Tai International Corporation from 2012 to present, a company which conducts its operations in the Philippines and based in the People’s Republic of China.

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

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

Nomination of Independent Directors and Procedure for Nomination

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

In compliance with the requirements of the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws, the Corporate Governance Committee, in a meeting held on 21 May 2020, considered the nominations given in favor of Messrs. Paras (by Mr. Dante M. Agustin) and Aquino (by Mr. Paul Francis B. Juat). The Corporate Governance Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code. The nominated independent directors are in no way related to the stockholders who nominated them.

The Members of the Corporate Governance Committee are as follows:

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

Please see pages 26 to 28 for the Certification of Qualification of Independent Directors

Company Officers of ABCI

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

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

RENATO N. MIGRIÑO, Director and Treasurer (refer above for his profile)

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

Atty. Marie Antonette U. Quinito, Filipino, 43, joined the A Brown Group of Companies in November 2013 as Comptroller. She was appointed as Chief Finance Officer effective September 1, 2015 until December 31, 2017. Thereafter, she was appointed as Vice President-Comptroller effective January 1, 2018. She assumed the Chief Finance Officer effective March 1, 2019 upon the resignation of Ignacio A. Manipula. She was formerly a Director of the company.

She finished her Bachelor of Science in Accountancy at the University of San Carlos Cum Laude in 1997. She became a Certified Public Accountant in December the same year. She finished her Master's in Business Administration at Southwestern University last May 2003. She finished her Bachelor in Laws at Xavier University Ateneo de Cagayan last May 2009 and passed the bar examination given last November 2011. She is a candidate for Doctor in Education Planning and Supervision. She has also taken courses with institutions such as the Asian Institute of Management and American Management Association.

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

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

Engr. John L. Batac, Filipino, 51, AVP from Aug 2008 until he was appointed as VP effective June 2014. He was elected concurrently as Chief Operating Officer starting January 1, 2019. He is a Civil, Sanitary and Geodetic Engineer. He graduated from the University of the East in 1991 for his Civil Engineering course, at National University in 1994 for Sanitary Engineering and at The University of Northern Eastern Philippines in 1998 for Geodetic Engineering. He used to be an Instructor at International Training Center for Surveyors (Sept 1991 to April 1995), a Manager for Project Development of A Brown Company, Inc. (May 1995 to July 2000) and a Technical Consultant of Green Square Properties Corp. (2000 to 2008). He is also a member of the following organizations: Philippine Institute of Civil Engineers (PICE), Philippine Society of Sanitary Engineers (PSSE) and Geodetic Engineers of the Philippines (GEP).

PAUL FRANCIS B. JUAT, Vice President

Mr. Paul Francis B. Juat, Filipino, 27, is appointed as Vice President of A Brown Company Inc. effective January 1, 2019. He is a director of Atok-Big Wedge Co., a publicly listed company since May 31, 2018. He is also a director of Brownfield Holdings Corporation, North Kitanglad Agricultural Company, Inc., PBJ Corporation, and Pacific Bougainville Holdings Corporation. He also currently serves as Assistant to the President of Apex Mining Co., Inc. He holds a Bachelor's degree in Industrial Engineering from the University of the Philippines Diliman.

JASON C. NALUPTA, Corporate Secretary

Jason C. Nalupta, Filipino, 48, is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms Asia United Bank, Crown Asia Chemicals Corporation, and Pacific Online Systems Corporation. He is also a Director and/or Corporate Secretary or Assistant Corporate Secretary of private companies Sino Cargoworks Agencies, Inc., Falcon Resources, Inc., Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Metropolitan Leisure & Tourism Corporation, Sagesoft Solutions, Inc., Radenta Technologies, Inc., Xirrus, Inc., Glypthstudios, Inc., Loto Pacific Leisure Corporation, and Sta. Clara International Corporation. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Mr. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Mr. Nalupta was admitted to the Philippine Bar in 1997.

DANIEL WINSTON C. TAN-CHI, Assistant Corporate Secretary

Daniel Winston C. Tan-chi, Filipino, 41, is appointed Assistant Corporate Secretary of A Brown Company Inc. effective October 25, 2017.

Currently, he is the Corporate Secretary of Palm Thermal Consolidated Holdings, Hydro Link Projects Corp., Masinloc Consolidated Power, Inc., AB Bulk Water Company, Inc. and another 33 non-listed companies.

He has 15 years of experience in the legal services industry with a solid background in the areas of Project and Debt Financing, Mergers & Acquisitions, Joint Ventures, Labor Disputes and Real Estate.

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

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

ALLAN ACE MAGDALUYO, Compliance Officer

Allan Ace Magdaluyo, Filipino, 40, is appointed Compliance Officer of A Brown Company Inc. effective October 25, 2017. He started his career in A Brown Company, Inc. as Investor Relations Officer in June 2010 and promoted as Finance Manager and Senior Finance Manager in 2012. He graduated his BS Accountancy degree at Mindanao State University – Marawi as Magna Cum Laude and College Leadership Awardee in 2000. He took and passed the May 2001 CPA Board Examination. After obtaining his CPA license, he worked as an Accountant II in the Department of Education – Division of Agusan del Sur before he embarked on his graduate studies. He graduated his Master of Science in Finance degree at University of the Philippines – Diliman in 2008 and had completed his academic units for a Master in Public Administration at Bukidnon State University – San Francisco External Studies in 2004. He obtained his license as a Real Estate Broker in 2011 and Real Estate Appraiser in 2013.

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

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

Certain Relationships and Related Transactions

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

No other transaction was undertaken by the Company in which any Director or Executive Officers was involved or had a direct or indirect material interest except on the receipt of non-interest-bearing loans from the family of Dr. Walter W. Brown which was converted to equity. On 12 October 2017, the Board approved the conversion of the Company's debt amounting to ₱250,000,000 to equity at Php 1.13/share based on the 15-day volume weighted average price for the period ending on October 11, 2017.

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

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

Disagreement with Director

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

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation

Name	Position	As of December 31, 2019			2020 (Estimates)		
		Salary	Per Diem*	Others/Bonus	Salary	Per Diem*	Others/Bonus
Walter W. Brown	Chairman						
Robertino E. Pizarro	President & CEO						
Paul Francis B. Juat**	Vice President						
John L. Batac	VP - Construction and Development/ Chief Operating Officer						
Marie Antonette Quinito	Chief Finance Officer						
all above-named Directors & Officers as a group		22,771,508	215,000	3,210,024	27,240,000	236,500	2,270,000
all other officers including managers and directors as a group unnamed		21,588,948	608,000	2,970,191	18,690,467	668,800	1,557,539

** includes travel allowance*

*** effective January 1, 2019*

Name	Position	2018		
		Salary	Per Diem*	Others/ Bonus
Walter W. Brown Roel Z. Castro Robertino E. Pizarro Ignacio A. Manipula Marie Antonette Quinito all above-named Directors & Officers as a group	Chairman President** Chairman then President & CEO Sr. VP / Chief Finance Officer*** Comptroller	29,705,369	242,000	2,763,010
all other officers and directors as a group unnamed ** includes travel allowance* *** resigned as President as of November 30, 2018* **** resigned as Sr. VP/CFO as of February 28, 2019*		18,588,135	1,037,000	1,847,249

<u>Directors</u>

The regular directors receive P10,000 while the Chairman of the Board and Independent Directors receive P15,000 as per diem for every board and committee meeting. As provided in the By-Laws Article V, Section 1 (as amended and adopted by the BOD on March 12, 2012 and approved by SEC on June 13, 2012), a bonus may be distributed to the members of the Board of Directors, officers and employees "upon the recommendation of the Compensation and Remuneration Committee and shall not exceed ten (10) per centum of the net income of the corporation (excluding the unrealized equity in the net earnings of affiliated and subsidiary corporations) before this bonus and taxes of the preceding year or preceding years if in a cumulative basis…" The said bonus is to be pro-rated with respect to Director's attendance and for those who have served for less than one year.

<u>Officers</u>

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

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

INDEPENDENT PUBLIC ACCOUNTANTS

The Company's Board of Directors reviews and approves the engagement of services of the Company external auditors, including but not limited to the appointment, compensation, retention, rotation and oversight of the independent auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. Representatives of the external auditors shall be present during annual meetings and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

Per SEC Memo Circular 19 of 2005 – Amendments to SRC Rules 68 and 68.1, "… the external auditors shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The reckoning date for such rotation shall commence in year 2002…"

External Auditor Prior to 2018

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

External Auditor Beginning 2018

In 2018, the principal independent accountant and external auditor of the Company is the accounting firm of Sycip Gorres Velayo & Co. ("SGV & Co."), a member practice of Ernst & Young International with address at SGV Building, 6760 Ayala Avenue, 1226 Makati City. SGV & Co. has been retained as the Corporation's external auditor since 28 June 2018 during the Company's Annual Stockholders' Meeting after the approval of the Board of Directors on 02 May 2018. There was no instance that SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure. For the Audit Year 2018, John T. Villa was the Partner-In-Charge while for the Audit Year 2019, Alvin M. Pinpin is the Partner-In-Charge.

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

In the interest of greater transparency and in accordance with good corporate governance practices mandated by SRC Rule 68(3)(b), as amended, the Board of Directors upon the recommendation of the Audit Committee has decided to re-appoint **Sycip Gorres Velayo & Co**. (SGV & Co.) as the external auditor for 2020 for approval of the stockholders of ABCI at the forthcoming Annual Stockholders' Meeting on September 03, 2020.

Members of the Audit Committee are as follows:

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

ISSUANCE AND EXCHANGE OF SECURITIES

Financial and Other Information

Please see Management Report and Annexes:

Annex A – Management's Discussion and Analysis
Annex B – Audited Consolidated Financial Statements for 2019
Annex C – Certification that none of the board members and officers is employed with the Government
Annex D – SEC 17-Q for the 2nd Quarter of 2020

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

No action is to be taken during the 2020 ASM with respect to this item.

AMENDMENTS OF CHARTER, BY-LAWS & OTHER DOCUMENTS

No action will be taken with respect to any amendment to the Corporation's Articles of Incorporation or By-Laws.

OTHER MATTERS

Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the Annual Stockholders' Meeting held on July 4, 2019 during which the following were taken up: (1) Call to Order, (2) Proof of Notice of Meeting, (3) Certification of Quorum, (4) Approval of the Minutes of the previous Special Stockholders' Meeting, (5) Approval of 2018 Operations and Results, (6) Ratification of All Acts of the Board of Directors and Officers, (7) Election of Directors, (8) Appointment of External Auditors, (9) Other Matters, and (10) Adjournment.

The Company will seek the approval by the stockholders of the 2019 Operations and Results, contained and discussed in the annual report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of Management and of the Board of Directors for the past year.

Other Proposed Actions

The following are to be proposed for approval during the stockholders' meeting:
1. Minutes of the Previous Meeting of Stockholders
2. 2019 Operations and Results
3. Ratification of all Acts of the Board of Directors and Officers
4. Election of Directors for 2020-2021
5. Appointment of External Auditor
6. Other Matters

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

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

Management reports which summarize the acts of management for the year 2019 are included in the company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Voting Procedure

(a) Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

(b) Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place. If no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend, then the appointment shall be made by the presiding officer of the meeting. For purposes of the Annual Stockholders' Meeting on September 3, 2020 the Corporate Secretary and/or his representative, together with the Audit Partner of the External Auditor and/or his representative, have been designated as inspectors who have been tasked to oversee the counting of votes.

(c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law. For the purpose of this year's annual stockholders' meeting, which will be held only in a virtual format, the stockholders may only vote through proxies or by remote communication (*in absentia*). The stockholders are encouraged to participate in the meeting by either of the following:

i. by submitting duly accomplished proxies to the Office of the Corporate Secretary at 2704 East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City or via electronic copy by emailing corporatesecretary@abrown.ph on or before 5:00 p.m. on August 24, 2020.

For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

ii. by registering your votes on the matters to be taken up during the meeting through the e-voting platform set up for the purpose which can be accessed at asmregister.abrown.ph. The e-voting portal will be open until 12:00 noon of 03 September, 2020.

(d) The method of counting votes shall be in accordance with the general provisions of the Revised Corporation Code. The counting shall be done by the inspectors abovementioned, witnessed and the results verified by a duly appointed validator.

OMITTED ITEMS

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

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organization	Position/Relationship	Period of Service
Parasat Cable TV, Inc.	President & CEO	1991 - present
Phil. Cable TV Association	Past Chairman of the Board	2000 - 2008
Phil. Cable TV Association	Past President	2010 - 2012
Phil. Cable TV Association	Director	2017 - present
Cagayan de Oro Chamber	Past President	2007 - 2008
Xavier University	Past Chairman of the Board of Trustees	2007 - 2016
CDO ICT Committee	Member	2005 - present
Cagayan de Oro International Trade and Convention Center Foundation, Inc.	Director	2005 - 2010
UC-1 Corporation	President & CEO	2002 - present
Philippine Association of Amusement Park & Attractions	Member	2012 - present
Jade Cable TV Systems, Inc.	President & CEO	1991 - present
Accolade Resources, Inc.	Director	2012 - present
Promote Northern Mindanao Foundation, Inc.	President	2019 - present
Southbank	Independent Director	2014 - present
Tourism Congress of the Philippines	Trustee	2017 - present
Barra Bay Properties, Inc.	President & CEO	2019 - present

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

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

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

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

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

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

Done, this ____ day of JUL 1 6 2020, at QUEZON CITY.

ELPIDIO M. PARAS
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of JUL 1 6 2020 at QUEZON CITY, affiant personally appeared before me and exhibited to me his Passport No. P7154412A issued on May 12, 2018-May 11, 2028 as his competent evidence of identity.

ATTY. REDENTOR Q. ACAYLAR
NOTARY PUBLIC FOR AND IN QUEZON CITY
4B MAGALANG ST., QUEZON CITY
ADM. MATTER NO. NP-063 (2020-2021)
ROLL NO. OF ATTORNEY NO. 29553
IBP NO 094422, 11/7/19, QUEZON CITY
PTR NO. 9353025, 1/10/20, QUEZON CITY
MCLE COMPLIANCE NO. VI-008974
COMMISSION EXPIRES ON DECEMBER 31, 2021

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Page No. 49;
Book No. 97;
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CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organization	Position/Relationship	Period of Service
NOW Corporation	Chairman	2011 - present
Alsons Consolidated Resources, Inc.	Independent Director	2011 - present
Holcim Philippines, Inc.	Independent Director	2019 - present

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

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

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

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

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

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

Done, this ____ day of JUL 16 2020, at QUEZON CITY.

Thomas Aquino
THOMAS G. AQUINO
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of JUL 16 2020 at QUEZON CITY, affiant personally appeared before me and exhibited to me his Passport No. P3599859A issued on July 6, 2017 as his competent evidence of identity.

ATTY. REDENTOR C. ACAYLAR
NOTARY PUBLIC FOR AND IN QUEZON CITY
4B MAGALANG ST., QUEZON CITY
ADM. MATTER NO. NP-063 (2020-2021)
ROLL NO. OF ATTORNEY NO. 29553
IBP NO. 094422, 11/7/19, QUEZON CITY
PTR NO. 9353025, 1/10/20, QUEZON CITY
MCLE COMPLIANCE NO. VI-008974
COMMISSION EXPIRES ON DECEMBER 31, 2021

Doc. No. 240;
Page No. 49;
Book No. II;
Series of 2020

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

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

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

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on July 24, 2020.

A BROWN COMPANY, INC.
Issuer

By:

ROBERTINO E. PIZARRO
President & Chief Executive Officer

ANNEX A

MANAGEMENT REPORT 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Current Period (2019 & 2018) Operational and Financial Information

Financial Condition

In Thousand Pesos	Audited 2019	Audited 2018	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis Audited 2019	Audited 2018
Current Assets	**3,213,597**	2,799,762	413,835	15%	**53%**	51%
Noncurrent Assets	**2,881,868**	2,666,464	215,404	8%	**47%**	49%
Total Assets	**6,095,465**	5,466,226	629,239	12%	**100%**	100%
Current Liabilities	**1,312,702**	1,618,936	(306,233)	-19%	**22%**	30%
Noncurrent Liabilities	**806,277**	358,575	447,703	125%	**13%**	7%
Equity	**3,976,486**	3,488,716	487,770	14%	**65%**	64%
Total Liabilities and Equity	**6,095,465**	5,466,226	629,239	12%	**100%**	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – December 2019 vs. December 2018

The Group's total assets increased by 12**% or ₱629.2 million,** from a balance of **₱5.5 billion** as of end of the year 2018 to **₱6.1 billion** as of December 31, 2019.

Current Assets increased by 15% or ₱414 million as a result of the net effect of the following:

1% or* ₱730k *decrease in Cash – due to the net effect of the net cash provided by operating and investing activities and net cash used by financing activities.

389% or* ₱593.7*M increase in Current Portion of Receivables due to the net effect of:

a) **128% or ₱102.2M increase in dividend receivable** – due to the declaration of dividends by an associate
b) **624% or ₱516M increase in installment contract receivables on sale of real estate** – due to classification of land portion of sold inventories per PIC Q & A No. 2018-12 and PIC Q & A No. 2018-14
c) **173% or ₱8.6M increase in Trade Receivable** – directly related from the receivable from water service and sale of crude palm oil (CPO), palm olein, palm stearin and other palm products
d) **15% or ₱12.3M increase in other receivables -** pertain to increase in receivables for the sale of equity

45% or ₱104.2M decrease in Current portion of Contract Assets – due to classification of land portion of sold inventories

1% or* ₱15.8*M decrease in Real estate inventories – due to the net effect of the development of new projects as against units sold in all projects

3% or ₱4.4M increase in Inventories – due to lower inventory turn-over of crude palm oil

32% or ₱27.5M increase in Advances to a related party – this pertains to additional advances to a related party made during the year

73% or ₱169.7*M decrease in Equity Instruments at Fair Value through Profit and Loss (EIFVPL)* – the reduction is due to the decrease in share price of and sale of equity instruments at FVPL

29% or ₱78.7M increase in Other current assets – due to the net effect of:

a) 23% or ₱29.8M increase in deposit for land acquisition – as a result of installment payments to the sellers of land where sales contracts have yet to be executed
b) 54% or ₱34.4M increase in creditable withholding taxes – as a result of higher creditable withholding taxes on sale of real estate versus utilization of creditable withholding taxes.
c) 11% or ₱6.9M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
d) 35% or ₱4.2M increase in prepaid commission – directly related to increase pre-payments of commission to brokers and marketing agents
e) 88% or ₱3.4M increase in other refundable deposits

Non-Current Assets increased by 8% or ₱215.4 million as a result of the net effect of the following:

43% or ₱43.8M increase in Non-current portion of Receivables-net – due to the lower collectible of long-term receivables

92% or ₱71.4M decrease in Non-current portion of Contract Assets – due to classification of land portion of sold inventories

1% or ₱*1.1M decrease in Equity Instruments at Fair Value through Other Comprehensive Income (EIFVOCI)* – due to the decrease in share price of equity instruments at FVOCI

16% or ₱198.1M increase in Investment in Associates – due to the Group's share/equity in the net profit of associates which is higher as compared to dividend received and/or receivable during the year

16% or ₱18.1M decrease in Investment Properties – due to the effect of the transfer of land held for capitalization to real estate held for sale

1% or ₱11.8M decrease in Property, Plant and Equipment - net due to the net effect in:

a) 8% or ₱6.5M decrease in Leasehold improvements – net due to depreciation
b) 5% or ₱16.6M decrease in Bearer Plants – net due to depreciation and impairment of bearer plants-trees
c) 4% or ₱10.1M decrease in RBD and Fractionation Machineries - net due to depreciation
d) 9% or ₱0.8M decrease in Building and Improvements - net due to depreciation
e) 4% or ₱4.4M decrease in Machinery and Equipment- net due to higher depreciation as compared to new additions and disposal
f) 48% or ₱26.6M increase in Other equipment – net due to new purchases is higher than the depreciation and disposal and due to recognition of ROU asset in effect of PFRS 16 adoption

4% or ₱481k increase in Deferred Tax Assets **–** directly related to the increase in the tax effect of the allowance for impairment loss on PPE and increase in tax effect of retirement liability of the group during the year.

115% or ₱75.4M increase in Other Non-current assets **–** due to the increase in refundable deposits - net of current portion and advances to third party.

Total liabilities increased by 7% or* ₱141.5 *million as a result of the net effect on current and no-current liabilities:

Current liabilities decreased by *19% of ₱306.2 million* as a result of the net effect of the following:

8% or 44 million increase ***in Accounts payable and accrued expenses*** – primarily due to the net effect of the following:

a) 6% or ₱22.5M increase in trade accounts payable
b) 32% or ₱26.3M increase in accrued expenses
c) 37% or ₱8.9M increase in retention payable
d) 32% or ₱3.8M decrease in statutory payables
e) 48% or ₱4.8M decrease in accrued interest payable
f) 71% or ₱4.2M decrease in other payables

104% or* ₱71.1*M increase in Contract liabilities and Deposit from Customers – due to the net effect of the new sales reservations of new projects and increase in book sales settled through end buyer's financing.

45% or* ₱308.9*M decrease in Short term Debt – due to the net effect additional loan availed and payments made by the group during the year and is also due to reclassification of short-term debt to long-term loans

35% or* ₱113.3*M decrease in Current portion of long-term debt – effect on the current year due against paid in 2019

Non-Current liabilities increased by 125% or* ₱447.7 *million as a result of the net effect of the following:
124% or ₱*337.2M increase in Non-current portion of long-term debt* – due to the net effect of the repayments, increase in long term loans availed and reclassification of the principal amount that will be due within one year.

62% or* ₱17.8*M increase in Retirement liability – as a result of the actuarial valuation of the retirement benefit obligation of the existing employees

160% or* ₱92.8*M increase in Deferred tax liabilities - due to the increase in the tax effect of sales on deferred payment scheme and the adoption of PFRS 15.

Equity increased by *14%* or ₱487.8 million as a result of the net effect of the following:

₱1.1M decrease in Fair Value Reserve of EIFVOCI – due to the decrease in market value of available for sale investments

76% or ₱494.9M increase in the Retained Earnings – the increase pertains to the net income of the group

68% or* ₱8.9*M decrease in the Other Components of Equity – due to the net effect of the following:

- ***100% or* ₱10.*0M increase in Cumulative re-measurement loss on retirement benefits***, net of tax – related to the actuarial valuation of retirement benefits obligation

- ***132% or* ₱4.*1M increase in Cumulative translation adjustment*** – related to the exchange differences in foreign currency translation

Results of Operation

In Thousand Pesos	Audited 2019	Audited 2018	Audited 2017	Horizontal Analysis Increase (Decrease) Amount 2019 vs 2018	%	Amount 2018 vs 2017	%	Vertical Analysis Audited 2019	Audited 2018	Audited 2017
Real estate sales	**942,736**	705,186	470,335	237,550	34%	234,850	50%	**92%**	85%	85%
Sale of agricultural goods	**63,725**	100,440	62,845	(36,716)	-37%	37,596	60%	**6%**	12%	11%
Water service income	**21,350**	20,442	18,245	908	4%	2,197	12%	**2%**	2%	3%
REVENUES	**1,027,810**	826,068	551,425	201,742	24%	274,643	50%	**100%**	100%	100%
Cost of real estate sales	**355,232**	293,666	235,024	61,566	21%	58,642	25%	**35%**	36%	43%
Cost of agricultural goods sold	**49,685**	82,826	50,887	(33,141)	-40%	31,939	63%	**5%**	10%	9%
Cost of water service income	**11,990**	9,625	7,643	2,364	25%	1,983	26%	**1%**	1%	1%
COST OF SALES AND SERVICES	**416,906**	386,117	293,553	30,789	8%	92,564	32%	**41%**	47%	53%
GROSS PROFIT	**610,904**	439,951	257,872	170,953	39%	86,919	51%	**59%**	53%	47%
General, Administrative and Selling Expenses	**265,202**	318,401	253,654	(53,199)	-17%	64,748	26%	**26%**	39%	46%
Share in net income (loss) of associates	**380,304**	252,093	92,018	128,211	51%	160,075	174%	**37%**	31%	17%
Gain on sale of AFS investments	**-**	-	265,838	-		(265,838)	-100%	**0%**	0%	48%
Unrealized gain (loss) on EIFVPL	**(43,514)**	10,099	-							
Gain on sale of EIFVPL	**(32,095)**	50,039	-	(82,134)	-164%	50,039		**-3%**	6%	0%
Unrealized foreign exchange gain (loss)	**11**	14,705	347	(14,694)	-100%	14,358	4133%	**0%**	2%	0%
Impairment loss	**(21,957)**	(17,560)	-	(4,397)	25%	(17,560)		**-2%**	-2%	0%
Interest expense	**(23,059)**	(84,031)	(85,542)	60,972	-73%	1,511	-2%	**-2%**	-10%	-16%
Other income (expense) -net	**20,993**	12,033	18,906	8,960	74%	(6,873)	-36%	**2%**	1%	3%
Other Income (Expenses)	**280,683**	237,379	291,567	43,304	18%	(54,188)	-19%	**32%**	28%	53%
Income (Loss) Before Income Tax	**626,385**	358,929	295,786	267,456	75%	63,143	21%	61%	43%	54%
Provision for (Benefit from) Income Tax	**131,592**	60,074	(3,796)	71,518	119%	63,870	-1682%	13%	7%	-1%
NET INCOME (LOSS)	**494,793**	298,855	299,582	195,938	66%	(727)	0%	48%	36%	54%
Remeasurement gain (loss) on defined benefit plan-net of tax	**(10,048)**	4,806	(1,212)	(14,855)	-309%	6,019	-496%			
Exchange difference in foreign currency translation	**4,111**	(6,585)	3,480	10,696	-162%	(10,065)	-289%			
Net change in fair value of EIFVOCI and AFS investments	**(1,086)**	28,900	(613,818)	(29,986)	-104%	642,718	-105%			
OTHER COMPREHENSIVE INCOME (LOSS)	**(7,023)**	27,122	(611,550)	(34,145)	-126%	638,672	-104%			
TOTAL COMPREHENSIVE INCOME (LOSS)	**487,770**	325,977	(311,968)	161,793	50%	637,945	-204%			

A Brown Company - CONSOLIDATED
Results of Operations
For the Year Ended December 31, 2019

The consolidated financial statements for the year ending December 31, 2019 resulted to an after-tax net income of **₱494.8 million** compared to a **₱288.8 million** net income of last year due to the net effect of the following:

24% or ₱201.7M increase in Revenues due to:

a) ***Increase in Real estate Sales by 34% or ₱237.6M*** - Sales in 2019 were mostly high end and economic units compared to last year which were mostly economic and socialized housing units
b) ***Decrease in Sales of crude palm oil by 39% or ₱29.3M –*** this is due to the decrease in quantity sold by 34% or 840 metric tons, from a volume of 2,446 metric tons in 2018 to 1,606 metric tons in 2019; the average selling price decreased by **₱1,010** per metric ton from **₱29,628** per metric ton last year to **₱28,618** per metric ton in 2019.
c) ***Increase in Palm Fatty Acid Distillate Sales by 49% or ₱192k –*** this is due to the increase in quantity sold by 199% or 36 metric tons, from a volume of 18 metric tons in 2018 to 54 metric tons in 2019; the average selling price decreased by **₱10,709** per metric ton from **₱21,423** per metric ton last year to **₱10,714** per metric ton in 2019.
d) ***Decrease in RBDO Sales by 100% or ₱6.5M–*** this is due to the decrease in quantity sold by 100% or 165 metric tons, from a volume of 165 metric tons in 2018 to none metric tons in 2019; the average selling price was P39,394 in 2018
e) ***Increase in Palm Olein Sales- net by 14% or ₱1.2M –*** this is due to the decrease in quantity sold by 131572% or 267,854 metric tons, from a volume of 204 metric tons in 2018 to 268,057 metric tons in 2019; the average selling price decreased by **₱4,075** per metric ton from **₱41,111** per metric ton in 2018 to **₱35.54** per metric ton in 2019.
f) ***Decrease in Palm Stearin Sales by 82% or ₱3.9M -*** this is due to the decrease in quantity sold by 62% or 101 metric tons, from a volume of 161 metric tons in 2018 to 61 metric tons in 2019; the average selling price decreased by **₱15,175** per metric ton from **₱ 29,461** per metric ton in 2018 to **₱14,286** per metric ton in 2019
g) ***Decrease in Kernel Nuts by 57% or ₱1.8M -*** this is due to the decrease in quantity sold by 54% or 122 metric tons, from a volume of 225 metric tons in 2018 to 102 metric tons in 2019; the average selling price decreased by **₱467** per metric ton from **₱13,945** per metric ton in 2018 to **₱13,478** per metric ton in 2019
h) ***Increase in Palm Kernel Cake by 100% or ₱3.6M–*** this is due to the increase in quantity sold by 100% or 453 metric tons, from a volume of zero metric tons in 2018 to 453 metric tons in 2019; the average selling price was P7,958 in 2019.
i) ***Decrease in sale of Palm acid oil by 12% or ₱245k -*** this is due to the decrease in quantity sold by 11% or 22 metric tons, from a volume of 202 metric tons in 2018 to 224 metric tons in 2019; the average selling price decreased by **₱2,120** per metric ton from **₱ 10,317** per metric ton in 2018 to **₱8,197** per metric ton in 2019
j) ***Increase in Sales from water services by 4% or ₱0.9M*** due to the increase in the turn-over of units and consumption of water by residents

8% or ₱30.8M increase in Cost of Sales and Services due to:

a) ***21% or ₱61.6M increase in cost of real estate –*** the increase is relatively due to sales of high end and economic units during the year as compared to economic and socialized units in 2017 with relatively lower costs
b) ***40% or ₱24.4M decrease in cost of production of Crude palm oil –*** the decrease is relatively due to the proportionate decrease in sales of crude palm oil
c) ***227% or ₱562k decrease in cost of Palm Fatty Acid Distillate -*** the decrease is relatively to the proportionate to the decrease in sales of palm fatty acid distillate

d) ***Decrease in cost of Kernel Nuts by 74% or ₱1.9M -*** the decrease is relatively due to proportionate decrease in sales of kernel nuts

e) ***Decrease in cost of RBDO by 100% or ₱5.5M--*** the decrease is relatively due to proportionate decrease in sales in RBDO

f) ***Decrease in cost of Palm Acid Oil by 13% or ₱0.3M –*** the decrease is directly related to the proportionate decrease sale of palm acid oil

g) ***Decrease in cost of Palm Olein by 45% or ₱3.4M*** *- the decrease is directly related to the decrease sale of palm olein*

h) ***Decrease in cost of Palm Stearin by 56% or ₱2.3M-*** *the decrease is directly related to the decrease sale of palm stearin*

i) ***Increase in cost of water services by 25% or ₱2.4M –*** due to the additional costs related to the proportionate to the increase in sales

17% or ₱53.2M decrease in General, Administrative and Selling Expenses - due to the following net effect of:

a) ***12% or ₱10.8M decrease in Personnel expenses -*** due to the decrease in manpower and other benefits in 2019

b) ***8% or ₱4.7M decrease in Marketing expenses –*** due to the decrease in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the parent company

c) **24%** or **₱8.1*M* decrease in Taxes and Licenses** – pertains to the decrease in documentary stamp taxes on loans in 2019 and application of tax credit with LGU

d) **58%** or **₱15.2*M decrease*** in **Outside Services** - due to the decrease in requirement on additional project

e) ***49% or ₱9.7M decrease in Professional Fees*** – directly related to the decrease in consultancy services incurred by the group

f) ***52% or ₱8.6M increase in Depreciation –*** *due to increase wear and tear and usage of PPEs*

g) ***10% or ₱1.5M decrease in Rental expense*** – due to prepaid land rights reclassification to ROU asset in 2019; hence, a decrease in rent expense (from prepaid land rights)

h) ***22% or ₱2.4M decrease in Utilities and supplies –*** due to the decrease in usage of utilities and supplies during the year.

i) 33% or P3.2M decrease in Transportation and Travel– directly related to the various site visitations for real estate projects, plantation operations and power group operations.

j) 41% or ₱3.6M decrease in Retirement Benefits expense

k) 8% or ₱0.4M decrease in Repairs and Maintenance – due to the decrease in cost of repairs and maintenance during the year.

l). ***74% or ₱1.6M decrease in Insurance –*** due to reduction of properties and units insured

m) ***37% or ₱0.5M decrease in Board Meeting expenses –*** due to the decrease in the number of meetings conducted by the Board of Directors and Board Committees including various materials and other expenses incurred related to board meetings and annual reports in 2019.

n) ***30% or ₱0.4M decrease in Director Fees –*** directly related to the per diem paid to directors on various directors' meetings conducted during the year.

o) ***2% or ₱0.4M increase in Others –*** pertain to expenses arising from business and research development and software maintenance

51% or ₱128.2M increase in Share in net income (loss) of associates – this pertains to the group's 20% share on the net income of associates, e.g. PCPC and Peakpower Energy, Inc. totaling to P380.4M, dividends of 182.2M and 33.33% share in the net loss of EWRTC

293% or ₱48.8*M increase in Gain on sale of equity instruments at fair value through profit and loss (EIFVPL)* – this pertains to the sale of equity instruments that are classified as EIFVPL in 2018 upon adoption of PFRS 9

100% or ₱14.7M decrease in Unrealized foreign exchange gain (loss) – this pertains to the related to the foreign exchange gain translation

25% or ₱4.4M increase in Impairment Loss – this pertains to the impairment of bearer plants-trees

73% or ₱61M decrease in Interest Expense – directly related to the group's various loan availment

41% or ₱14.3M decrease in Other Income - net – due to the net effect of the following:

- *a.)* ***Decrease in Management fees income by 100% or ₱16.0M*** – due to the fee received to manage the business operations and administer the associate's affairs received in 2018
- *b.)* ***Decrease in Income from forfeited deposits by 78% or ₱4.6M*** – foreclosed accounts in 2019 is lower compared to that of last year.
- *c.)* ***Increase in Gain (loss) on sale of Investment Property by ₱5.1M*** – this pertains to sale of investment property in 2019
- *d.)* ***Increase in Gain (loss) on disposal of PPE by 190% or* ₱509k** – this pertains to scrap sales
- *e.)* ***Increase in Interest income by 20% or* ₱460k** – due to the increase in the in-house financing of real estate sales this year as compared last year.
- *f.)* **Decrease** in Rental income by ***100%*** or ***₱905k*** – due to the sale of an Investment Property for lease in 2017 and no rental income in 2019.
- *g.)* ***Increase in Other income by 15% or P1.1M*** – income from tapping fees due to increase turn-over of units; transfer fees and other water charges

Key Performance Indicator

Financial Ratios Consolidated Figures	**Audited 12/31/2019**	**Audited 12/31/2018**
Current ratio[1]	2.45:1	1.73:1
Current Debt to Equity Ratio[2]	0.33:1	0.46:1
Total Debt to Equity ratio[3]	0.53:1	0.57:1
Return on Assets[4]	8.56%	5.42%
Return on Equity[5]	13.26%	8.66%

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

Financial soundness indicators are also shown on Exhibit I, page 92.

Prior Period (2018 & 2017) Operational and Financial Information

Financial Condition

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

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

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

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

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

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

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

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

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

19% or ₱53.5M decrease in Prepayments and other current assets – due to the net effect of:

- *a.)* 8% or ₱8.5M increase in deposit for land acquisition – as a result of installment payments to the sellers of land where sales contracts have yet to be executed

b.) 23% or ₱19.3M decrease in creditable withholding taxes – as a result of utilization of creditable withholding taxes.
c.) 56% or ₱28.8M decrease in input VAT - due to utilization of input VAT against output VAT
d.) 3% or ₱0.8M increase in prepaid expenses – directly related to increase in prepaid expenses made by the group during the year
e.) 30% or ₱2.8M increase in prepaid commission – directly related to increase pre-payments of commission to brokers and marketing agents
f.) 7% or ₱0.3M decrease in other refundable deposits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45% or ₱*225.0M decrease in Non-current portion of long-term debt* – due to the net effect of the repayments, decrease in long term loans availed and reclassification of the principal amount that will be due within one year.

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

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

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

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

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

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

- ***32% or ₱4.8M decrease in Cumulative re-measurement loss on retirement benefits*** – related to the actuarial valuation of retirement benefits obligation

- ***189% or ₱6.6M decrease in Cumulative translation adjustment*** – related to the exchange differences in foreign currency translation

Results of Operation

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

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

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

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

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

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

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

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

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

- ***a.) 38% or ₱25.7M increase in Personnel expenses -*** due to the increase in manpower and other benefits in 2018
- ***b.) 30% or*** **₱12*.8M increase in Marketing expenses –*** due to the increase in various sponsorships of events for ads and promotions and various training activities of accredited real estate brokers and agents of the parent company
- ***c.)*** **2%** or **₱*0.7M* decrease in Taxes and Licenses** – pertains to the decrease in documentary stamp taxes on loans in 2018 and application of tax credit with LGU and there was issuance of stock dividends in 2017
- ***d.)*** **47%** or **₱*8.3M increase*** in **Outside Services** - due to the increase in requirement due to additional project
- ***e.) 16% or ₱3.8M decrease in Professional Fees*** – directly related to the various consultancy services incurred by the group
- ***f.) 40% or*** **₱4*.7M increase in Depreciation***
- ***g.) 94% or ₱7.2M increase in Rental expense*** – pertains to the escalation of rates related to the office spaces occupied by the parent company
- ***h.) 30% or ₱2.6M increase in Utilities and supplies –*** due to the increase in usage of utilities and supplies during the year.
- ***i.) 3% or P0.3M increase in Transportation and Travel***– directly related to the various site visitations for real estate projects, plantation operations and power group operations.
- ***j.) 65% or*** **₱3.4*M increase in Retirement Benefits expense***
- ***k.) 7% or ₱0.3M increase in Repairs and Maintenance*** – due to the increase in cost of repairs and maintenance during the year.
- ***l.) 23% or ₱0.4M increase in Insurance –*** due to additional properties and units insured
- ***m.) 66% or*** **₱0.5M** ***increase in Board Meeting expenses –*** due to the increase in the number of meetings conducted by the Board of Directors and Board Committees including various materials and other expenses incurred related to board meetings and annual reports in 2018.
- ***n.) 41% or*** **₱0*.9M decrease in Director Fees –*** directly related to the per diem paid to directors on various directors' meetings conducted during the year.
- ***o.) 29% or*** **₱0.2*M increase in Subscription and Dues***
- ***p.) 36% or*** **₱0*.2M increase in Entertainment, Amusement and Recreation*** – this refers to the cost of providing comfort/convenience (e.g. meals) to the prospective clients.
- ***q.) 42% or ₱0.3M increase in Training and Seminars*** – due to the more training and seminars conducted and attended during the year.
- ***r.) 29% or ₱17k increase in Bank Charges*** – this pertains to the charges related to borrowings.
- ***s.) 100% or ₱21K increase in Bad Debts*** – this is related to bad debts recorded in 2017
- ***t.) 26% or ₱3.1M increase in Others –*** pertain to expenses arising from business and research development and software maintenance

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

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

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

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

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

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

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

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

Key Performance Indicator

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

The December 31, 2017 figures are based on the restated amount in the 2018 Audited Consolidated FS.
[1]Current assets/Current liabilities
[2]Current liabilities/Stockholders' equity
[3]Total liabilities/Stockholders' equity
[4]Net income/Average Total assets
[5]Net income/ Average Stockholders' equity

Prior Period (2017 & 2016) Operational and Financial Information

Financial Condition

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

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

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

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

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

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

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

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

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

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

a) 46% or ₱26.3M increase in creditable withholding taxes – as a result of increase in real estate sales made during the year.
b) 3% or ₱0.9M decrease in prepaid expenses – directly related to utilization of the prepaid expenses made by the group during the year
c) 3% or ₱1.1M increase in input VAT - due to increase in recognized input VAT from various purchases made during the year.
d) 7% or ₱3.1M decrease in other deposits

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

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

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

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

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

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

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

4% or ₱1.2M decrease in Leasehold rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operation

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

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

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

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

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

g.) ***Decrease in Palm Stearin Sales by 70% or ₱10.5M -*** this is due to the decrease in quantity sold by 70% or 428 metric tons, from a volume of 607 metric tons in 2016 to 180 metric tons in 2017; the average selling price increased by P689 per metric ton from P24,720 per metric ton in 2016 to P25,409 per metric ton in 2017

h.) ***Decrease in Kernel Nuts and Fertilizer Sales by 47% or ₱1.8M -*** this is due to the decrease in quantity sold by 58% or 197 metric tons, from a volume of 342 metric tons in 2016 to 145 metric tons in 2017; the average selling price increased by P2,928 per metric ton from P11,388 per metric ton in 2016 to P14,316 per metric ton in 2017

i.) ***Increase in Sale of palm acid oil by 1% or ₱35k***

j.) ***Decrease in Crops and Seedlings Sales by 88% or ₱0.3M***

k.) ***100% or ₱4.9M decrease in Sales of aggregates*** – due to the cessation of the company's aggregate business in October 2016

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

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

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

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

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

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

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

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

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

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

a.) ***39% or ₱66.5M increase in cost of Real estate –*** the increase is relatively due to sales of high end and economic units during the year as compared to economic and socialized units in 2016 with relatively lower costs

b.) ***15% or ₱3.5M increase in cost of production of Crude palm oil –*** the increase is relatively due to the decrease in availability of FFB.

c.) ***Increase in cost of Palm Fatty Acid Distillate by 100% or ₱1.5M -*** the increase is related to the sales of palm fatty acid distillate

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

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

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

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

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

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

Key Performance Indicator

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

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

Material Event/s and Uncertainties

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

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

Prospects of Real Property Development:

There's a vibrant real-estate market in 2019 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 2020 and expected to be even better.

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

New Housing Need, 2012-2030

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

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

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

**If no special housing program is created.*

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

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

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

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

Plan of Action

Short Term Prospects

Real Property Development:

Being at the forefront in real estate development in Mindanao, the management and the Board of ABCI will continue to pursue its real estate projects in key cities in the Land of Promise. Overtime, ABCI was able to build a reputation and credibility to deliver first class development. It has created a niche in Mindanao and has carved a name to beckon with when it comes to property development. It shall take advantage of the continuous demand in Xavier Estates lots since it is still the preferred place due to its aura. Xavier Estates Phase V-A Ventura Residences offered Ventura Lane and Clusters B&C for the lot-only market. The strongest factor especially among the OFWs and foreigners married to a Filipino are its tree-lined streets now fully-grown, its in-house water system, strict security system, the largest clubhouse in Mindanao as well as having a luxurious view of nature on top of a plateau. Teakwood sales are beginning to pick-up and are also the preferred place compared to its competitors due to its magnificent location which is overlooking the Macajalar Bay. Coral Resort Estates is gaining popularity among local residents due to the tranquility the water front offers. Adelaida Park Residences is ABCI's response to the growing demand for economic house and lot packages. The project gained edge because of its ridgeview linear park and single houses sufficiently spaced from each other. Mountain View Homes Phase 2 attracted teachers, government employees and managers. ABCI will continue to focus on increasing revenue generation and profit through innovation by introducing new products and services that would meet customer expectations and satisfaction, reduction of costs and expenses, and increasing efficiency in its operations to continuously provide the growth of shareholder value. Through its subsidiaries' diversified ventures, it will keep on pursuing businesses which will eventually replace the adhesive and chemical business ABCI was known for.

Cagayan de Oro City projects:
Teakwood Hills: Horizontal development has three (3) phases. Phase 1 & 2 are expected to produce a total of 543 saleable lots after an alteration has been made for the development area of 40 and 5.2 hectares, respectively.

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

Xavier Estates Phase 5A – Ventura Residences is 100% complete. Cluster A is subdivided to produce 130 saleable house and lot packages of which 115 units were already completed. Cluster B and C are expected to provide 139 saleable lots. **Ventura Lane** on the other hand is already 100% developed, it offers 30 lots with cuts starting at 250sq.m. Clusters B & C have lot cuts at 110 sq.m.

Xavier Estates Phase 5B – Ventura Residences II also features house and lot units and prime lots. Located at the back of Ventura Residences I, this second phase have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m.. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge. Its horizontal development is 100% complete while its vertical construction is at 70% complete.

ABCI launched **Adelaida Park Residences**, located in Upper Balulang, Cagayan de Oro. Economic house and lot units are sold in 90sq.m. lot area with floor area of 60 sq.m. and single detached houses in 115-161 sq.m. of 65.5 sq.m. Total development area is 4.4 hectares with a total of 215 saleable units. Its horizontal development is 98% complete while its vertical construction is at 86% complete.

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. Its horizontal development is 99% complete while its vertical construction is at 61% complete.

The Terraces in Xavier Estates highlights prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 46 lots for sale. Its horizontal development is 51% complete.

Socialized Housing project:
St. Therese Subdivision located in mid- Balulang, Cagayan de Oro is a 1.67-hectare socialized housing that will provide 155 lots of which 91 lots have row houses with lot area of 50 sq.m. while 38 units are duplexes and 17 are single-attached with lot area of either 68 sq.m. or 75 sq.m. There are 9 units that are up for new design.

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

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

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

sq. m. and a floor area of 22 sq.m. Its horizontal development is 77% complete while its vertical construction is at 81% complete.

Misamis Oriental project:
Another residential development is located in Initao, Misamis Oriental with a total land area of 10 hectares. This development, **Coral Resort Estates** is currently working on its Phase 1 with two clusters. Cluster A has 42 saleable lots and 2 house and lot units with a development area of 2.5 hectares. Cluster B has developmental area of 2.9 hectares with 40 saleable lots. As of the end of the year, 100% has already been accomplished for Cluster A and Cluster B is already 100% done.

Butuan project:
West Highlands Phase 1 is a residential estate located in Brgy. Bonbon, Butuan City with a total development area of 25.9 hectares. Phase 1 of the project is expected to generate 322 saleable lots. The project development is 100% accomplished with spillway, concrete barrier, riprap and spine road.

In October 2017, **West Highlands Phase 2** was launched. West Highlands Phase 2 is a community located beside holes Number 5, 6, 7, 8 of the West Highlands Golf Club. Lot cuts range from 350 sq.m. to 717 sq.m. for Fairway Lots; while Inner Fairway Lots range from 219 sq.m. to 344 sq.m. The project development is 91% done.

Medium to Long-Term Prospects.

Real Property Development:

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

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

PROSPECTS OF PALM OIL:

The palm oil industry is a promising enterprise as the palm oil continuously being considered as the most important tropical vegetable oil in the global oils and fats industry, in terms of production and trade.

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

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

Data from the PPDCI showed that the country's crude palm-oil production in 2014 increased by 10.67 percent to 135,000 MT, from 122,000 MT in 2013. Production in 2015 & 2016 grew by 137,000 MT and 155,000 MT respectively, as the low price of oil palm slightly discouraged farmers from planting the crop.

For 2017, the price of oil palm (fresh fruit bunch) reached P3,900 per MT, lower than the "comfortable" price of P5,000 per MT. The inventory was high, but the demand for palm oil declined last year, causing prices to fall (*http://www.businessmirror.com.ph/2016/06/07/pinol-eyes-palm-oil-regulatory-body/*).

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

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

Plan of Action

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Province of Bukidnon and Misamis Oriental areas through growership program. As of the end of 2019, about 3,699.085 (gross area) hectares were already acquired for development, of which almost 1,547.96 hectares were planted while about 1,697.53 hectares total area potential for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested for its expansion program aggregating to 2,000 hectares. Due to the synergy and tax efficiency, ABERDI and Nakeen Corp. have applied for an Amended Articles and Plan of Merger as approved by its Board of Directors and shareholders.

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

The company’s strategic Route to Market design is divided into two (2) service packages. First service package is direct serve outlets which will cover industrial or food processing companies, supermarkets, hyper-marts, wholesalers, groceries, catering services, hotels and restaurants around Mindanao region. Second service package will be indirect serve outlets like sari-sari stores, traditional food outlets, mini marts, direct household consumptions or specials events markets will serve by our potential Trade Execution Partners (TRP). This Dealership System has good functional discounts plus variable incentive scheme. This will provide customers and consumers excellent service and good margin to the best quality products.

PROSPECTS OF POWER GENERATION:

Vision

The “Build, Build, Build” program of the Duterte administration serves as a guide of the Department of Energy (DOE) in its programs for 2020. This program emphasizes the crucial role of energy, particularly building sufficient capacity, as the key to sustaining the country’s economic growth.

At present, the country is still on its quest to obtain energy security and equity, considering the affordability and access of electric supply. However, the Philippine Power System remained generally stable and that the DOE will ensure the sustainable implementation of the rules and laws for the security of our energy supply through competition, access to bilateral markets, anti-monopoly measures, least-cost power, and the protection of the environment.

Demand and Forecast
Increase in energy demand are expected from the distinct growth in the industrial, commercial, and domestic sectors of the country. In addition, electrification continues—households in areas such as parts of Mindanao and Mindoro, which are not fully grid-connected, are likely to gain better access to electricity supply in the coming years with the target to reach 100% electrification across the Philippines by 2022.

By 2040, the country's electricity demand is projected to grow by about 5% annually. And to meet this demand including reserve requirements, a total of 43,765 MW additional capacities must come online.

Peak electricity demand is predicted at 12,285 megawatts (MW) for Luzon; 2,519 MW for Visayas and 2,278 MW for Mindanao, for 2020, according to DOE.

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

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

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

DOE also called for the full cooperation of all industry stakeholders in monitoring and responding to the power demand-supply situations, they also encourage consumers to practice energy efficiency and conservation measures.

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

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

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

Meanwhile, the Philippines scored 4.2 out of 7 in terms of sufficiency and reliability of power supply, as showed in a World Economic Forum report, and still showing great probability of improvement in the energy industry. Strong coordination among energy stakeholders, coupled with the additional power generation capacities, are paving way in responding to the challenges of the industry.

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

Plan of Action

Coal-Fired Power Project:

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

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

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

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

The power plant takes pride with the capability of its CFBC Technology and the sound environmental measures being practiced in the power plant as it maintained its excellent emission performance vis-a-vis the DENR standards.

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

Bunker-Fired Power Project:

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

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

Expansion of these two plants are also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. (PBI) which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations on March 2018, and was inaugurated a year after.

Recently,PEI officially appointed Wartsila Philippines Inc., a leading supplier of power solutions in the country, to operate the mobilization and maintain the facilities of PEI’s three diesel power plants in

Mindanao. On October 11, 2019, PEI and Wartsila Philippines Inc. signed an operations and maintenance contract agreement for all its three power plants.

Hydro Power Project:

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

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

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

The project covers a drainage area of about 161 sq. km. measured at the proposed dam site. The result of the feasibility study shows that it would necessitate to build a diversion dam with a height of about 42 meters to attain the projected capacity and energy. The water will be diverted to a powerhouse located about four (4) kms downstream via a 4.4-km length of associated headrace and 140-m penstock. The powerhouse will be equipped with two (2) units of 8.15MW (2 x 8.15MW) of Francis Turbine for a total of installed capacity of 16.3MW with an estimated annual energy generation of about 78.9 GWh.
The output of the power station is proposed to be connected to the nearest sub-station of the Surigao del Sur Electric Cooperative II (SURSECO II), located in Madrid Sub-station. Currently SURSECO II has a peak demand of about 13MW. The excess power can be sold to other customer around the Mindanao Grid.

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

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

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

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

Likewise, procurement for other permitting and approvals shall follow which include: Environmental Study, NCIP Clearance, Endorsement and Resolution of Support from LGUs, and Public

Consultation. The acquisition of the above approvals is the requirement of DOE in order for the Project to advance to the next phase of project implementation which is the development/commercial stage.

Significant Change in the number of employees

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

External Audit Fees and Services

A) Aggregate fees billed for the calendar years 2019 and 2018 for the audit of financial statements:

	2019	2018
1) Regular Annual Audit of Financial Statements (inclusive of VAT)	P 1,248,800	P 1,248,800

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

The audit fee of the parent's nine (9) subsidiaries in 2019 was ₱892,640 and ₱864,640 in 2018.

B) Aggregate fees billed for the calendar years 2019 and 2018 for Tax Compliance Audit are as follows:

	2019	2018
1) Tax Compliance Audit (Inclusive of VAT)	P -	P -

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

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

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

The ABCI Audit Committee recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

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

CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

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

For the year 2018, the Partner-In-Charge of the independent examination is John T. Villa. For the audit year 2019, Alvin M. Pinpin is the Partner-In-Charge.

Representatives of the external auditor shall be present during annual meetings and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

Previous External Auditor

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

There was no instance that CG & Co. had any disagreement relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure. Per SEC Memo Circular of 2005 – Amendments to SRC Rules 68 and 68.1, "… the external auditors shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The reckoning date for such rotation shall commence in year 2002 …". For five consecutive years (2009 to 2013), Rogelio M. Guadalquiver is the Partner-In-Charge of the independent examination who was replaced by Annalyn B. Artuz for audit year 2014 to 2016. For the audit year 2017, Rogelio M. Guadalquiver is the Partner-In-Charge.

Discussion of Compliance with leading practices on Corporate Governance:

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

b. The Company has participated in the Corporate Governance Survey per SEC Memorandum Circular No. 8, series of 2008 and used the CG Scorecard as its performance evaluation checklist for year 2009 to 2012. With the issuance of SEC Memorandum Circular No. 5 Series of 2013, as amended, the Company submitted its Annual Corporate Governance Report (SEC Form ACGR) for 2012 on July 1, 2013. Thereafter, the company submitted the ACGR on the following dates:

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

c. The Company's Corporate Governance Compliance Officer submitted the Certification on Compliance with its Revised Manual on Corporate Governance for Year 2012 to the SEC on January 29, 2013 and to the PSE on February 04, 2013 confirming that ABCI has conformed to and complied with the provisions and leading practices and principles on good corporate governance as set forth in the Manual and SEC Code of Corporate Governance, as amended. The Company likewise submitted its 2015 PSE Corporate Governance Guidelines Disclosure Template to the exchange and duly posted on the PSE website on March 29, 2016 reflecting the company's level of adoption of the PSE recommended corporate governance guidelines as embodied under PSE Memorandum No. 2010-0574 dated November 26, 2010. The 2016 PSE Corporate Guidelines Disclosure Template was submitted to the exchange on March 30, 2017.

The Securities and Exchange Commission (SEC) and the Philippine Stock Exchange, Inc. (PSE) have completed the harmonization of the SEC Annual Corporate Governance Report (ACGR) and PSE Corporate Governance Guidelines Disclosure Survey (CGR-1) into one report dubbed as the "Integrated Annual Corporate Governance Report" (I-ACGR). For the year 2017, listed companies are no longer required to submit the ACGR and CGR-1. SEC mandated all publicly-listed companies to submit an Integrated Annual Corporate Governance Report ("I-ACGR") on May 30 of the following year per Memorandum Circular No. 15, Series of 2017. The Company submitted its I-ACGR on May 31, 2019 and May 30, 2018 covering the year 2018 and 2017, respectively. The I-ACGR for 2019 will be filed with the SEC on or before July 30, 2020.

d. The Company's Corporate Secretary submitted to the SEC on January 6, 2017 the Certification on attendance of members of Board of Directors for the year 2016. For the year 2017, pursuant to the provision of Memorandum Circular No. 15, Series of 2017, the companies are no longer be required to file updates and changes on the I-ACGR within five (5) days from the occurrence of the reportable changes. The directors' attendance to the eight (8) Board meetings held for the year is as follows:

	Date of Meeting							
	Feb 27	April 5	Apr 12	May 31	July 4	July 4*	Oct 25	Dec 12
Walter W. Brown	✓	-	✓	-	✓	✓	✓	✓
Annabelle P. Brown	✓	✓	✓	✓	✓	✓	✓	✓
Robertino E. Pizarro	✓	✓	✓	✓	✓	✓	✓	✓
Elpidio M. Paras	✓	✓	✓	✓	✓	✓	✓	✓
Thomas G. Aquino	✓	-	✓	-	-	-	✓	✓
Antonio S. Soriano	✓	✓	✓	✓	✓	✓	✓	✓
Joselito H. Sibayan	✓	✓	✓	✓	✓	✓	✓	✓
Renato N. Migriño	-	-	✓	✓	-	-	✓	✓
Jun Hou**						✓	✓	-

Note :   * *Organizational Meeting*

** *Elected on 04 July 2019*

e. Part of the measures being adopted by ABCI in order to comply with the leading practices is the participation and attendance by members of the Board and top level management in corporate governance initiated by accredited institutions. For 2019 and 2018, sixteen (16) directors and officers attended a seminar on Corporate Governance in compliance with SEC Memorandum Circular No. 20 Series of 2013.

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

g. Adoption of best practices and creation of different committees such as Audit, Nomination, Compensation and Governance. The Board of Directors organized the committee - Committee on Corporate Culture and Values Formation to promote, foster, and institutionalize the corporate vision, mission, core values, good corporate governance and ethical conduct among the members of the Board, officers and employees of the company. The formation of the Risk Committee to effectively manage financial and business risks in accordance with company’s risk profile and risk culture will strengthen the company’s position in terms of mitigated exposures. The different board and management committees also perform oversight functions over compliance with the Manual and other corporate policies of ABCI. On December 20, 2018, the Board of Directors re-organized its Board Committees, with the Compensation Committee and Corporate Culture and Values Formation Committee being subsumed under the Corporate Governance Committee. The existing Board Committees are as follows: Executive Committee, Audit Committee, Risk Committee, Corporate Governance Committee and Related Party Transaction Committee.

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

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

   The company is dedicated to satisfying its customers, listening to their requests and understanding their expectations. It likewise strives to meet their expectations in affordability, quality and on-time delivery. The suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance and delivery. While cultivating professional relationships with the suppliers, the company shall maintain an honest, objective and efficient procurement process which is in accordance with Company’s procurement policies and procedures. The Company’s officers and employees may not solicit or accept gifts, payment or gratuities from our suppliers. (Promotional items of nominal value may be accepted.) Any financial interests in a company’s supplier or someone seeking to become a supplier must be reported to the company. The company’s policies in this area go beyond the law of prohibiting kickbacks. It must avoid even the appearance of improper conduct in all our business dealings. The company has been long committed to minimizing our environmental impact by complying with all the laws and regulations relating to environmental protection in the communities we operate: developing land into residential communities, from planting to milling of the agricultural produce and building essential energy infrastructure. In the communities where we operate, the company works to make a positive and lasting difference in people's lives. The Company does so by building homes for happier families, by producing basic products sustainably for the world, by energizing the country's development and by providing financial support on improving its road networks, rehabilitation of its utility systems, promoting and preserving the cultural beliefs, customs and education of indigenous people and by protecting the environment. The Company's Employee Code of Conduct seeks a behavior that manifests Love for Truth. This includes the practice of such virtues as honesty, concern and loyalty towards our company which should go beyond self-interest. This hopes to instill a true spirit of service with a high sense of responsibility. Employees are re-oriented of Company's procedures and policies and it sponsors retreat and recollection for renewal including attendance to seminar and workshops for improvement of skills and competence as part of Company's employee's health, safety and welfare. The company acknowledges the creditors' rights to transparency or full disclosure of financial and key performance information, compliance to the loan covenants and their rights of possession of the collateral and reorganization and liquidation rights. Their rights shall be protected and shall hold appropriate means of redress for infringement of right. The corporation shall notify beforehand the creditors concerned for matters that may bring changes in the creditors' priority or may have material influence on the possibility of collecting credit.

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

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

2019 Corporate Social Responsibility

CSR Initiative	Beneficiaries
1.) ABCI Scholarship Program (on going since 2011)	Out of the six (6) scholars who were recipients of the ABCI Scholarship program last year, one (1) graduated with a Bachelor of Science in Agriculture degree at Central Mindanao University. Two (2) graduated from Opol Community college taking up Bachelor of Science in Business Administration. The remaining scholars are two (2) college students and one (1) in Senior High school program. Of the three (3) remaining ABCI Scholars, one (1) is a 3rd-year student taking up Bachelor of Science in Business Administration at Opol Community College. One (1) is currently enrolled in her 1st-year college and one (1) a student enrolled under Grade 12 senior high school program.
2.) Blood-Letting Activity	In partnership with Philippine Red Cross, HR organized/facilitated bloodletting activities in Cagayan de Oro City on April 25, August 20, and December 18, 2019, with a total of 131 bags of blood were donated by 131 employees last 2019. A total of 58,950 cc or almost 531 bags of blood were donated already by ABCI employees in the last nine (10) years. This blood-letting activity is an annual humanitarian activity of A Brown Group of Companies participated by employees of the company.

BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

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

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

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

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

<u>Investment in Power Companies</u>

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

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

In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of Palm Thermal Consolidated Holdings Corp. (PTCHC) and Panay Consolidated Land Holdings Corp. (PCLHC) representing 95% and 100% shareholdings, respectively, at par value. On December 8, 2010, Palm Thermal Consolidated Holdings Corp. (PTCHC) acquired 100% of the outstanding capital stock of DMCI Concepcion Power Corporation, the former corporate name of Palm Concepcion Power Corporation (PCPC). PCLHC acquired thirty (30) hectares of land from DMCI Power Corporation ("DPC") with the intention of using it as the site for a coal-fired power plant project. PTCHC is the corporate entity that initiated the ABCI's entry in the power generation business. PCPC is the corporate vehicle that constructed and operated a 1x135MW coal-fired power plant project in Concepcion, Iloilo.

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

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

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

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

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

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

On July 24, 2014, a new subsidiary, Peakpower Bukidnon Inc.(PBI), was incorporated for a 15-year Build-Operate-Maintain and Transfer agreement with the Bukidnon II Electric Cooperative Inc. (Buseco). PBI and Buseco signed a Power Purchase and Transfer Agreement for 10.4MW Diesel/Bunker-fired power plant to be constructed in Manolo Fortich, Bukidnon. On October 16, 2016, the company sold all its 100% interest in PBI to Peakpower Energy Inc. (PEI) to consolidate its investment in peaking project under one holding company.

Investment in Mining Company

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

Last October 2014, the Parent company sold all its 388,694,698 shares in Monte Oro Resources and Energy Inc. (MORE) to Apex Mining Co., Inc. (Apex) and subsequently subscribed the same number of shares of Apex. The Parent Company has 8.89% shareholdings in Apex after the SEC approved the increase in its authorized capital stock on January 12, 2015. After the next round subscription, the company's interest was reduced to 6.24%. At the end of 2018, the Parent company holds 2.24% after disposal of shares on various dates.

Apex Mining Co., Inc. is principally engaged in the business of mining and production of gold, silver, copper, lead and other precious metals. Apex acquisition of MORE gives it access to another mineral processing plant, as well as expansion opportunities in Jose Panganiban in Camarines Norte since Monte Oro fully owns Paracale Gold Ltd. that runs a mineral processing plant in Jose Panganiban, Camarines Norte, and 40 percent of Bunawan Mineral Resources Corporation which has two mining lease contracts covering 652.2891 hectares and pending applications for production sharing agreement and exploration permits. Moreover, Monte Oro has 30 percent participating interest in Service Contract no. 72 for natural gas in the Sampaguita gas field offshore northwest of Palawan in the West Philippine Sea, as well as a 52 percent stake in International Cleanvironment Systems Inc. that has a solid waste management contract with the Philippine government for Metro Manila. Monte Oro's other assets include holdings in foreign firms engaged in mining and exploration work in Mongolia, Uganda and Sierra Leone in Africa and also in Myanmar. Apex Mining also has an expansion program that sought a production hike of 1,500 tons of ore per day in its Maco mine in Campostela Valley from 850 tons per day. The Maco mine produces bullions containing gold and silver which are smelted in a Metalor refinery in Switzerland. Apex also acquired Itogon-Suyoc Resources, Inc. which has mining claims and owns the mill and production facilities in Sangilo, Itogon, Benguet and Suyoc mine in Mankayan, Benguet.

Amendment to Articles of Incorporation and By-Laws

The Board of Directors during their meeting held on November 28, 2011 and by the stockholders of the Parent Company holding at least two-thirds (2/3) of the outstanding capital stock, through written assent on December 27, 2011, amended the Articles of Incorporation, changing the principal office to Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City. The amendment was approved by SEC on December 28, 2011.

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

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

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

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

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

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

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

In the Board of Directors meeting held on April 4, 2014 and the annual stockholders meeting on May 9, 2014, the Board of Directors and shareholders representing 2/3 of the outstanding capital stock approved the increase in authorized capital stock to Three Billion (₱ 3,000,000,000 This proposal to increase ACS to 3 Billion was superseded with the approval of the increase in ACS as approved by the Board on May 19, 2016 and August 8, 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

The documents required on the application to the amendment of By-Laws were not yet submitted to the SEC as of June 11, 2020.

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

As a holding company, the following are the other businesses and investments (refer also to Note 2 – *Summary of Significant Accounting Policies - Basis of Preparation and Basis of Consolidation* of the attached Notes to Consolidated Financial Statement):

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

ABERDI (formerly A Brown Energy, Inc. amended on August 27, 2002) was registered with the Securities and Exchange Commission on 21 February 2001 under SEC Registration No. A200102288 and started commercial operations in April 2002. The main purpose is to engage in the business of manufacturing and trading goods such as crude oil and petroleum products on wholesale/retail basis. Its principal place of business is at Malubog, Impasug-ong, Bukidnon. It has 44 employees as of December 31, 2019.

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

The Peoples Organization (PO) has been granted Community Based Forest Management Agreement (CBFMA) No. 55093, by the Department of Environment and Natural Resources (DENR) on December 22, 2000, covering an area of 2,510.80 hectares of forest lands located at Sitio Kaanibungan, Barangay Kalabugao, Impasugong, Bukidnon. Under the said CBFMA No. 55093, the

PO is mandated to develop, manage, and protect the allocated Community Forest Project Area. Article II, Sec. 2 (vii) of DENR Administrative Order (DAO) No. 96-29 dated October 10, 1966, otherwise known as the CBFM Implementing Rules and Regulations, the PO is allowed to "enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFM area; provided that the development is consistent with the approved Community Resource Management Framework (CRMF) Plan of the CBFM area. The PO is desirous in engaging the participation of ABERDI Inc. for the development of the said area into an Oil Palm commercial plantation.

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

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

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

- Kapunungan sa mga Mag-uuma sa Barangay Tingalan (KMBT) in Tingalan, Opol, Bukidnon – The CP-FPIC has been approved and issued by the NCIP in 2013 that covers two other big tribal groups – the Dulanga Unified Tribal Council and the Unified Higaonon Tribal Council of Bagocboc. However, the issuance of the ECC was still pending in the EMB- DENR.
- Kapunungan sa mga Mag-uuma sa Barangay Tignapoloan (KMBT) – CBFM application submitted to DENR. Tribal resolution supporting CBFM application is done. CP-FPIC application on process with NCIP as well as the ECC.

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

Fresh Fruit Bunches (FFB) processed for year 2019 was 8,262.89 MT as compared to 13,960.02 MT in 2018. A total of 1,533.05 MT of Crude Palm Oil (CPO) was recovered at an oil extraction rate (OER) of 18.55% in 2019 as compared with the extraction rate of 19.70% in 2018. Total kernels produced for the year was 75.95 MT. Last year, this was about 195.15 MT. Sales were as follows:

Product	2019 Sales (MT)	2018 Sales (MT)
Crude Palm Oil	1,606.02	2,446.39
Palm Kernel	102.47	224.66
Palm Kernel Cake	452.67	-
Palm Acid Oil	224.04	201.73
Refined Bleached Deodorized	-	165.48
Palm Fatty Acid Distillate	54.12	18.11
Palm Olein	268,057.47	203.58
Palm Stearin	60.61	161.13

On March 6, 2012, the BOD of ABERDI and NC approved and authorized the application of merger of the two subsidiaries. Before the SEC approved the Articles and Plan of Merger, the BOD and the stockholders of both companies approved and ratified the subscription of ABERDI to the 750,000 unsubscribed shares of Nakeen Corp. at P1.00 per share with 50M as additional paid-in capital. The BOD and shareholders of the company also approved the filing with Securities and Exchange Commission (SEC) the amended Articles and Plan of Merger reflecting the new capital structure of the Nakeen Corp. and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval.

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

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

On February 11, 2015, SEC denied the petition to amend plan of merger. The Company and Nakeen's management filed a request for reconsideration to approve the petition. As of June 11, 2020, the request for reconsideration is still pending before the SEC.

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

The operating performance of the company for year 2019 posted an increase in net loss from previous year's net loss of ₱41.3 million to ₱60.6 million. The gross profit decreased from ₱17.6 million to ₱14.0 million while the general and administrative expenses increased from ₱31.1 million to ₱64.7 million, with loss before income tax of ₱62.7 million after deducting other charges – net amounting to ₱12 million. The sales of crude palm oil decreased by 39% from ₱75.2 million in 2018 to ₱45.9 million this year. The quantity sold decreased by 34% from a volume 2,446.49 MT in 2018 to 1,606.02 MT in 2019 with the average selling price per MT slightly increased by 7% from ₱30,740.03 per MT last year to ₱28,608.12 per MT this year. Sales from kernels decreased by 35% and have an average price of ₱13,477.81 per MT as compared to the ₱13,944.67 per MT from previous year. The quantity sold declined by 54% or 122.19 MT less than that of last year. Sales variance for palm kernel is ₱0.73 million or 35% unfavorable. Sale of RBDO decreased by ₱6.5 million or 100% from that of 2018. Sales of PFAD increased by ₱0.19 million from last year. Sales from palm acid oil is 224.04 MT compared from last year of 201.73 MT. Sales Volume variance is ₱346 thousand or 11% favorable. The price this year is 47% lower than that of last year. Sales of Palm Olein in 2019 was 14% more than that in 2018. Sale of Palm Stearin also decreased by 52% from that of 2018. Cost of sales decreased by 40% from last year's ₱82.8 million to ₱49.7 million this year. General and administrative expenses increased by ₱33.6 million or 108% due to increase in salaries and wages; miscellaneous expenses; professional fees and depreciation expense although there was a decrease in taxes and licenses. The net loss before income tax amounted to ₱20.6 million in 2018 as compared to the net loss of ₱62.7 million this year due to higher operating expenses.

Total assets decreased by 2% or ₱26.2 million from ₱1.072 billion in 2018 to ₱1.046 billion in 2019. Receivables (net) including non-current receivable were recorded at ₱12.1 million in 2018, it decreased by ₱2.4 million in 2019. Inventories increased by ₱11.9 million this year. Total liabilities grew from ₱797.1 million in 2018 to ₱831.5 million in 2019, 4% increase.

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

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

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

On March 13, 2015, an application to amend its Articles of incorporation was filed to the Securities and Exchange Commission (SEC) to amend its corporate name to **Simple Homes Development, Inc**. and its primary purpose to invest in, purchase or otherwise acquire and own, hold sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any other corporation or association, domestic or foreign, for whatever legal purpose or purposes the same may have been organized without being a stock broker or dealer, and to pay therefore in money or by exchanging therefore stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, provided the corporation shall not exercise the functions of a trust corporation. This was approved by SEC on April 10, 2015.

As of June 11, 2020, the Company has not yet started its commercial operations and has no employee as of December 31, 2019.

The Company incurred net loss amounting to ₱730,123 and ₱172,261 in 2019 and 2018, respectively. Total Assets amounted to ₱50 thousand at year end as compared from last year's ₱9.6 million. Total current liability increased by ₱780 thousand this year as against last year with capital deficiency of ₱1.2 million as of December 31, 2019.

NAKEEN CORPORATION is 100% owned by ABERDI

Nakeen Corporation (the "Company") was incorporated on February 26, 1997 under SEC registration no. A199703509. Its primary purpose, as amended, is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

The Company’s registered office address and principal place of business is Lonucan, Manolo Fortich, Bukidnon. Its commercial operations started on March 1, 2007 in line with the approval of the Board of Directors of ABERDI (parent company) to transfer the oil palm nursery and plantation operations.

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

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

On February 19, 2013, the BOD of Nakeen approved the filing of the amended Articles and Plan of Merger using the 2012 audited financial statements. The amended articles and plan was filed to the SEC on July 24, 2013 to amend certain provision on the Articles and Plan of Merger. On February 11, 2015, SEC denied the petition to amend the plan of merger. The Company filed for a request for reconsideration to approve the petition. As of June 11, 2020, the motion for reconsideration is still pending before the SEC.

As of December 31, 2019, it has no employee since all its existing personnel were transferred to ABERDI in anticipation of the merger.

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

Currently, the following are the status of the four plantation areas:

As of December 31, 2019

Location	Gross Area	Area That Can Be Planted	Area Planted	Number Of Trees	Flowering	Vegetative
Kalabugao	1,276.53	1,087.75	920.55*			
Phase I				29,439	100%	0%
Phase II				28,964	100%	0%
Phase III				15,899	100%;70%;100%	0%;30%;0%
Phase IV				22,318	20%;0%	80%;100%
Phase V				10,652	20%	80%
Impasug-ong	4.14	4.14	4.14	563	100%	-
Opol	1,089.85	630.77**	623.27	85,392		
Phase I a					100%	0%
Phase I b					100%	0%
Phase I c					100%	0%
Phase II a					100%	0%
Phase II b					100%	0%
Phase III a					100%	0%
Phase III b					80%	20%
Phase IV a					50%	50%
Phase V a					0%	100%
Tignapoloan	1,328.56	929.96	-			

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

Kalabugao and Impasug-ong plantation and/or nursery are all located in Bukidnon, while Opol and Tignapoloan are located in Misamis Oriental. A total of 193,227 trees (net of mortality) were planted as of December 31, 2019.

As of December 31, 2018:

Location	Gross Area	Area That Can Be Planted	Area Planted	Number Of Trees	Flowering	Vegetative
Kalabugao	1,276.53	1,087.75	920.55*			
Phase I				29,439	100%	0%
Phase II				28,964	100%	0%
Phase III				15,899	100%;70%;100%	0%;30%;0%
Phase IV				22,318	20%;0%	80%;100%
Phase V				10,652	20%	80%
Impasug-ong	4.14	4.14	4.14	563	100%	-
Opol	1,089.85	630.77**	623.27	85,392		
Phase I a					100%	0%
Phase I b					100%	0%
Phase I c					100%	0%
Phase II a					100%	0%
Phase II b					100%	0%
Phase III a					100%	0%
Phase III b					80%	20%
Phase IV a					50%	50%
Phase V a					0%	100%
Tignapoloan	1,328.56	929.96	-			

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

Total Assets decreased by 3% from ₱238M to ₱ 231M. Leasehold rights decreased by 4.62% being at ₱22.8M in 2018 and at ₱21.7M in 2019. Lease revenue amounted to ₱3.5M while the cost of leasing incurred amounted to ₱465 thousand for both 2019 and 2018. Operating expenses were reduced by 68% in 2019 which amounted to ₱962 thousand as compared to previous year's ₱2.972 million. The company recognized impairment losses amounting to Php 8.8 million and Php 16.1 million in 2019 and 2018, respectively, which resulted to net losses amounting to Php 7 million and Php 15.8 million.

BONSAI AGRI CORPORATION is 100% owned by ABERDI

The Company is wholly owned subsidiary of ABERDI. It was incorporated on February 26, 1997 under SEC Registration No. A199703510. The primary purpose of the Company as amended, is to engage in the business of agriculture in all aspect, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any and all produce and products in both local and foreign markets. The Company has not started its commercial operations as of June 11, 2020. Its principal place of business is in Manolo Fortich, Bukidnon and has no employee as of December 31, 2019.

The Company's pre-operating loss increased to ₱163,568 from previous year's ₱156,321 due to higher professional fees and taxes and licenses even though miscellaneous expenses have decreased. Its total assets remained at ₱2.2M from last year.

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

MCPI was registered with the Securities and Exchange Commission on 4 July 2007 with SEC Registration No. CS200710562. Its primary purpose is to engage in, conduct and carry on the business of construction, planning, purchasing, management and operation of power plants and the purchase, generation, production, supply and sale of electricity, to enter into all kinds of contracts for the accomplishment of the aforementioned purpose. Its registered address is at 3301-A West Tower, PSE Centre, Ortigas Center, Pasig City. The Company has not started its commercial operations as of June 11, 2020 and has no employee as of December 31, 2019.

The company incurred higher net loss amounting to ₱75,481 compared to last year's net loss of ₱29,978. The significant increase in total pre-operating expenses this year is due to the increase in professional fees which amounted to ₱52,500 as compared to last year's ₱3,148. The total assets almost remained at ₱6.9 million.

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

Palm Thermal Consolidated Holdings Corp. (PTCHC) was registered with the Securities and Exchange Commission on 22 November 2010 with SEC Registration No. CS201018744. The company's principal office address is at 3301-A West Tower, PSE Tektite Towers, Exchange Road, Ortigas Center, Pasig City. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including lands, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock , debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

Palm Thermal is the corporate vehicle for ABCI's entry in the power generation business. After the acquisition of PCPC by PTCHC, it entered into various agreements with other investors. PCPC and PCLHC had merged with PCPC as the surviving entity. As of December 31, 2019, the company has no employees.

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

PTCHC's net income amounted to ₱104.7 million and ₱79.4 million in 2019 and 2018, respectively. The 32% significant increase was due to the dividend income from its investee company amounting to ₱110 million which increased by ₱30 million from last year's ₱80 million. PTCHC incurred ₱275 thousand operating expenses this year which is 102% higher than last year's ₱136 thousand. As of the end of 2019, the total assets of PTCHC increased by 2.5% from previous year's ₱ 1,006 million to ₱ 1,031 million inclusive of the ₱921 million investment in associate. The deposits for future subscription amounted to ₱ 747 million as of end of this year.

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

Palm Concepcion Power Corporation (formerly DMCI Concepcion Power Corporation) (PCPC) was registered with the Securities and Exchange Commission on 08 November 2007 with SEC Registration No. CS200718932. Its primary purpose is to acquire, design, construct, invest in, and operate power generating plants in the Municipality of Concepcion, Province of Iloilo and engage in the business of a Generation Company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA"); and its implementing rules and regulations; and to design, develop assemble and operate other power related facilities, appliances and devices. Its principal place of business is at Sitio Puntales, Brgy. Nipa, Concepcion, Iloilo, Philippines (as amended on 07 January 2011 by the Board of Directors and approved by the SEC on 09 March 2011).

In 2010, PTCHC acquired 100% of the outstanding capital stock of PCPC with PCPC as the operating company to construct and operate a 1x135MW coal-fired power plant project in Concepcion, Iloilo. This project is a base-load plant that used Circulating Fluidized Bed Combustion (CFBC) technology. The first unit of this PCPC's base load plant was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power to the growing businesses and economic development in Panay, Negros, Cebu and even Leyte. While only 135 megawatts is on a firm basis, the plant site and support units are programmed for 2 units. PCPC started construction in 2013 and was able to complete the project after 37 months and 22 days. PCPC started its commercial operations on August 16, 2016 and is now delivering power supply to Panay, Negros, and the rest of Visayas. Ten (10) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers.

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

After series of agreements were signed by new investors, PTCHC's investment in PCPC was reduced from 30% to 20% due to non-subscription on the increase in authorized capital stock which was approved by SEC on January 6, 2015.

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

Hydro Link Projects Corp. (HLPC) was registered with the Securities and Exchange Commission on 06 May 2010 with SEC Registration No. CS201006733. Its primary purpose is to engage in, conduct, and carry on the business of developing, constructing, operating, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation, and repair of related mechanical and electric equipment. Its principal address is at 3301-A West Tower, PSE Centre, Ortigas Center, Pasig City. HLPC is currently pursuing the 16.3 MW Carac-an Hydroelectric Project.

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

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

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

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

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

The company has no employee as of December 31, 2019 and has not started its commercial operations as of June 11, 2020.

Hydro Link's pre-operating expenses was reduced by 96% from ₱2.9 million in 2018 to ₱101 thousand in 2019 primarily due to lower personnel cost as a result of employee transfer. The deposit for future stock subscription is still at ₱26 million. Total Assets decreased by ₱252 thousand from ₱21.1 million in 2018 to ₱20.8 million in 2019.

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

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

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

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

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

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

Peakpower SOCCSARGEN Inc. (PSI) was registered with the Securities and Exchange Commission on 18 February 2013 with SEC Registration No. CS201302468. Its primary purpose is to acquire, design, develop, invest in, and operate power generating plants in the General Santos City and engage in the business of a generation company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing rules and regulations, develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator and maintain power plants, among others.

PSI is a 34.8MW (5 units) Diesel/Bunker-Fired Power Plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (Socoteco 2). Its principal place of business is at SOCOTECO 2 Sub-Station Compound, Brgy. Apopong, General Santos City.

Socoteco 2 is the largest distribution utility in Mindanao and its franchise area includes General Santos City, the municipalities of Glan, Malapatan, Alabel, Malungon, Kiamba, Maasim and Maitum in Saranggani and the municipalities of Polomolok and Tupi in South Cotabato.

The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (CoC) for PSI's first 20.9MW (3 units) capacity on December 1st 2014, and commercial operations started on January 27, 2015.

The 13.9MW (2 units) Power Plant expansion was declared in commercial operations last September 12, 2017. ERC granted the final COC of the expansion on February 20, 2018.

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

Peakpower San Francisco, Inc. (PSFI) was registered with the Securities and Exchange Commission on 22 May 2013 with SEC Registration No. CS201309160. Its primary purpose is to acquire, design, develop, invest in, and operate power generating plants in the Agusan del Sur and engage in the business of a generation company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing rules and regulations, develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator and maintain power plants, among others.

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

ASELCO's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City. San Francisco serves as the primary commercial and service center in the province of Agusan del Sur, being situated at the crossroads leading to other production centers in the region.

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

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

PEAKPOWER BUKIDNON, INC. (PBI) - 100% owned by PEI

Peakpower Bukidnon Inc. (PBI) was registered with the Securities and Exchange Commission (SEC) on July 24, 2014 with SEC Registration No. CS201414293 primarily to acquire, develop, construct, invest in and operate power generating plants in Bukidnon and engage in the business of a generation company in accordance with Republic Act No. (RA) 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA") and its implementing rules and regulations , and to develop, assemble and operate other power related facilities, appliances, and devices, and develop and operate conventional and renewable energy resources, sell electricity and carbon credits, act as a wholesale and retail electricity supplier and aggregator, operate and maintain power plants, securing any needed licenses to engage in such business activities and purchasing or otherwise acquiring, for the purpose of holding or disposing of the same, shares of stock, equity, rights, and property of any person, firm, association, or corporation engaged in industries or activities related to energy development, paying for the same in cash, shares of stocks, or bonds of this corporation.

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

Buseco's franchise area includes the municipalities of Libona, Manolo Fortich, Sumilao, Baungon, Malitbog, Talakag, Impasug-ong, Malaybalay, Lantapan and Cabanglasan, all in the Province of Bukidnon. The highlands of Bukidnon is considered to be the food basket of the Philippines and is home to more than a few food processing industries.

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

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

AB Bulk Water Company, Inc. (ABWCI) was incorporated on March 31, 2015 to engage in the business of holding and providing rights to water, to public utilities and cooperatives or in water distribution in the Municipality of Opol or to engage in business activities related to water development.

ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project will tap the water resources of Lumayagan River and aims to supply about 15 to 20 million liters per day (MLD) of potable water. The project with potential capacity of up to 25 MLD is the company's first venture in the bulk water supply project. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on study, these municipalities are potential growth areas.

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

Pre-operating loss before income tax amounted to ₱295 thousand and ₱376 thousand as of December 31, 2019 and 2018, respectively. The decrease is due to the reduction of professional fees. The Company's total assets of ₱19.3 million this year and ₱19.6 million last year consists primarily of construction in progress amounting to ₱18.7 million as of December 31, 2019 and 2018, respectively. It pertains to costs incurred by the Company related to development of its facilities such as the cost for the design of water treatment plant and transmission, permits and registration fees, professional fees and other costs.

BLAZE CAPITAL LIMITED – 100% owned by ABCI

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

The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.), has submitted an unsolicited proposal to the Philippine National Railways to finance, build and then operate and maintain the East-West Rail Project under the Build-Operate-Transfer (BOT) Law. 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 the operation & maintenance of the East-West Rail Project. The project will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in the City of Manila.

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

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

Blaze Capital Ltd. posted a net loss of $3 thousand and $251 thousand in 2019 and 2018, respectively. The Company recognized an unrealized foreign exchange gain of $253 thousand in 2018 which did not recur in 2019. It also incurred $505 thousand operating expenses in 2018. Its total assets amounted to $2.2 million in 2018 and 2019.

APEX MINING COMPANY, INC.(APEX) – 2.24% owned by ABCI

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

In October 2014, the Parent company sold all its 388,694,698 shares in Monte Oro Resources and Energy Inc. (MORE) to Apex Mining Co., Inc. (Apex) and subsequently subscribed the same number of shares of Apex. The Parent Company has 8.89% shareholdings in Apex after the SEC approved the increase in its authorized capital stock on January 12, 2015. After the next round of subscription, the company's interest was reduced to 6.24%. At the end of 2019, the Parent company holds 1.03% after disposal of shares on various dates.

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

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

PHIGOLD LTD. (PhiGold) - 18.70%

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

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

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

VIRES ENERGY CORPORATION (VEC) – 99.995%

As disclosed on June 18, 2020, A Brown Company, Inc. is acquiring 99.995% of the outstanding capital of Vires Energy Corporation (VEC) owned by Argo Group Pte. Ltd. of Singapore at a total price of Php 50,200,000.

VEC was incorporated in 2015 and is the proponent for the Integrated Floating LNG Storage and Regasification Terminal and the 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. VEC has already secured the Environmental Compliance Certificate (ECC) for the project and has also registered the project with the Board of Investments to avail of incentives.

Natural gas supply from Malampaya is expected to decline and reach its economic production threshold by the Mid-2020s. VEC will build the necessary infrastructure to allow the importation of liquefied natural gas (LNG) as early as 2022.

The project will have a Floating Storage and Regasification Unit (FSRU) Terminal in Batangas Bay, Philippines and will deliver natural gas through a pipeline to supply existing and new natural gas-fired power plants.

(2) Business of Issuer

Principal Products and Services

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

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

HIGH-END PROPERTIES

Xavier Estates ("XE") - located in Fr. Masterson Avenue, Upper Balulang, is the pioneer in premier mixed-use development in Northern Mindanao. This 220-hectare development sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master planned community which guarantees luxury, elegance, prestige, convenience and security. It has 24-hour security, tree-lined streets and landscaped roadways, high pressure sodium streetlamps, centralized water supply system and water treatment facility, parks and playground, jogging and bicycle paths, forest park and bird sanctuary. Within the Estates, there is a fully air-conditioned chapel. Nearby is a school offering preparatory and elementary education, convenience stores, gasoline station and the Xavier Sports and Country Club – *the first and only country club with proprietary membership.* Other modern conveniences are also within reach such as SM mall and a par 72-hole golf course. Just across it, is Xavier University – a grade school and high school university run by the Jesuits including the newly built IT College. For the year 2019, there were 5 lots sold as compared to 50 lots in 2018.

Teakwood Hills Subdivision is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This new and idyllic enclave has a breathtaking endless view of the mountains and the sea. It was inaugurated on September 22, 2007. Part of its master plan development is a perimeter fence with ingress and egress controlled by two gates, 24 hour security, private cul-de-sac with esplanades and parks designed to create a pastoral ambience. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as infinity swimming pool and basketball court. Lot sizes starts from a minimum cut of 250 sq.m., all with a 180-degree scenic view of the famous Macajalar bay and an elevation of 220 meters above sea level. A total of 22 lots were sold in 2019 and 82 lots in 2018.

Valencia Estates is located in Barangay Lumbo, Valencia City, Bukidnon was launched in October 2008. It is a 11.72 hectares project with an estimated 351 saleable lots ranging from 150 to 293 sq.m. each. Valencia Estates' amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service. There were 23 lots and 52 lots sold in 2019 and 2018, respectively.

Coral Resort Estates is a mixed-use development located at Brgy. Pagahan, Initao, Misamis Oriental, between the cities of Cagayan de Oro and Iligan. The project is 60 kilometers from Cagayan de Oro and is 27 kilometers away from the Laguindingan International Airport. The development includes a ₱ 30 million clubhouse. The total land area is 10 hectares with a total development area of 5.397 hectares with an average lot cut of 250 sqm. Phase 1 of the project will comprise 82 lots. Cluster A has 42 saleable lots with an area of 2.5 hectares while Cluster B has 40 saleable lots with an area of 2.9 hectares. There were three (3) lots sold this year and ten (10) lots sold last year.

West Highlands is a residential estate located in Brgy. Bonbon, Butuan City. The project is just 3 kilometers from the JC Aquino Avenue junction and approximately a five-kilometer drive to all major establishments and service facilities in the city. The total area of development of Phase 1 is 25.9 hectares and 289 feet above sea level which gives you an opportunity to have an exclusive view of the historic Mt. Mayapay or the cityscape. Situated at the delta of the mighty Agusan River, Butuan was a trading entrepot that flourished about 900-1000AD within the Southeast Asian maritime trading empire. It is also in Butuan that actual specimens of the ancient boats known as balanghai-today aptly renamed the Butuan Boats- were found. There were 28 lots were sold this year as compared to 53 lots last year.

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

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

Xavier Estates Phase 6 – Ignatius Enclave features house and lot units and prime lots. House and Lot units are single detached with lot area of 110 to 120 sq.m. and floor area of 60 sq.m. Prime lots have lot cuts of 250 to 400 sq.m. Aimed at fostering The Happy Community concept, the modern minimalist houses introduced ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. Abundant green open spaces shall also highlight the subdivision. There were 76 units that were sold this year as compared to only three (3) last year.

The Terraces in Xavier Estates highlights prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 46 lots for sale. Three (3) units were sold this year and none for last year.

Economic Housing

Xavier Estates Ventura Residences (Phase V-A) is the first venture of A Brown Company, Inc. into the middle market house-and-lot package. Ventura Residences is nestled inside the Xavier Estates, a secluded place in a guarded gated community. Alicia-modified model house has three rooms and a master's bedroom; three toilet and bath (T & B); a maid's quarter with separate T & B; a carport and terrace. Ventura Residences has parks and playground and 6-meter wide service roads. There were two (2) house and lot packages sold in 2019 compared to three (3) house & lot sold in 2018.

Ventura Lane is located beside Ventura Residences with lot cuts of 250 sq.m. while Cluster B & C have lots cut at 110sq.m. No units were sold in 2019 and eight (8) lots in 2018.

Xavierville Homes Subdivision is adjacent to the Xavier Estates project. It is an economic housing development under BP 220. Phase 1 has an area of 1.8 hectares while Phase 2 has an area of 0.60 hectares for a total of 131 saleable lots. There were three (3) house and lot sold for the year and two (2) house and lot packages for last year.

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

Adelaida Park Residences located below Xavier Estates is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-60.5 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood-free with an elevation of 157 feet above river bank. A total of 22 house and lot were booked as sale in 2019 compared to 71 house and lot in 2018.

Xavier Estates Phase 5B – Ventura Residences II also features house and lot units and prime lots. Located at the back of Ventura Residences I, this second phase have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m.. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge. For the year 2020, there were 46 units that were sold as compared to only three (3) last year.

Socialized Housing

St. Therese Subdivision is a socialized housing project located in mid-Balulang, Cagayan de Oro City. It is about 1.67-hectare project with 155 saleable lots ranging from 50 to 75 sq. m. with floor area of 25 to 28 square meters. There are 91 units of row houses; 38 units of duplexes and 17 units of single-attached that have been for the project. Nine (9) units are up for new design. Two (2) lots were booked in 2019 and seven (7) lots in 2018.

Mountain View Homes. is another socialized housing project of ABCI. Phase 1 opened in February 2015 with 215 houses and lot units while Phase 2 was opened in November 2016 with 83 house and lots units. Located in Mid-Balulang, Cagayan de Oro City. Mountain View Homes is accessible to churches, schools, malls and commercial establishments. The socialized housing project has row houses with lot area of 50 sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq.m. and floor area of 36-38 sq.m. A total of 37 house and lot were booked as sale in 2019 and 57 house and lots in 2018.

Mangoville. The "Sosyal Socialized Housing" project of A Brown Company located in Barangay Agusan, Cagayan de Oro features duplex house designs and with own parking space; with 10-meter wide main roads and 8-meter wide inner roads; with guardhouse and perimeter fence; and with an elevation of 169 meters above sea level overlooking Macajalar Bay. Mangoville is built on a 3.5 hectares area with a total of 235 housing units. Each unit of the duplex house has a lot area of 67.5 sq. m. and a floor area of 22 sq.m. Two (2) house and lot were booked as sale in 2019 while another two (2) house and lots in 2018.

Product Lines:

Net Sales	71.92%
Equity in Net Gain of an Associate	26.61%
Gain on Sale of Investment Property and PPE	0.60%
Financial Income	0.19%
Others	0.68%

The Company has five categories for products and services. The ***first*** category covers real estate activities, sale of palm olein, palm stearin, refined bleached deodorized oil, palm acid oil, palm fatty acid distillate and crude palm oil processed from the mill plant of ABERDI, water services, crop, and kernels. The revenue from this category accounts for about 71.92% of the total income. The ***second*** category covers equity in net income of an associate. The ***third*** covers the gain on sale of investment property and property, plant and equipment. The ***fourth*** category covers interest income for in-house financed lot sales. The ***fifth*** category is an income derived from water tapping fees**, transfer fees and other water charges,** service fees, penalties on late payments and income from forfeited deposits.

Foreign Sales not applicable

Distribution Methods of Products and Services

In 2019, ABCI affirmed its pioneering edge in real estate selling in this part of the country by asserting a pro-active stance by bringing in new ideas. First off, ABCI has opened the sellers' market. From 5 partner realties, there are now 32 accredited realties selling ABCI properties in Cagayan de Oro; in Initao, Misamis Oriental; in Butuan; and in Bukidnon.

The old accredited realties are Arka Realty, BCP Realty, Cdo Brokers and Associates, Chee Realty and Development Corp, Gambe Realty, JCA Realty Corporation, Leuterio Realty and Brokerage, Power Properties Realty Mgt and Devt Corp, and Truly Wealthy Realty.

And the new ones include Abejo Realty, Alphatierra Realty, Bachelors Realty and Brokerage, CLM Realty, Divine Graceian Realty, DK Realty Broker, ES Realty, Genuine CDO Properties Realty Co, Golden Nest Realty and Brokerage, Icon Ideal Concepts, Irene Ramos Realty, JAC Homes Realty, La Breeza, Land Asia Global Properties, Landswem Infinite Realty, Marialee Realty and Brokerage, Marlyn Jugao Realty, Rebace Real Estate and Devt Corp, Ro-land Harvest, Ryra Realty and Consultancy, Seankirsten Realty, Sios-e Real Estate Center, and U-1st Realty and Brokerage.

Significantly, on top of the regular commissions, sellers receive novel incentives such as huge cash incentives, travel perks, and branded bags or watches or jackets. They also receive mugs and wine with personal messages from the President.

The first Hall of Famer Award was presented to Rizalinda Chee-de Jong of Chee Realty and Development Corporation. A loyal broker of ABCI for 25 years, Ms. de Jong was a consistent gold awardee and has exhibited outstanding sales leadership and exemplary and unparalleled sales performance all these years. Moreso, outstanding brokers and realties are recognized through Monthly Sales Achievers Ceremonies, Quarterly Awarding Ceremonies and the Annual Sales Conference.

The Brokers' Care and Engagement Programs were instituted and has significantly increased the brokers' attention to ABCI projects, making it top-of-the-mind when selling. Aside from the personal chat and exchange with the individual brokers, company activities included them such as health and wellness programs and the women's talk.

In previous years, ABCI invested on traditional marketing: billboards, flyers, road signages, and tri-media. In the advent of the digital age, more focus has been dedicated to online selling through the Search Engine Optimization, Facebook, and Brooky. The company website is currently being revamped to be respondent to online inquiries. Weekend activities include model house launching and visits, ribbon cutting, groundbreaking ceremonies on site to attract buyers to visit the actual area. These activities were done in partnership with suppliers, banks, and recognized business leaders in the industry. Various model houses were being designed and built to give the market options to choose from.

Under the Chief Executive Officer, the ABCI Sales and Marketing Department continues to brainstorm for promotions and advertisements aimed to respond to the market's preferred choice of real estate products.

Lastly, these changes are all anchored on the ABCI vision of "Creating enlightened and happier communities for the common good".

For Palm Oil Operations, fresh fruit bunch suppliers are from nearby towns of Bukidnon, Misamis Oriental, Cagayan de Oro City, Cotabato City, Agusan del Sur, Sultan Kudarat, and North Cotabato while the buyers for the crude palm oil (CPO) are from Cagayan de Oro City, Surigao de Norte, Iligan City and Butuan City.

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

New Products or Services

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

Competition

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

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

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

Sources and Availability of Raw Materials

Construction materials for the Cagayan de Oro project were mostly sourced within the city while those used for Manila Operations were also sourced in Manila. The company is not dependent upon any single supplier. Projects are awarded to qualified bidders. Thus, the Company's suppliers are just related to supplies needed for maintenance and/or office needs. List of its principal suppliers are provided on Exhibit II, page 93-94.

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

Customer Profile

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

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

Related Parties

The Company and its subsidiaries and certain affiliates, in the ordinary course of business have entered into transactions with each other principally consisting of reimbursement of expenses and management agreements. All transactions were done on commercial terms and arms-length basis. See Note 15 of the attached Notes to the Consolidated Financial Statements.

Patents, Trademarks, etc. Not applicable

Government Regulations

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

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

Teakwood Hills Subdivision's ECCs are (43)06 09-11 4294-50200 and R10-0912-0090, Development Permit No. is 014-2007, and License to Sell are 25268 and 030226 which amends LTS Nos. 18507/24800/28390. For Xavierville Homes Subdivision its ECC is 10(43)05 05-16 4004-50200, Development permit no. is 010-2007 and License to Sell are 18500/22399. Valencia Estates ECC license is R10-1001-0009/10(13)07 07-30 4456-50200 while its Development Permit is 07/01 and its License to Sell are 19846 and 24770. For the Cainta project, an ECC has been issued last November 6, 2003 under no. 4A-2003-1100-8410 and a development permit issued by the Sangguniang Bayan of Cainta, Rizal under Resolution No. 2003-084. The HLURB License to Sell No. 11990 was released in February 2005. Saint Therese Socialized Housing has been issued with ECC No. R10-0912-0089, Development Permit No. 002-2011 and License to Sell No. 24799 while Initao Coral Resort Estates has an ECC No. R10-1001-0013 with Development Permit No. 2011-04-01 and License to Sell Nos. 28380/28404/029461. Ventura Residences ECC License is R10-0912-0091, Development Permit No. 007-2011 and License to Sell are 25834/25265/029473/030205 while for Ventura Lane's ECC No. is R10-0912-0091, Development Permit is 007-2011 and License to Sell No. is 02469. In Butuan City's West Highlands, the only golf and residential estates in Caraga region has an ECC No. R13-1204-037, Certificate of Registration No. 23586 and License to Sell Nos. 25889 which was amended to 28412, 28413 & 029465. The LTS for West Highland Phase 2A is 031773. Mt. View Homes has an ECC No. R10-1408-0217 with Development Permit No. 005-2014 and License to

Sell No. 029442 for its socialized housing and License to Sell No. 029443 for its economic housing. Mt. View Homes 2 has License to Sell No. 031712 for its economic housing and License to Sell No. 031713 for its socialized housing. Adelaida Park Residences has License to Sell No. 031714.

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

The Palm Oil Mill's ECC 10(13)06 04-19 4210-31171 was issued on April 19, 2006. It was amended to include Palm Oil Refinery with Fractionation Plant which was approved on February 6, 2013. For the oil palm plantation project, its ECC no. 10(13)07 03-20 4384-31171 was issued on March 20, 2007. For Kalabugao nursery, the Philippine Coconut Authority registration was approved and released last December 24, 2008. While the permit to import oil palm seeds were released on January 12, 2009.

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

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

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

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

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

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

The Environmental Management Bureau (EMB)- Region 6, granted PCPC the Authority to Construct (14-AC-F-0630-1258) and Permit to Operate (14-POA-F-0630-1258) Air Pollution Source and Control

Installations on November 3, 2014. A Discharge Permit (15-DPW-F-0630-1258) was also issued by EMB on January 5, 2015, allowing PCPC to discharge treated wastewater to Concepcion Bay.

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

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

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

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

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

Personnel complement of A Brown Group of Companies as of December 2019 is presented below.

As to position:

Positions	No. of Personnel
Officers	9
Managers (including AVPs)	17
Supervisors	31
Rank and File	122
Total	**179**

As to function:

Functions	No. of Personnel
Operations	90
Sales and Marketing	23
Accounting/Credit and Collection/Finance	20
Administration	46
Total	**179**

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

Risks

A Brown Company, Inc. and its subsidiaries are exposed to financial, operational and administrative risks which are normal in the course of the business, depending on the business industry sector where each of the subsidiaries operate. It is subject to significant competition in each of its principal businesses. ABCI competes with other developers and developments to attract lot buyers and customers for its hotel and palm oil operation. Other risks that the company may be exposed to are the following: changes in Philippine interest rates, changes in the value of the Peso, changes in construction material and labor costs, power rates and other costs, changes in laws and regulations that apply to the Philippine real estate industry and changes in the country's political and economic conditions. Please refer to Note 23 of the Notes to the Audited Consolidated Financial Statements for the discussion on Financial Risk Management Objectives and Policies.

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

Even larger economies are confronted with downside risk on its credit ratings. Other sovereignties have also been feared to default on its obligations. Global financial crisis if not contained will have a ripple effect to other volatile economies as investors lost confidence and hold back investment.

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

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

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

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

On the other hand, there are also factors that expose the Plantation to risks. These are the peace and order condition of the plantation sites, infestation of pests and diseases and farm to market road (provincial and barangay roads). Generally, the peace and order situation in the plantation area is stable. Coordination for security is made with the cooperation from the local government. Weather disturbance which causes landslides making the roads impassable also delay transporting the fruit bunches to the mill plant.

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

Research and Development

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

Item 2. PROPERTIES

Real properties owned by A Brown Company, Inc. and its subsidiaries are shown on Exhibit IIIa, IIIb and IIIc, page 95-98. Most of the properties were already transferred under ABCI's name. The merger of ABCI and several of its subsidiaries in December 1999 and June 2002 as mentioned in Item 1 of Part 1, has caused the inclusion of properties under East Pacific Investors Corp. (EPIC), but legally, the owner is already ABCI. For properties with individual names indicated, the documentation on the transfer of ownership is still on process. Some real properties were on lease with contracts providing for renewal options subject to mutual agreement of the parties. Rental rates are based on prevailing market rates for the said properties. Other real properties that the Company intends to acquire are still under review depending on the factor/s such as demographics and accessibility to public transport. ABCI's preferred mode of acquisition would be thru purchase or joint ventures with landowners. It continues to assess its landholdings to identify properties which no longer fit its overall business strategy and hence, can be disposed of.

EXHIBIT- I

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios Consolidated Figures	Audited 12/31/2019	Audited 12/31/2018	Audited 31/12/2017
Current ratio[1]	2.45:1	1.73:1	1.64:1
Quick ratio[2]	0.76:1	0.34:1	0.38:1
Solvency ratio[3]	0.25:1	0.15:1	0.15:1
Total Debt to Equity ratio[4]	0.53:1	0.57:1	0.63:1
Asset to Equity ratio[5]	1.53:1	1.57:1	1.63:1
Interest coverage ratio[6]	10.45x	5.54x	4.60x
Return on Equity[7]	13.26%	8.66%	9.67%
Return on Assets[8]	8.56%	5.42%	5.56%
Net Profit Margin ratio[9]	48.14%	34.96%	54.33%

[1]*Current assets/Current liabilities*
[2]*Current assets less contract assets, inventories and prepayments/Current liabilities*
[3]*Net Income plus depreciation/Total liabilities*
[4]*Total liabilities/Stockholders' equity*
[5]*Total assets/Stockholders' equity*
[6]*Earnings before income tax, interest, depreciation and amortization/Total Interest Payment*
[7]*Net Income/ Average Total stockholders' equity*
[8]*Net income/Average Total assets*
[9]*Net income/Total Revenue*

EXHIBIT- II

LIST OF ACCREDITED SUPPLIERS (TOP) – ABCI
FOR THE YEAR 2019

Name	Address
NEOBOULDER RESOURCES AND DEVELOPMENT	1263 GARAME ST. BRGY 5 CABADBARAN CITY
SOLARTECH STEEL FABRICATION SERVICES INC	2ND FLOOR H. SHANGRILA BLDG, IPONAN HI-WAY, CAGAYAN DE ORO CITY
HNH BUILDERS AND ENTERPRISES	MANDUMOL MACASANDIG
MDS AGGREGATES AND TRUCKING SERVICES	ZONE 9 ANHAWON BULUA CAGAYAN DE ORO CITY
NJJ GENERAL MERCHANDISE	DR 2 DAYANDAYAN APT. CROSSING CAMAMAN-AN CAGAYAN DE ORO CITY
GSC RAC COMPANY INC	GUSA, CDO CITY
KENBRU CONSTRUCTION SERVICES	CORRALES AVE., CAG. DE ORO CITY
BGC PHILBUILDERS INC	BUS. CTR. 3 PHILEXCEL BUS. PARK M.A ROXAS HIGHWAY CLARK FREEPORT
BUTUAN METRO HARDWARE INCORPORATED	MONT. BOULEVARD COR. BURGOS CAGAYAN DE ORO CITY
BME PARTNERS INC	DR7 GSC/RA BLDG, GUSA, CDO CITY
R AND R ENTERPRISES	BURGOS ST. CAGAYAN DE ORO CITY
HOLCIM PHILIPPINES INC	7TH FLOOR TWO WORLD SQUARE
UNIGLOBAL INDUSTRIAL TRADING	PUROK 11 433 GREEN MEADOWS BRGY MAA, DAVAO CITY
JAS TRADING AND GENERAL SERVICES	T.NERI ST., BALOY, TABLON, CDO CITY
WILCON DEPOT INC	ZONE 5, BARANGAY CUGMAN, CAGAYAN DE ORO CITY
GTS CONSTRUCTION SUPPLY AND DEVT CORP	CORRALES EXT., CAGAYAN DE ORO CITY
HEAVENLY SPARE PARTS TRADING	ZONE 5, ILAYA VAMENTA BLVD., CARMEN, CDOC
RCCA GLASS ALUMINUM SUPPLY	MACAIBAY COMPOUND, WALING-WALING ST, CARMEN CAGAYAN DE ORO CITY
POWER MANUFACTURING AND MARINE WORK INC	PMM BUILDING, 200 CARNATION ST., DON GREGORIO AVE., ALMANZA 1, LAS PIÑAS CITY
SQUARE DEAL ENTERPRISES	BALONGIS, CDO

LIST OF ACCREDITED SUPPLIERS (TOP 20) – ABERDI
FOR THE YEAR 2019

SUPPLIERS NAME	ADDRESS
ADVANCE ENERGY TECHNOLOGY RENEWABLES PLUS CO. INC.	STRATA BLDG. DON F. ORTIGAS JR ROAD, ORTIGAS CENTER, PASIG CITY
ALFE COMMERCIAL	OSMEÑA ST., CDO CITY
ANGELES SHELL STATION	TAMBO, MACASANDIG, CAGAYAN DE ORO CITY
ARA INDUSTRIAL SUPPLY	SACRET HEART,CARMEN,CDO
ARVIN INTERNATIONAL MARKETING, INC.	DAET,CAMARINES NORTE
BETA TECHNOLOGIES, INC.	F.RAMOS ST. CEBU CITY
BME PARTNERS, INC.	Dr7 GSC/RA BLDG, GUSA, CDO CITY
CAGAYAN DE ORO GAS CORP.	PUROK 7, GUSA HIGHWAY, CDOC
CHEMI SOURCE UNLIMITED CORP.	SASA, DAVAO CITY
COLUMBIA COMPUTER CENTER, INC.	T.NERI ST. DIVISORIA, CDO CITY
DAVAO SUN-ASIA GENERAL MERCHANDISING INC.	DOOR 2, JMSG BLDG., CORRALES EXT., CDOC
DPTI DIFFERENTIAL PRESSURES TECHNOLOGY	REMENES CENTER, PUTUTAN, MUNTILUPA CITY
FIL CONVEYOR COMPONENTS	GUSA, CDO CITY
F.D.J. ROSEMAR CORPORATION	BALOY, CAGAYAN DE ORO CITY
KUPLER DCMC PHILIPPINES CORPORATION	109 LYR ARCADE, HI-WAY BALOY, CDO
MAINFRAME INDUSTRIAL SALES & ENGINEERING SERVICES	XAVIER HEIGHTS, CDO CITY
ORO MIGHTY ENTERPRISES	196 CORRALES AVE., CDO CITY
SMART TECH INDUSTRIAL SALES AND SERVICES	B-4 17/9 LA BUENA VIDA SUBD., CAGAYAN DE ORO CITY
TEXTAR SALES CORPORATION	CRUZ TAAL ST., CAGAYAN DE ORO CITY
TOP LIFEGEAR MARKETING	CABANCALAN,MANDAUE CITY

EXHIBIT- IIIa

List of Properties as of December 31, 2019

Location	Area in Sq. Meters	Condition	Owner
Luzon:		An idle residential lot subject for sale	
Angono, Rizal	**263**	Aurora Hills Subd., Kalayaan, Pelican cor. Sandpiper, Lakeview ExecutiveVillage	A Brown Company, Inc.
Binangonan, Rizal	**148,953**	Raw land which is suitable for residential development and near the vicinity of East Ridge Golf and Country Club - Cala Lily & Orchid Road	A Brown Company, Inc.
Ortigas Ave., Pasig	**87.30**	Lot easement subject to expropriation - DPWH *(688.78 sold to Mission Hospital)*	A Brown Company, Inc.
Tektite, Pasig	**110** **37.5**	Office unit w/ three parking slots at 12.5 sqm each *(sold in May 2019)*	A Brown Company, Inc.
Culiat, Quezon City	**5,550**	Residential property with informal settlers and ongoing land litigation	A Brown Company, Inc.
New Manila, Quezon City	**45** **86** **12.50**	Residential condominium unit (Unit 1001-B) - *(sold in Oct 2019)* Residential condominium unit (Unit 701-A) - *(sold in January 2019)* Parking slot - *(sold in January 2019)*	A Brown Company, Inc.
Tanay, Rizal	**1,657,103**	mostly raw land	A Brown Company, Inc.

EXHIBIT- IIIb

Location	Area in Sq. Meters	Condition	Owner
Mindanao:			
Initao, Misamis Or.	54,261	developed residential subdivision - Corral Resort Estate	A Brown Company, Inc.
	51,867	undeveloped land for residential use	A Brown Company, Inc.
	11,856	undeveloped land for residential use	A Brown Company, Inc.
Cugman, Cagayan de Oro City	1,160	developed with infastructure containing warehouse facilities. staff house was demolished in December 2019	Epic Holdings Corp./ ABCI
Upper Balulang, Cagayan de Oro City	463,599	developed residential subdivision Xavier Estates - Phase 4	A Brown Company, Inc.
Lower Balulang, Cagayan de Oro City	48,396	developed residential subdivision; economic housing; Xavierville Homes	A Brown Company, Inc.
Panginuman, Balulang, Cagayan de Oro City	56,859	developed residential subdivision Xavier Estates - Phase 5A (Ventura Residences 1)	A Brown Company, Inc.
	20,924	developed residential subdivision Xavier Estates - Phase 5B (Ventura Residences 2)	A Brown Company, Inc.
	73,735	Xavier Estates - Phase 6 (Ignatius Enclave)	A Brown Company, Inc.
	25,360	socialized housing - Mt. View Homes Phase 1	A Brown Company, Inc.
	49,703	socialized housing - Mt. View Homes Phase 2	A Brown Company, Inc.
	48,165	developed residential subdivision ; Adelaida Residences	A Brown Company, Inc.
	28,764	developed residential subdivision ; The Terraces	A Brown Company, Inc.
	131,308	undeveloped land for residential use	A Brown Company, Inc.
	106,937	undeveloped land for residential use	A Brown Company, Inc.
Brgy. Balulang, Cagayan de Oro City	16,720	developed residential subdivision; socialized housing; St. Therese Subd.	MGCC (merged w/ ABCI)
	23,618	undeveloped land for residential use	MGCC (merged w/ ABCI)
	5,198	undeveloped land for residential use	MGCC (merged w/ ABCI)
	10,900	undeveloped land for residential use, accretion	MGCC (merged w/ ABCI)
	11,968	undeveloped land	A Brown Company, Inc.
	38,832	undeveloped land	A Brown Company, Inc.

Location	Area in Sq. Meters	Condition	Owner
Mindanao:			
Lumbo, Valencia	117,244	developed residential subdivision - Valencia Estates Phase 1	EPIC (merged w/ABCI)
	211,277	undeveloped land for residential development - Valencia Estates	EPIC (merged w/ABCI)
Brgy. Agusan, Cagayan de Oro City	278,136	developed residential subdivision - Teakwood Hills	A Brown Company, Inc.
	35,834	developed residential subdivision - Mangoville	A Brown Company, Inc.
	11,366	undeveloped land for residential use - Teakwood Hills 4	A Brown Company, Inc.
	30,914	undeveloped land for residential use - Teakwood Hills 2	A Brown Company, Inc.
	21,761	undeveloped land for residential use - Teakwood Hills 3	A Brown Company, Inc.
	28,610	undeveloped land for residential use - Teakwood Hills 5	A Brown Company, Inc.
	13,355	undeveloped land for residential use - Teakwood Hills 6	A Brown Company, Inc.
	11,657	undeveloped land for residential use - Teakwood Hills 6	A Brown Company, Inc.
	19,054	undeveloped land for residential use - Teakwood Hills	A Brown Company, Inc.
Bonbon, Butuan City	126,169	developed residential subdivision - West Highlands	A Brown Company, Inc.
	91,007	developed residential subdivision - West Highlands Phase 2A	A Brown Company, Inc.
	48,000	undeveloped land	A Brown Company, Inc.
	169,439	undeveloped land	A Brown Company, Inc.
	2,334	undeveloped land	A Brown Company, Inc.
	1,551	undeveloped land	A Brown Company, Inc.
	54,908	undeveloped land	A Brown Company, Inc.
	5,671	undeveloped land	A Brown Company, Inc.
	5,671	undeveloped land	A Brown Company, Inc.
	59,440	undeveloped land for residential use	A Brown Company, Inc.
	36,698	undeveloped land for residential use	A Brown Company, Inc.
	53,694	undeveloped land for residential use	A Brown Company, Inc.
	300	undeveloped land for residential use	A Brown Company, Inc.
Talakag, Bukidnon	221,230	raw land, utilized for quarrying; source of aggregates	Northmin Mining & Devt. Corp. (merged with ABCI)
Casisang, Malaybalay City	36,898	undeveloped land	A Brown Company, Inc.
MAMBUAYA	28,464	undeveloped land	A Brown Company, Inc.

EXHIBIT- IIIc

Properties owned by the Subsidiaries

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

Item 3. LEGAL PROCEEDINGS

The Company has contingent liabilities for lawsuits and various other matters occurring in the ordinary course of business. On the basis of information furnished by the legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and results of operation.

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

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

PART II SECURITIES OF THE REGISTRANT

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

Market Information

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

	Year 2019		Year 2018	
Quarter	High	Low	High	Low
Jan-Mar	0.88	0.76	0.82	0.78
Apr-Jun	0.85	0.70	0.82	0.75
Jul-Sept	0.95	0.77	0.84	0.79
Oct-Dec	0.87	0.69	0.87	0.70

The Company's stock price was trading as high as ₱0.95 and as low as ₱0.69 for the four quarters of the year. It also closed at ₱0.71 on December 27, 2019 as compared to the closing price of ₱0.78 on December 28, 2018.

The table below shows the high and low sales prices of the Company's shares on the PSE for the 1st and 2nd quarter of 2020, to wit:

	Year 2020	
Month	High	Low
January	0.74	0.60
February	0.68	0.55
March	0.90	0.455
April	0.61	0.50
May	0.58	0.51
June	0.81	0.54

On July 30, 2020, ABCI's shares of common stock were traded at a high of ₱0.77 and a low of ₱0.74 at the Philippine Stock Exchange with closing price of ₱0.75. The stocks are not traded in any foreign market.

Holders of Common Equity

The number of holders of common stock as of December 31, 2019 is 2,092. As of June 30, 2020, the number of holders of common stock is 2,091.

Public Float

As of December 31, 2019 and 2018, the Company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE) at 37.35% and 44.69%, respectively. The Company's public float of 37.35% is equivalent to 925,440,189 shares out of the 2,477,667,911 outstanding shares.

As of June 30, 2020, the Company's public float is 36.76% which is equivalent to 910,721,595 shares out of 2,477,667,911 outstanding shares.

A BROWN COMPANY, INC.
LIST OF TOP 20 STOCKHOLDERS
AS OF JUNE 30, 2020

Rank	Name of Stockholders	Total Number of Shares Subscribed	Percent to Total Outstanding
1	PCD NOMINEE CORPORATION**	2,082,620,967	84.0557%
2	BROWN, WALTER W.	176,880,000	7.1390%
3	JIN NATURA RESOURCES CORPORATION	102,000,000	4.1168%
4	PBJ CORPORATION	74,306,496	2.9990%
5	TAN, A. BAYANI K.	2,033,120	0.0821%
6	BROWN, WALTER W. OR ANNABELLE P. BROWN	1,550,566	0.0626%
7	TAN, MA. GRACIA P.	1,123,089	0.0453%
8	PIZARRO, ROBERTINO E.	1,060,613	0.0428%
9	DAVILA REGINA	938,462	0.0379%
10	FERNANDEZ, LUISITO	853,147	0.0344%
	GANDIONCO, ANDREA L.	853,147	0.0344%
11	LORENZO, ALICIA P.	750,769	0.0303%
12	LAGDAMEO, JR., ERNESTO R.	602,690	0.0243%
13	KALINANGAN YOUTH FOUNDATION, INC.	561,123	0.0226%
14	KING, JOSEFINA B.	557,334	0.0225%
15	GAMILIA, JULIANA	544,615	0.0220%
16	EBC SECURITIES CORPORATION	518,221	0.0209%
17	TAN, JOAQUIN T.Q.	511,885	0.0207%
18	TRIFELS, INC.	481,905	0.0194%
19	IGNACIO, EDGARDO	472,512	0.0191%
20	CABALUNA, ANGELITO R.	431,173	0.0174%
		2,449,651,834	98.8693%
	*** The following are the clients - beneficial owners owning 5% or more:*		
	Walter W. Brown (direct and indirect)	*518,810,132*	*20.9395%*
	Annabelle P. Brown (direct and indirect)	*131,135,874*	*5.2927%*
	Brownfield Holdings Inc.	*647,238,938*	*26.1229%*

Dividend

There was no dividend declaration in 2019 and 2018.

Dividend policy:

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

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

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

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

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

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

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

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

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

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

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

ANNEX - B

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 3 1 1 6 8

C O M P A N Y   N A M E

A BROWN COMPANY, INC. AND SUBS
IDIARIES

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

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

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

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,092	Any day of June	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

A BROWN COMPANY, INC.

June 11, 2020

The Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **A Brown Company, Inc. and its Subsidiaries** (the "Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this JUN 2 3 2020 day of ______, affiants exhibiting to me their respective passports, as follows:

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

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Book No. II
Series of 2020

YSABEL KATHRYN M. SANTOS
Notary Public for
Pasig City, San Juan, Taguig & Pateros
Appointment No. 231 (2019-2020)
Commission Expires on December 31 2020
2704 East Tower PSE Centre, Exchange Road
Ortigas Center, 1605 Pasig City
PTR No 2968657 / 01 08.20 Mandaluyong
IBP LRN No. 016949 / 06.28.2019 / RSM
Roll of Attorneys No 70409
MCLEC No. VI-0017135 / 01 10 19

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SyCip Gorres Velayo & Co.
Suites 4 & 5, Fourth Level
Gateway Tower 1
Limketkai Center, Lapasan
9000 Cagayan de Oro City
Philippines

Tel: (08822) 725 078
(08822) 726 555
Fax: (088) 856 4415
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Real estate revenue recognition

The Group's revenue recognition process, policies and procedures are significant because this involves application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate sales; (3) determination of the actual costs incurred as cost of real estate sales; and (4) recognition of cost to obtain a contract.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project managers). This is based on the bi-monthly construction reports prepared by their in-house technical team approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

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

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

The disclosures related to real estate sales and significant judgments and estimates are included in Notes 2 and 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

In assessing the probability of collection from the buyer, we reviewed the management's analysis by comparing it with the historical experience of collections from buyers with accumulated payments above the collection threshold. On a sampling basis, we traced the analysis to supporting documents such as the buyer's collection report and official receipts.

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

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

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and (c) the POC against the POC used in recognizing the related revenue from real estate sales.

Impairment of Property, Plant and Equipment

The Group's palm oil business has incurred losses since 2016. This was caused by the palm oil plantation's bearer plants not reaching their optimal fruiting stages. This indicates that the carrying amount of the Group's palm oil business assets, which are comprised primarily of property, plant and equipment amounting to ₱782.4 million as of December 31, 2019, may not be recoverable. The aggregate assets of the palm oil business represents 13% of the consolidated assets of the Group as of December 31, 2019. The Group performed an impairment testing on its property, plant and equipment which resulted in the recognition of an impairment loss of ₱14.8 million in 2019. The impairment testing is significant to our audit because the assessment of the recoverable amount of the property and equipment requires significant judgment and involves estimation and assumptions about future fresh fruit bunches (FFB) production, FFB prices, direct costs, and discount rates.

Audit Response

We obtained an understanding of the Group's palm oil business operations and the status of the palm oil industry in general. We inquired from the Group's management their future plans. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future FFB production, FFB prices, direct costs, and discount rate. We compared the key assumptions used such as future FFB production against the forecasted FFB production in accordance with the industry standard yield. We compared the FFB prices and direct costs with externally published data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

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Accounting for the investments in significant associates

The Group owns 20% of Palm Concepcion Power Corporation and Peakpower Energy, Inc. As discussed in Note 2 to the consolidated financial statements, the Group's investments in these associates are accounted for under the equity method. As of December 31, 2019, the investments in these associates amounted to ₱1,376.7 million (representing 23% of the Group's consolidated total assets), and the Group's equity in net earnings from these associates for 2019 amounted to ₱380.4 million (representing 77% of the Group's consolidated net income). The accounting for these investments is significant to our audit because the Group's investments and equity in net earnings from these associates are material to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of the associates. We also obtained an understanding of the business transactions, the revenue recognition process, reviewed material items and other accounts that may have a material effect on the Group's share in the 2019 earnings of the associates, and reviewed alignment of accounting policies. We obtained the financial information of the associates for the year and recomputed its share in the earnings of the associates, as well as the related note disclosure on investments in associates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alvin M. Pinpin.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
SEC Accreditation No. 0781-AR-3 (Group A),
April 3, 2018, valid until April 2, 2021
Tax Identification No. 198-819-157
BIR Accreditation No. 08-001998-70-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125280, January 7, 2020, Makati City

June 11, 2020

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 4)	**₱74,999,881**	₱75,730,032
Receivables (Note 5)	**746,447,264**	152,796,428
Contract assets (Notes 14 and 26)	**128,936,113**	233,125,761
Receivables from related parties (Note 15)	**114,385,359**	86,896,516
Real estate inventories (Note 6)	**1,580,964,264**	1,596,802,518
Inventories (Note 7)	**154,605,096**	150,207,088
Equity instruments at fair value through profit or loss (EIFVPL) (Note 9)	**63,484,441**	233,170,738
Other current assets (Note 8)	**349,774,970**	271,033,265
Total Current Assets	**3,213,597,388**	2,799,762,346
Noncurrent Assets		
Receivables - net of current portion (Note 5)	**146,248,831**	102,432,352
Contract assets - net of current portion (Notes 14 and 26)	**6,294,565**	77,708,587
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9)	**167,561,453**	168,647,685
Investments in associates (Note 10)	**1,430,401,980**	1,232,298,149
Investment properties (Note 11)	**97,133,941**	115,269,635
Property, plant and equipment (Note 12)	**880,355,966**	892,143,269
Deferred tax assets (Note 20)	**13,013,537**	12,532,479
Other noncurrent assets (Note 8)	**140,857,610**	65,431,779
Total Noncurrent Assets	**2,881,867,883**	2,666,463,935
TOTAL ASSETS	**₱6,095,465,271**	₱5,466,226,281
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱582,695,156**	₱537,796,223
Short-term debt (Note 16)	**378,100,000**	687,048,719
Current portion of long-term debt (Note 16)	**212,402,746**	325,725,830
Contract liabilities (Notes 14 and 26)	**139,504,435**	68,365,034
Total Current Liabilities	**1,312,702,337**	1,618,935,806
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**609,287,221**	272,121,907
Retirement benefit obligation (Note 19)	**46,378,752**	28,619,816
Deferred tax liabilities - net (Note 20)	**150,611,365**	57,832,894
Total Noncurrent Liabilities	**806,277,338**	358,574,617
Total Liabilities	**₱2,118,979,675**	₱1,977,510,423

(Forward)

	December 31	
	2019	2018
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 17)	**₱2,477,668,925**	₱2,477,668,925
Additional paid-in capital (Note 17)	**637,968,859**	637,968,859
Retained earnings (Note 17)	**1,143,092,830**	648,147,097
Fair value reserve of EIFVOCI (Note 9)	**(266,509,340)**	(265,423,108)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	**(20,084,934)**	(10,036,442)
Cumulative translation adjustment	**1,006,585**	(3,104,652)
	3,973,142,925	3,485,220,679
Noncontrolling Interests (Note 17)	**3,342,671**	3,495,179
Total Equity	**3,976,485,596**	3,488,715,858
TOTAL LIABILITIES AND EQUITY	**₱6,095,465,271**	₱5,466,226,281

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(With Comparative Figures for 2017)

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Real estate sales (Note 26)	**₱942,735,766**	₱705,185,689	₱470,335,294
Sale of agricultural goods (Note 26)	**63,724,600**	100,440,355	62,844,831
Water service (Note 26)	**21,349,825**	20,441,816	18,244,766
	1,027,810,191	826,067,860	551,424,891
COST AND EXPENSES			
Cost of real estate sold (Note 6)	**355,232,138**	293,665,861	235,023,561
Cost of agricultural goods sold (Note 7)	**49,684,623**	82,826,053	50,886,827
Cost of water service income	**11,989,512**	9,625,079	7,642,510
	416,906,273	386,116,993	293,552,898
GROSS PROFIT	**610,903,918**	439,950,867	257,871,993
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**265,202,196**	318,401,128	253,653,513
OTHER INCOME (EXPENSES)			
Share in net income of associates (Note 10)	**380,303,831**	252,093,316	92,018,263
Unrealized gain (loss) on EIFVPL (Note 9)	**(43,513,896)**	16,672,566	–
Gain (loss) on sale of EIFVPL (Note 9)	**(32,094,814)**	10,099,242	–
Interest expense (Note 16)	**(23,059,066)**	(84,031,327)	(85,542,204)
Impairment loss (Notes 8 and 12)	**(21,957,000)**	(17,559,508)	–
Gain on sale of available-for-sale (AFS) investments	**–**	–	265,837,561
Unrealized foreign exchange gain (loss)	**10,668**	14,704,981	347,371
Other income (Note 22)	**20,993,466**	35,300,717	18,906,045
	280,683,189	227,279,987	291,567,036
INCOME BEFORE INCOME TAX	**626,384,911**	348,829,726	295,785,516
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	**36,749,735**	40,240,501	7,678,114
Deferred	**94,841,951**	19,833,120	(11,474,487)
	131,591,686	60,073,621	(3,796,373)
NET INCOME	**₱494,793,225**	₱288,756,105	₱299,581,889

(Forward)

	Years Ended December 31		
	2019	2018	2017
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss in subsequent periods:			
Exchange differences in foreign currency translation	**₱4,111,237**	(₱6,584,862)	₱3,480,210
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan - net of tax effect (Note 19)	**(10,048,492)**	4,806,470	(1,212,499)
Net change in fair value of EIFVOCI (Note 9)	**(1,086,232)**	28,900,000	–
Net change in fair value of AFS investments	**–**	–	(613,817,909)
	(7,023,487)	27,121,608	(611,550,198)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱487,769,738**	₱315,877,713	(₱311,968,309)
Net Income Attributable to:			
Equity holders of the Parent Company	**₱494,945,733**	₱288,774,597	₱299,590,438
Noncontrolling Interests (Note 17)	**(152,508)**	(18,492)	(8,549)
	₱494,793,225	₱288,756,105	₱299,581,889
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱487,922,246**	₱315,896,205	(₱311,959,760)
Noncontrolling Interests (Note 17)	**(152,508)**	(18,492)	(8,549)
	₱487,769,738	₱315,877,713	(₱311,968,309)
Basic Earnings per Share (Note 17)	**₱0.20**	₱0.12	₱0.14

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(With Comparative Figures for 2017)

	Total Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Stock Dividend Distributable	Remeasurement Loss on Retirement Obligation	Cumulative Translation Adjustment	Total	Noncontrolling Interests	Total
At January 1, 2019	₱2,477,668,925	₱637,968,859	₱648,147,097	(₱265,423,108)	₱–	(₱10,036,442)	(₱3,104,652)	₱3,485,220,679	₱3,495,179	₱3,488,715,858
Net income	–	–	494,945,733	–	–	–	–	494,945,733	(152,508)	494,793,225
Other comprehensive income (loss)	–	–	–	(1,086,232)	–	(10,048,492)	4,111,237	(7,023,487)	–	(7,023,487)
Total comprehensive income	–	–	494,945,733	(1,086,232)	–	(10,048,492)	4,111,237	487,922,246	(152,508)	487,769,738
At December 31, 2019	₱2,477,668,925	₱637,968,859	₱1,143,092,830	(₱266,509,340)	₱–	(₱20,084,934)	₱1,006,585	₱3,973,142,925	₱3,342,671	₱3,976,485,596
At January 1, 2018, *as previously reported*	₱2,477,668,925	₱637,968,859	₱259,592,539	(₱189,358,490)	₱–	(₱14,842,912)	₱3,480,210	₱3,174,509,131	₱3,513,671	₱3,178,022,802
Effect of adoption of PFRS 15 and 9 (Notes 9 and 26)	–	–	99,779,961	(104,964,618)	–	–	–	(5,184,657)	–	(5,184,657)
At January 1, 2018, *as restated*	2,477,668,925	637,968,859	359,372,500	(294,323,108)	–	(14,842,912)	3,480,210	3,169,324,474	3,513,671	3,172,838,145
Net income	–	–	288,774,597	–	–	–	–	288,774,597	(18,492)	288,756,105
Other comprehensive income (loss)	–	–	–	28,900,000	–	4,806,470	(6,584,862)	27,121,608	–	27,121,608
Total comprehensive income	–	–	288,774,597	28,900,000	–	4,806,470	(6,584,862)	315,896,205	(18,492)	315,877,713
At December 31, 2018	₱2,477,668,925	₱637,968,859	₱648,147,097	(₱265,423,108)	₱–	(₱10,036,442)	(₱3,104,652)	₱3,485,220,679	₱3,495,179	₱3,488,715,858
At January 1, 2017	₱1,732,866,536	₱586,198,947	(₱39,997,899)	₱424,459,419	₱346,573,104	(₱13,630,413)	₱–	₱3,036,469,694	₱3,522,220	₱3,039,991,914
Issuance of capital stock (Note 17)	744,802,389	51,769,912	–	–	(346,573,104)	–	–	449,999,197	–	449,999,197
Net income	–	–	299,590,438	–	–	–	–	299,590,438	(8,549)	299,581,889
Other comprehensive income (loss)	–	–	–	(613,817,909)	–	(1,212,499)	3,480,210	(611,550,198)	–	(611,550,198)
Total comprehensive loss	–	–	299,590,438	(613,817,909)	–	(1,212,499)	3,480,210	(311,959,760)	(8,549)	(311,968,309)
At December 31, 2017	₱2,477,668,925	₱637,968,859	₱259,592,539	(₱189,358,490)	₱–	(₱14,842,912)	₱3,480,210	₱3,174,509,131	₱3,513,671	₱3,178,022,802

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(With Comparative Figures for 2017)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱626,384,911**	₱348,829,726	₱295,785,516
Adjustments for:			
Unrealized loss on EIFVPL (Note 9)	**43,513,896**	(10,099,242)	–
Depreciation (Note 12)	**32,756,759**	25,422,256	11,739,258
Loss (gain) on sale of:			
EIFVPL (Note 9)	**32,094,814**	(16,672,566)	–
AFS investments	**–**	–	(265,837,561)
Property, plant and equipment (Notes 12 and 22)	**(3,475,684)**	(2,966,668)	29,673
Investment properties (Notes 11 and 22)	**(5,138,414)**	–	–
Interest expense (Note 16)	**23,059,066**	84,031,327	85,542,204
Impairment loss (Notes 8 and 12)	**21,957,000**	17,559,508	–
Net changes in retirement benefit obligation (Note 19)	**3,403,947**	8,676,690	6,245,687
Share in net income of associates (Note 10)	**(380,303,831)**	(252,093,316)	(92,018,263)
Interest income (Note 22)	**(2,741,357)**	(2,281,600)	(6,411,751)
Unrealized foreign exchange loss (gain)	**(10,668)**	(14,704,981)	347,371
Operating income before working capital changes	**391,500,439**	185,701,134	35,422,134
Decrease (increase) in:			
Receivables	**(535,267,315)**	244,102,061	(92,596,769)
Contract assets	**175,603,670**	(310,834,348)	–
Real estate inventories	**25,438,254**	(114,738,074)	(22,166,740)
Inventories	**(4,398,008)**	(65,263,897)	9,342,568
Other current assets	**(101,281,070)**	10,532,972	(22,803,119)
Increase in:			
Accounts and other payables	**51,376,238**	47,650,645	218,217,514
Contract liabilities	**71,139,401**	11,176,817	–
Deposits from customers	–	–	13,588,616
Net cash from (used in) operations	**74,111,609**	8,327,310	139,004,204
Interest received (Note 22)	**2,741,357**	2,281,599	6,411,751
Net cash from operating activities	**76,852,966**	10,608,909	145,415,955
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
EIFVPL (Note 9)	**94,077,587**	122,755,440	–
AFS investments	–	–	387,541,250
Investment properties (Note 11)	**13,674,108**	–	–
Property, plant and equipment (Note 12)	**5,603,815**	3,908,516	478,699
Dividends received from associates (Note 10)	**80,000,000**	13,005,420	–
Acquisition of associate	**–**	–	(74,884,999)
Additions to property, plant and equipment (Note 12)	**(10,717,302)**	(22,145,941)	(29,252,620)
Decrease (increase) in:			
Receivables from related parties	**(27,488,843)**	76,260,185	225,874
Other noncurrent assets	**(87,223,751)**	2,847,530	470,948
Net cash from investing activities	**67,925,614**	196,631,150	284,579,152

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES (Note 25)			
Proceeds from long-term debt	**₱265,676,700**	₱108,815,298	₱95,142,601
Payments of long-term debt	**(410,807,989)**	(403,666,597)	(317,915,505)
Net proceeds from (payments of) short-term debt	**60,024,800**	142,548,719	(78,971,605)
Interest paid (including capitalized borrowing cost)	**(64,524,147)**	(81,140,117)	(85,542,204)
Net cash used in financing activities	**(149,630,636)**	(233,442,697)	(387,286,713)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**4,121,905**	8,120,118	2,272,647
NET INCREASE (DECREASE) IN CASH	**(730,151)**	(18,082,520)	44,981,041
CASH AT BEGINNING OF YEAR (Note 4)	**75,730,032**	93,812,552	48,831,511
CASH AT END OF YEAR (Note 4)	**₱74,999,881**	₱75,730,032	₱93,812,552

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(With Comparative Figures for 2017)

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On December 28, 2012, upon amendment of Article IV of the Articles of Incorporation, approved among others that "That the term for which the Parent Company is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on December 20, 2016".

The Parent Company is engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Cainta, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

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

The Subsidiaries
The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The following are the subsidiaries of the Parent Company:

A Brown Energy and Resources Development, Inc. (ABERDI)
ABERDI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.

Palm Thermal Consolidated Holdings, Corp. (PTCHC)
PTCHC is a 100% owned subsidiary of the Parent Company registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

Blaze Capital Limited (BCL)
BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company in August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges.

Hydro Link Projects Corp. (HLPC)
HLPC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. The Company's primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment.

AB Bulk Water Company, Inc. (ABBWCI)
ABBWCI is a 100% owned subsidiary of the Parent Company registered with the SEC on March 31, 2015. The Company was organized primarily 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 and related activities.

Masinloc Consolidated Power, Inc. (MCPI)
MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. The Company was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. The Company is registered under the Foreign Investments Act of 1991 on July 6, 2007.

Simple Homes Development, Inc. (SHDI)
SHDI is a 100% owned subsidiary of the Parent Company registered with the SEC on February 26, 1997. The Company was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities.

Nakeen Corporation (NC)
NC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company's primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

Bonsai Agri Corporation (BAC)
BAC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets.

The accompanying consolidated financial statements of the Group as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were approved and authorized for issue by the BOD on June 11, 2020.

2. Summary of Significant Accounting Policies

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

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

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for the following implementation issues of PFRS 15 affecting the real estate industry:

a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Adoption of PIC Q&A No. 2018-14: PFRS 15 – *Accounting for Cancellation of Real Estate Sales*
d. Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

	Effective Percentage of Ownership (%)		
	2019	2018	2017
A Brown Energy and Resource Development Inc. (ABERDI)	**100**	100	100
Nakeen Corporation (NC)	**100**	100	100
Bonsai Agri Corporation (BAC)*	**100**	100	100
Palm Thermal Consolidated Holdings Corp. (PTCHC)	**100**	100	100
Hydro Link Projects Corp. (HLPC)*	**100**	100	100
AB Bulk Water Company, Inc. (ABWCI)*	**100**	100	100
BCL*	**100**	100	–
Simple Homes Development, Inc. (SHDI)*	**100**	100	100
Masinloc Consolidated Power, Inc. (MCPI)**	**49**	49	49

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

<u>Noncontrolling Interests</u>
Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

As at December 31, 2019 and 2018, percentage of noncontrolling interests pertaining to MCPI amounted to 51%. The voting rights held by the noncontrolling interests are in proportion of their ownership interest.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Group recognized right-of-use asset based on its carrying amount as if PFRS 16 had always been applied while the lease liability is recognized at date of adoption, January 1, 2019.

  The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

  On August 2006, the Group entered into Development Contracts (DCs) with *Kapunungan Sa Mga Mag-uuma sa Kaanibungan* (KASAMAKA) and *Kahugpongan sa mga Mag-Uuma sa Barangay Tingalan* (KMBT) identified as contracts containing leases scoped in under PFRS 16. The contracts provide the Group for the rights to use the parcels of land from various landowners for the establishment of palm oil plantations. The Group paid advance rentals for the rights to use parcels of land and there are no future lease payments related to these lease contracts.

The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	Increase (Decrease)
Assets	
Property, plant and equipment:	
Right-of-use asset	₱30,535,735
Other noncurrent assets	
Prepaid land rights	(30,535,735)

Based on the above, as at January 1, 2019:

- Property, plant and equipment was recognized amounting to ₱30.5 million representing the amount of right-of-use assets set up on transition date.
- Prepaid land rights under "Other noncurrent assets" of ₱30.5 million were derecognized.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

These amendments are not expected to have any impact on the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

The amendments had no impact on the Group's consolidated financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*
  - Amendments to PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  These amendments are not expected to have any impact on the Group.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

  These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  This standard is not expected to have any impact on the Group.

Deferred effectivity

- Deferment of Application of the Provisions of the PIC Q&A No. 2018-12 for the Real Estate Industry

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

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

The Memorandum also provided the mandatory disclosure requirements should the real estate company decided to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A
- Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

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

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

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

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2019 as well as a decrease in the revenue from real estate sales in 2019. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (CTS) would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate (EIR) method and this would have impacted retained earnings as at January 1, 2019 and the revenue from real estate sales in 2019. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2019 and gain from repossession in 2019. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

- Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020 providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

Summary of Significant Accounting Policies
The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These 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 current/noncurrent classification.

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

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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 consolidated 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 consolidated financial statements on a recurring basis, the Group determines whether or not 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 asset or liability and the level of the fair value hierarchy as explained above.

Cash
Cash includes cash on hand and in banks.

Financial Instruments - Initial recognition and subsequent measurement effective January 1, 2018
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial assets
(i) Initial recognition and measurement
Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement
The Group subsequently classifies its financial assets into the following measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the consolidated statements of comprehensive income.

The Group's financial assets at amortized cost include cash, receivables, receivables from related parties and refundable deposits included under "Other assets" in the consolidated statements of financial position (see Notes 4, 5, 8 and 15).

Financial assets at FVOCI (debt instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the consolidated statements of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at December 31, 2019 and 2018, the Group's does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combination* applies. The classification is determined on an instrument-by-instrument basis.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss. Dividends are recognized in the consolidated statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company includes equity instruments not HFT in this category. The Group made irrevocable election to present in OCI subsequent changes in the fair value of all the Group's investments in golf shares and unlisted shares of stock.

Financial assets at FVPL. Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVPL include listed equity securities (see Note 9).

(iii) Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from The Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and, either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

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

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

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

The Group applies a simplified approach in calculating ECLs for receivables. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Group has established a provision matrix that is based on its historical credit loss experience.

For installment contracts receivable (ICR) and contract assets, the Group uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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

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

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

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

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

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

Financial liabilities

(i) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the consolidated statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities measured at amortized cost. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest in the consolidated statements of comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2019 includes the following (see Notes 13 and 16):
- Short-term debt
- Long-term debt
- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as "Interest expense" in the consolidated statements of comprehensive income on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

(iii) Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9 in 2018)

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

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

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

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL. This accounting policy pertains to the Group's cash, receivables, receivables from related parties and refundable deposits included under "Other current assets" in the consolidated statements of financial position.

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

AFS investments
AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are reported under "Net change in fair value of AFS investments" account in other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is recognized in consolidated statements of comprehensive income.

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

This accounting policy applies primarily to the Group's short-term and long-term debts and accounts and other payables (excluding statutory payables).

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

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

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

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

Real Estate Inventories

Real estate inventories consists of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale while the asset, which includes real estate held for sale and property, plant and equipment, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Inventories

Inventories pertain to agricultural produce and the related finished goods and construction materials which are measured at the lower of cost and net realizable value (NRV). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss. Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged, and obsolete inventories.

Agricultural produce

Agricultural produce is the harvested product of the Group's bearer plants. A harvest occurs when agricultural produce is either detached from the bearer plant or when a bearer plant's life processes cease. The Group's agricultural produce (e.g. fresh fruit bunches, under inventories) are measured at fair value less estimated costs to sell at the time of harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

Finished goods

Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor, and indirect production and overhead costs. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction materials
Construction materials are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Deposits for Purchased Land
This represents deposits made to land owners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Group normally makes deposits before a contract to sell (CTS) is executed between the Group and the land owner. These are recognized at cost. The sales contracts are expected to be executed within 12 months after the reporting date.

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

Investments in Associates
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statements of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of comprehensive income outside operating profit. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share to the extent of the interest in associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statements of comprehensive income.

Investment Property
Investment property consists of land and building which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

The carrying value of the asset, if reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the consolidated statements of comprehensive income.

The investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the asset is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Effective January 1, 2019, it is the Group’s policy to classify ROU assets as part of property, plant and equipment. Prior to that date, all of the Group’s leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statements of financial position. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements and right-of-use assets, which are amortized over their estimated lives or term of the lease, whichever is shorter, and bearer plants, which are depreciated using units-of-production (UOP) method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	21
Building and improvements	10 - 20
Leasehold improvements	2 - 5
Machineries and equipment	2 - 10
Right-of-use assets	17
Other equipment	2 - 10

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

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Construction in progress represents property, plant and equipment under construction or development 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 is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts while any resulting gain or loss is included in the consolidated statements of comprehensive income.

Bearer plants
Bearer plants pertain to the Group's palm oil trees used in the production or supply of fresh fruit bunches (FFB) as its agricultural produce and are expected to bear produce for more than twelve months and have a remote likelihood of being sold as a plant or harvested as agricultural produce, (except for incidental scrap sales).

Bearer plants are measured at cost less accumulated depreciation. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs necessary to cultivate such plants before they are brought in to the location and condition necessary to be capable of operating in the manner intended by management.

UOP method is used for depreciating the bearer plants. Depreciation is charged according to units of FFB harvested over the estimated units of FFB to be harvested during the life of the bearer plants or remaining contract period, whichever is shorter. The Group estimates its total units of FFB to be harvested based on the average yield over which the bearer plants are expected to be available for use. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. Changes in the estimated total units of FFB to be harvested may impact the depreciation of bearer plants.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's investments in associates, investment properties, property plant, and equipment and other assets excluding refundable deposits (see Notes 8, 10, 11 and 12).

The Group assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. 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.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the 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 asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.

Equity
Capital stock and additional paid-in capital
Capital stock consists of common shares which are measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

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

Retained earnings
Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are charged to expense and included in operating expenses in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at costs being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling-interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statements of comprehensive income.

After initial recognition, goodwill is measured at costs less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within 12 months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Revenue and Cost Recognition effective January 1, 2018

Revenue from contracts with customers
The Group is primarily engaged in real estate development, production and sale of agricultural goods, and water services. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these revenue arrangements.

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

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

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

Buyer's equity represents the percentage of collection over the total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Revenue recognition commences when the required buyer's equity is met.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under “Contract assets” in the assets section of the consolidated statements of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under “Contract liabilities” account in the liabilities section of the consolidated statements of financial position.

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

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

In addition, the Group recognizes cost as an asset that gives rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Sale of agricultural goods. Revenue from sale of agricultural goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and acceptance by the buyer.

Cost of agricultural goods sold. Costs of sales include direct material costs, manufacturing expenses and monetary value of inventory adjustments. This is recognized upon delivery of goods or upon transfer of risks and rewards of ownership and when the cost is incurred, or the expense arises.

Water service. Revenue is recognized when services are rendered.

Income from forfeited deposits. Income from forfeited collections recorded under “Other income” in the consolidated statements of comprehensive income is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Dividend income. Dividend income is recognized when the Group’s right to receive payment is established which is generally when shareholders approve the dividend.

Rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the respective lease terms.

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

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

Contract Balances

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

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

For the Group's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to ICR. It is recognized under "Receivables and contract assets" in the consolidated statements of financial position.

A receivable (e.g., ICR), represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due).

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

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

Amortization, derecognition and impairment of capitalized costs to obtain a contract. The Group amortizes capitalized costs to obtain a contract as marketing expense under "General, administrative expenses and selling expenses" account in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

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

At each reporting date, the Group determines whether there is an indication that costs to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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

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

<u>Revenue and Cost Recognition prior to January 1, 2018</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal on its real estate sales transactions. The following specific recognition criteria must also be met before revenue is recognized:

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

Revenue from sales of completed real estate projects is accounted for using the POC method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Any excess of collections over the recognized receivables are included in the "Deposits from customers" account in the liabilities section of the consolidated statements of financial position.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statements of financial position as "Real estate inventories" and the related liability as deposits under "Deposits from customers".

Cost of real estate sales. This is consistent with the revenue recognition method applied. Cost of subdivision land and residential house and lot units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's project engineers.

Cost and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used, or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

Post-employment Benefits

Pension benefits are provided to employees through a defined benefit plan. The net defined benefit liability or asset 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 any 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 plans is actuarially determined using the projected unit credit method.

The following comprise the defined benefit costs:

- Service cost
- Net interest on the net defined benefit liability or asset
- 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 consolidated statements of comprehensive income. 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 the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI 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).

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

As Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Effective January 1, 2019 (Upon Adoption of PFRS 16)
As Lessee. Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. Since there are no future lease payments on the Group's lease in scope, the Group derecognized the related prepaid land rights under "Other noncurrent assets" in the consolidated statements of financial position and recognized right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

Right-of-use assets are presented under "Property, plant and equipment" in the consolidated statements of financial position and are subject to impairment.

Short-term leases. The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and transportation equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Effective before January 1, 2019 (Prior to Adoption of PFRS 16)

As Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

<u>Taxes</u>

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Creditable withholding taxes (CWT). CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

VAT. Revenues, expenses and assets are recognized net of amount of VAT, if applicable.

For its VAT-registered activities (i.e., services related to the conditional cash transfer), when VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under “Accounts and other payables” in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under “Other current assets” in the consolidated statements of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Deferred input VAT. Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. Deferred Input VAT is stated at its realizable value.

Foreign Currencies
The Group’s consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company’s functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Group companies. The functional currency of BCL is the US Dollar. On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso (₱) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized under "Exchange differences in foreign currency translation" in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

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

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

As of December 31, 2019, and 2018, the Group has no potentially dilutive common shares.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a 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. When the Group expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These 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 benefits is probable.

Events After the Reporting Period
Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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.

Real estate revenue recognition effective January 1, 2018 (upon adoption of PFRS 15)

Revenue from contracts with customers. The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*. The Group is primarily engaged in real estate sales and development, sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels, and water services. The Group accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

- *Determining the timing of satisfaction of sale of goods and services*. The Group concluded that the revenue for sale of palm oil and other palm products and water services is to be recognized when the goods are delivered or as services are performed and it has a present right to payment for the services rendered.

- *Existence of a contract.* The Group's primary document for a contract with a customer is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a customer under PFRS 15.

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

- *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

  The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

  In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

  In 2019, the Group considered that the initial and continuing investments by the buyer of 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The Group accounted this change prospectively as a change in an accounting estimate.

Revenue recognition - sales of agricultural goods effective January 1, 2018 (upon adoption of PFRS 15)

- *Real estate revenue recognition prior to January 1, 2018 (prior to adoption of PFRS 15).* Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments about the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project. The buyers' commitment is evaluated based on collections, credit standing and historical collection from buyers.

  In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer reaching a level of collection would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

Contractual cash flows assessment. For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

As at December 31, 2019 and 2018, the aggregate carrying values of the financial assets amounted to ₱1,355.2 million and ₱848.4 million, respectively (see Note 23).

Evaluation of business model in managing financial instruments. The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and,
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Definition of default and credit-impaired financial assets. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when a borrower is more than 90 days past due on its contractual obligations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate the Group’s expected loss.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

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

- *Quantitative criteria*
  The customer is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

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

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

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

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

Determining taxable profit, tax bases and tax rates. Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

Distinction of land between real estate inventories and investment properties. The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Significant influence on PCPC, PEI and EWRTC. In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence. The Group considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

Evaluation and reassessment of control in MCPI. The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all the following:

a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with the investee; and,
c. the ability to use its power over the investee to affect the amount of the investor's returns.

Ownership interest in MCPI represent 49%. The Group has the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations of the investee are occupied by the representatives of the Group.

Management's Use of Estimates and Assumptions

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

Revenue recognition on real estate projects. The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment.

The Group's revenue from real estate is recognized based on the POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the management's specialists (project engineers). The Group also includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended December 31, 2019 and 2018, the real estate sales recognized over time amounted to ₱942.7 million and ₱705.2 million, respectively, while the related cost of real estate sales amounted to ₱355.2 million and ₱293.7 million, respectively.

Collectability of the sales price. In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 10% and 25% in 2019 and 2018, respectively, would demonstrate the buyer's commitment to pay.

In 2019, the Group considered that the initial and continuing investments by the buyer of 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The reassessment of buyer's equity to 10% was based on the management's evaluation of the historical cancellations and back-outs and consideration of various factors such as collection history with the buyers, age of receivables and pricing of the property. In 2019, the change in the buyer's equity resulted to the recognition of additional real estate sales amounting to ₱225.2 million and additional cost of real estate sales amounting to ₱143.3 million. The effect in future periods is not determinable because estimation is impracticable.

The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱733.9 million and ₱353.2 million as of December 31, 2019 and 2018, respectively (see Notes 5 and 14).

Provision for expected credit losses of receivables effective January 1, 2018. The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

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

The Group considers an ICR and contract asset in default when the Group forfeits and repossesses the property from the customer through cancellation. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the

Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero loss given default, thus resulting to no recognized impairment loss.

In 2019 and 2018, no additional ECL was recognized in the consolidated statements of comprehensive income. As at December 31, 2019 and 2018, the allowance for ECL recognized in the consolidated statements of financial position amounted to ₱0.4 million (see Note 5).

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

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

The carrying values of real estate inventories amounted to ₱1,581.0 million and ₱1,596.8 million as of December 31, 2019 and 2018, respectively (see Note 6).

Determining depreciation method of crushing equipment and RBD and fractionation machineries. The Group uses the depreciation method for its property, plant and equipment that best reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The depreciation method used is reviewed periodically, and if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate.

In 2019, the Group changed the depreciation method of its crushing equipment included in machinery and equipment and RBD and fractionation machineries from units-of-production method to straight-line method. The Group assessed that the straight-line method would better reflect the pattern of expected benefits obtained from the use of the assets. This resulted to the accelerated recognition of depreciation expense amounting to ₱9.6 million in 2019. The effect in future periods is not determinable because estimation is impracticable. The Group expects salvage value of 10% of the original cost for the crushing equipment and RBD and fractionation machineries.

Estimating useful lives of property, plant and equipment. The Group estimates the useful lives of property, plant and equipment and investment properties, except land, bearer plants and construction in progress, based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties 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 property, plant and equipment and investment properties is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2019 and 2018, the aggregate carrying value of depreciable property, plant and equipment and investment properties, except bearer plants, amounted to ₱507.1 million and ₱502.3 million, respectively (see Notes 11 and 12).

Estimating fair values of financial assets and liabilities. When the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

As at December 31, 2019 and 2018, the aggregate carrying values of the financial assets amounted to ₱1,355.2 million and ₱848.4 million, respectively, and of the financial liabilities amounted to ₱1,774.5 million and ₱1,810.9 million, respectively (see Note 23).

Impairment of nonfinancial assets. The Group assesses impairment on its nonfinancial assets (e.g. investments in associates, investment properties, property, plant and equipment and other assets excluding refundable deposits) and considers the following important indicators:
- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or,
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the remaining contract period or useful lives, if practicable, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2019, the Group has assessed that its bearer plants has indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2019, the Group recognized impairment loss of ₱14.8 million to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield. In 2018, the Group recognized impairment loss of ₱17.6 million to account for the trees specifically identified to have been withered, uprooted or with disease due to unfavorable weather conditions (see Note 12).

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2019 and 2018. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future fresh fruit bunches production, prices, direct costs, and discount rate.

The Group recognized an allowance for impairment loss on nonfinancial assets amounting to ₱22.0 million and ₱17.6 million in 2019 and 2018, respectively (see Notes 8 and 12).

The carrying values of the nonfinancial assets follow:

	2019	2018
Investments in associates (Note 10)	**₱1,430,401,980**	₱1,232,298,149
Other current assets* (Note 8)	**349,774,970**	271,033,265
Property, plant and equipment (Note 12)	**880,355,966**	892,143,269
Investment properties (Note 11)	**97,133,941**	115,269,635
Other noncurrent assets	**140,857,610**	65,431,779

** Excluding refundable deposits*

Estimating total units of output for bearer plants. The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the bearer plants, and in consideration of the lease term under the contracts providing the Group for the rights to use parcels of land. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. The carrying amount of bearer plants, amounted to ₱317.2 million and ₱333.8 million as of December 31, 2019 and 2018, respectively (see Note 12).

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of December 31, 2019, and 2018, the Group's retirement obligation amounted to ₱46.4 million and ₱28.6 million, respectively (see Note 19).

Estimating realizability of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

As at December 31, 2019 and 2018, deferred tax assets amounting to ₱46.3 million and ₱41.1 million, respectively, were not recognized in the consolidated statements of financial position since it is not probable that sufficient taxable income may be available in the future against which the deferred tax assets can be utilized. As at December 31, 2019 and 2018, the carrying values of deferred tax assets amounted to ₱27.7 million and ₱22.5 million, respectively (see Note 20).

4. Cash

	2019	2018
Cash on hand	**₱1,165,527**	₱904,738
Cash in banks	**73,834,354**	74,825,294
	₱74,999,881	₱75,730,032

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱0.4 million and ₱0.5 million in 2019 and 2018, respectively.

5. Receivables

	2019	2018
ICR	**₱598,655,904**	₱82,723,817
Trade receivables	**13,524,501**	4,950,173
Dividend receivable (Note 10)	**182,200,000**	80,000,000
Advances to officers and employees	**1,318,906**	2,864,006
Other receivables	**97,471,164**	85,165,164
	893,170,475	255,703,160
Less allowance for impairment	**474,380**	474,380
	892,696,095	255,228,780
Less noncurrent portion	**146,248,831**	102,432,352
	₱746,447,264	₱152,796,428

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest earned from contract assets and ICR amounted to ₱2.3 million and ₱1.8 million in 2019 and 2018, respectively.

Trade receivables include receivables from water service and sale of palm oil and other palm products which are noninterest-bearing and are normally collected within seven (7) to sixty (60) days.

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one year. Other receivables pertain to receivables for the sale of equity. These receivables are noninterest-bearing and are normally on 30-day terms.

6. **Real Estate Inventories**

	2019	2018
Land for sale and development	**₱291,091,721**	₱484,425,012
Construction and development costs	**1,289,872,543**	1,112,377,506
	₱1,580,964,264	₱1,596,802,518

The rollforward of this account follows:

	2019	2018
Balance at beginning of the year	**₱1,596,802,518**	₱1,381,106,519
Construction costs incurred	**284,133,119**	198,214,941
Borrowing costs capitalized (Note 16)	**35,651,325**	–
Depreciation expense capitalized (Note 12)	**5,454,280**	6,403,558
Purchase of raw land	**4,555,160**	230,054,221
Transfers from investment properties (Note 11)	**9,600,000**	66,164,323
Transfer from deposits for purchased land	**–**	8,524,817
Cost of real estate sold	**(355,232,138)**	(293,665,861)
	₱1,580,964,264	₱1,596,802,518

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2019 and 2018.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, capitalized borrowing costs and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories in 2019 amounted to ₱35.7 million (Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.92%. In 2018, the Group had no borrowings attributable to its on-going constructions.

In 2018, the Parent Company transferred deposits for purchased land to real estate inventories since the related CTS or sales contracts have already been executed.

Collateralized properties

Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 16). As at December 31, 2019 and 2018, the carrying values of the collateralized real estate inventories amounted to ₱322.8 million and ₱380.7 million.

7. **Inventories -** at cost

	2019	2018
Finished agricultural goods	**₱91,464,783**	₱79,564,205
Construction materials	**60,279,616**	67,776,253
Materials and other supplies	**2,860,697**	2,866,630
	₱154,605,096	₱150,207,088

The cost of inventories recognized under cost of goods sold in the consolidated statements of comprehensive income are as follows:

	2019	2018	2017
Fresh fruit bunches at the beginning of year	**₱–**	₱1,442,996	₱–
Purchase and harvest of fresh fruit bunches	**28,001,011**	60,433,245	60,957,755
Crude palm oil purchased during the year	**16,814,433**	–	–
Fresh fruit bunches at the end of year	**–**	–	(1,442,996)
Fresh fruit branches used in production	**44,815,444**	61,876,241	59,514,759
Direct labor	**3,845,652**	5,449,733	7,398,890
Manufacturing overhead	**12,924,105**	11,794,383	8,408,463
Total manufacturing cost	**61,585,201**	79,120,357	75,322,112
Finished goods at beginning of year	**79,564,205**	83,269,901	58,834,616
Finished goods at end of year	**(91,464,783)**	(79,564,205)	(83,269,901)
Total cost of goods sold	**₱49,684,623**	₱82,826,053	₱50,886,827

Depreciation capitalized to inventories amounted to ₱2.5 million, ₱2.6 million and ₱2.0 million in 2019, 2018 and 2017 (see Note 12). Cost of agricultural goods sold in 2019, 2018 and 2017 amounted to ₱49.7 million, ₱82.8 million and ₱50.9 million, respectively.

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Materials and other supplies pertain to fertilizers, fuel and oil and other consumables.

8. **Other Assets**

	2019	2018
Current:		
Deposits for purchased land	**₱160,780,887**	₱98,233,487
Creditable withholding taxes	**98,227,792**	96,550,911
Prepaid expenses	**66,777,985**	59,926,308
Costs to obtain contracts (Note 26)	**16,355,255**	12,106,922
Refundable deposits	**7,296,467**	3,879,053
Miscellaneous	**336,584**	336,584
	₱349,774,970	₱271,033,265

	2019	2018
Noncurrent:		
Advances to third party	**₱102,719,000**	₱–
Refundable deposits - net of current portion	**36,067,010**	27,713,123
Deferred input VAT	**2,028,593**	7,139,914
Goodwill	**43,007**	43,007
Prepaid land rights	–	30,535,735
	₱140,857,610	₱65,431,779

Deposits for purchased land pertain to installment payments made by the Group to the sellers of land where sales contracts have yet to be executed. The land is intended to be held for sale in the future. In 2018, deposits for purchased land amounting to ₱66.2 million was transferred to real estate inventories when the related sales contracts were executed or when the Group obtained control over the property (see Note 6).

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Prepaid expenses consist mainly of prepaid supplies, employee benefits, rent, insurance and taxes and licenses which are applicable in the future period.

Advances to third party pertain to advances made by the Group to a third party in connection with its engagement to explore potential joint venture partners for acceptable business projects. The advances are to be applied against the cost of the business project.

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are charged to expense as “Marketing” under “General, administrative and selling expenses” in the consolidated statements of comprehensive income as the related revenue is recognized (see Note 18).

Deferred input VAT pertains to the input VAT from the purchase of a capital good whose acquisition cost exceeds ₱1.0 million. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. In 2019, input VAT written-off amounting to ₱5.0 million was recognized under “Impairment loss” in the consolidated statements of comprehensive income.

Miscellaneous pertains to advances to suppliers and contractors.

9. Investments in Equity Instruments

Quoted and unquoted equity securities

The Group’s EIFVPL consists of quoted equity securities that are listed and traded in the Philippine Stock Exchange. The fair value of these securities has been determined directly by reference to published prices in an active market using Level 1 fair value hierarchy. The changes in the fair value of the quoted equity securities are recognized under “Unrealized gain (loss) on EIFVPL” in the consolidated statements of comprehensive income.

The Group's EIFVOCI include unquoted golf club shares and unlisted shares of stock.

The fair values of the golf club shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). Moreover, the Group's unlisted shares of stock are measured at cost since it represents the best estimate of fair value within the range of possible fair value measurements which are under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under "Net change in fair value of EIFVOCI" in other comprehensive income.

The rollforward analysis of investments in EIFVOCI and EIFVPL in 2019 follows:

	2019	
	EIFVPL	**EIFVOCI**
Cost:		
At January 1	**₱139,742,698**	**₱434,070,793**
Disposal	**(75,617,000)**	**–**
At December 31	**64,125,698**	**434,070,793**
Cumulative unrealized gain (loss):		
At January 1	**93,428,040**	**(265,423,108)**
Disposal	**(50,555,401)**	**–**
Fair value adjustment	**(43,513,896)**	**(1,086,232)**
At December 31	**(641,257)**	**(266,509,340)**
Carrying values	**₱63,484,441**	**₱167,561,453**

	2018	
	EIFVPL	EIFVOCI
Cost:		
At January 1	₱212,458,698	₱434,070,793
Disposal	(72,716,000)	–
At December 31	139,742,698	434,070,793
Cumulative unrealized gain (loss):		
At January 1	116,695,671	(294,323,108)
Disposal	(39,940,197)	–
Fair value adjustment	16,672,566	28,900,000
At December 31	93,428,040	(265,423,108)
Carrying values	₱233,170,738	₱168,647,685

In 2019 and 2018, the Group sold its 75,617,000 shares and 72,716,000 shares of Apex Mining Corporation (AMC) for ₱94.1 million and ₱122.8 million resulting in a loss of ₱32.1 million and a gain of ₱10.1 million, respectively.

In 2018, upon the adoption of PFRS 9, the Group transferred the cumulative unrealized gain of the quoted equity securities which resulted to an increase in retained earnings by ₱116.9 million, decrease in AFS investments by ₱457.0 million and decrease in OCI by ₱105.0 million as of January 1, 2018. These quoted equity securities were reclassified from AFS investments to EIFVPL.

The Group's investments in golf club shares and unlisted shares of stock were irrevocably designated at FVOCI as the Group considers these instruments to be held for the foreseeable future. Prior to adoption of PFRS 9, these were categorized as AFS investments. Cumulative unrealized loss for these investments amounted to ₱294.3 million as of January 1, 2018.

10. **Investments in Associates**

	2019	2018
Palm Concepcion Power Corporation (PCPC)	**₱1,081,884,039**	₱931,199,493
Peakpower Energy, Inc. (PEI)	**294,768,295**	247,218,353
East West Rail Transit Corporation (EWRTC)	**53,749,646**	53,880,303
	₱1,430,401,980	₱1,232,298,149

	2019	2018
Acquisition cost, beginning and end of year	**₱1,105,595,917**	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of year	**126,702,232**	(32,385,664)
Share in net income	**380,303,831**	252,093,316
Dividends	**(182,200,000)**	(93,005,420)
	324,806,063	126,702,232
	₱1,430,401,980	₱1,232,298,149

In 2019 and 2018, PEI declared cash dividend to the Group amounting to ₱72.2 million and ₱13.0 million, respectively, while PCPC declared cash dividend to the Group amounting to ₱110.0 million and ₱80.0 million, respectively. The Group collected the dividends on January 2020 and April 2019, respectively.

The Group's share in net income (loss) of its associates are shown below:

	2019	2018	2017
Palm Concepcion Power Corporation (PCPC)	**₱260,684,547**	₱178,224,889	₱77,108,366
Peakpower Energy, Inc. (PEI)	**119,749,941**	74,323,092	35,459,929
East West Rail Transit Corporation (EWRTC)	**(130,657)**	(454,665)	(20,550,032)
	₱380,303,831	₱252,093,316	₱92,018,263

Investment in PCPC

The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC. The following table sets out the summarized financial information of PCPC as of December 31, 2019 and 2018:

	2019	2018
Assets		
Current assets	**₱3,683,808,510**	₱3,444,671,246
Noncurrent assets	**10,311,897,819**	10,814,170,807
Less liabilities		
Current liabilities	**2,088,588,083**	2,140,627,900
Noncurrent liabilities	**6,778,868,122**	7,743,342,259
Equity	**₱5,128,250,124**	₱4,374,871,894
Group's carrying amount of the investment	**₱1,081,884,039**	₱931,199,493

As of December 31, 2019 and 2018, the Group's share in PCPC's net assets amounted to ₱1,025.7 million and ₱875.0 million, respectively. As of December 31, 2019 and 2018, the excess of the carrying value over the Group's share in PCPC's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of PCPC's net assets at the date of acquisition.

	2019	2018	2017
Revenue	**₱5,326,855,110**	₱4,966,294,490	₱3,759,702,545
Costs and expenses	**4,023,432,382**	4,075,170,047	3,374,160,716
Net income	**₱1,303,422,728**	₱891,124,443	₱385,541,829

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

The following table sets out the summarized financial information of PEI as of December 31, 2019 and 2018:

	2019	2018
Assets		
Current assets	**₱874,862,507**	₱787,571,313
Noncurrent assets	**2,363,246,269**	2,420,957,054
Less liabilities		
Current liabilities	**1,230,763,795**	1,062,002,893
Noncurrent liabilities	**588,211,988**	918,512,234
Equity	**₱1,419,132,993**	₱1,228,013,240
Group's carrying amount of the Investment	**₱294,768,295**	₱247,218,353

As of December 31, 2019 and 2018, the Group's share in PEI's net assets amounted to ₱283.8 million and ₱245.6 million, respectively. As of December 31, 2019 and 2018, the excess of the carrying value over the Group's share in PEI's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of PEI's net assets at the date of acquisition.

	2019	2018	2017
Revenue	**₱1,042,302,657**	₱971,558,117	₱613,785,445
Costs and expenses	**443,552,945**	599,942,655	436,485,800
Net income	**₱598,749,712**	₱371,615,462	₱177,299,645

Investment in EWRTC
The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in

Quezon City and España Boulevard in Manila. As of December 31, 2019, the Project is under evaluation for approval by the National Economic and Development Authority and the Public-Private Partnership Center.

On July 12, 2017, a new investor was given the option to participate in the PNR East West Railway Project as an additional consortium member subject to certain conditions and approval of the PNR.

The following table sets out the summarized financial information of EWRTC as of December 31, 2019 and 2018:

	2019	2018
Assets		
Current assets	**₱38,810,865**	₱40,111,635
Noncurrent assets	**–**	19,043
Less liabilities		
Current liabilities	**446,128,619**	462,637,705
Capital deficiency	**(₱407,317,754)**	(₱422,507,027)
Group's carrying amount of the investment	**₱53,749,646**	₱53,880,303

As of December 31, 2019 and 2018, the Group's share in EWRTC's capital deficiency amounted to ₱135.7 million and ₱140.8 million, respectively. The excess of the Group's share in the carrying value of EWRTC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of EWRTC's net assets at the date of acquisition.

	2019	2018	2017
Revenue	**₱669**	₱1,305	₱80,392,937
Costs and expenses	**392,680**	1,365,435	142,665,761
Net loss	**₱392,011**	₱1,364,130	₱62,272,824

11. **Investment Properties**

	2019	2018
Land held for capital appreciation	**₱95,523,877**	₱113,659,571
Land and building held for lease	**1,610,064**	1,610,064
	₱97,133,941	₱115,269,635

The fair values of land as of December 31, 2019 and 2018 as determined by an independent appraiser based on International Valuation Standards (IVS) in 2018, amounted to ₱398.4 million in both years. The Group classifies the fair values of land under Level 3 fair value hierarchy.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2019 and 2018. The significant unobservable input to the valuation is the price per square meter.

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The details of land held for capital appreciation are as follows:

	2019	2018
Cost:		
Balances at beginning of year	**₱113,659,571**	₱179,823,894
Transfers to real estate inventories (Note 6)	**(9,600,000)**	(66,164,323)
Disposal	**(8,535,694)**	–
Net carrying value	**₱95,523,877**	₱113,659,571

Land and building held for lease for 2019 and 2018 are as follows:

	Land	**Building**	**Total**
Cost:			
Balances at beginning and end of year	**₱1,610,064**	**₱7,142,747**	**₱8,752,811**
Accumulated depreciation:			
Balances at beginning and end of year	**–**	**7,142,747**	**7,142,747**
	₱1,610,064	**₱–**	**₱1,610,064**

In 2019, the Group has sold a land with a net book value of ₱8.5 million and recognized a gain of ₱5.1 million presented as gain on sale of investment property under "Other income" in the consolidated statements of comprehensive income (see Note 22). Proceeds from the sale amounted to ₱13.7 million.

Rental income generated from land held under lease included under "Other income" in the consolidated statements of comprehensive income amounted to ₱0.9 million in 2018 (see Note 22). Direct operating expense related to land held for lease included under "General, administrative and selling expenses" in the consolidated statements of comprehensive income amounted to ₱0.1 million in both 2019 and 2018.

Collateralized Properties

In 2018, pursuant to the loan agreement, certain investment properties, with a carrying amount of ₱35.7 million, were collateralized in favor of the bank to secure the Group's long-term debt (see Note 16).

12. Property, Plant and Equipment

2019	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1, *as previously reported*	**₱12,967,297**	**₱91,157,334**	**₱360,657,235**	**₱253,042,963**	**₱56,966,567**	**₱305,070,381**	**₱143,844,375**	**₱–**	**₱43,011,570**	**₱1,266,717,722**
Effect of adoption of PFRS 16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,535,735**	**–**	**30,535,735**
At January 1, *as restated*	**12,967,297**	**91,157,334**	**360,657,235**	**253,042,963**	**56,966,567**	**305,070,381**	**143,844,375**	**30,535,735**	**43,011,570**	**1,297,253,457**
Additions	**–**	**23,775**	**1,074,041**	**17,857**	**110,000**	**446,429**	**9,045,200**	**–**	**–**	**10,717,302**
Disposals	**–**	**–**	**–**	**–**	**–**	**(1,997,857)**	**(6,533,125)**	**–**	**–**	**(8,530,982)**
At December 31	**12,967,297**	**91,181,109**	**361,731,276**	**253,060,820**	**57,076,567**	**303,518,953**	**146,356,450**	**30,535,735**	**43,011,570**	**1,299,439,777**
Accumulated depreciation										
At January 1	**–**	**7,383,030**	**9,255,959**	**2,671,375**	**47,435,044**	**174,531,388**	**115,738,149**	**–**	**–**	**357,014,945**
Depreciation	**–**	**6,539,557**	**748,214**	**10,098,423**	**872,820**	**4,582,338**	**9,915,406**	**1,237,695**	**–**	**33,994,453**
Disposals	**–**	**–**	**–**	**–**	**–**	**(1,685,436)**	**(4,717,415)**	**–**	**–**	**(6,402,851)**
At December 31	**–**	**13,922,587**	**10,004,173**	**12,769,798**	**48,307,864**	**177,428,290**	**120,936,140**	**1,237,695**	**–**	**384,606,547**
Allowance for impairment										
At January 1	**–**	**–**	**17,559,508**	**–**	**–**	**–**	**–**	**–**	**–**	**17,559,508**
Addition	**–**	**–**	**16,917,756**	**–**	**–**	**–**	**–**	**–**	**–**	**16,917,756**
At December 31	**–**	**–**	**34,477,264**	**–**	**–**	**–**	**–**	**–**	**–**	**34,477,264**
Net Book Value	**₱12,967,297**	**₱77,258,522**	**₱317,249,839**	**₱240,291,022**	**₱8,768,703**	**₱126,090,663**	**₱25,420,310**	**₱29,298,040**	**₱43,011,570**	**₱880,355,966**

2018	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Construction in Progress	Total
Cost									
At January 1	₱12,967,297	₱91,157,334	₱359,583,194	₱253,042,963	₱56,966,567	₱312,972,292	₱130,821,367	₱41,555,362	₱1,259,066,376
Additions	–	–	1,074,041	–	–	2,410,715	17,204,977	1,456,208	22,145,941
Disposals	–	–	–	–	–	(10,312,626)	(4,181,969)	–	(14,494,595)
At December 31	12,967,297	91,157,334	360,657,235	253,042,963	56,966,567	305,070,381	143,844,375	43,011,570	1,266,717,722
Accumulated depreciation									
At January 1	–	2,944,289	8,688,871	2,279,638	45,757,818	176,009,912	109,464,908	–	345,145,436
Depreciation	–	4,438,741	567,088	391,737	1,677,226	8,050,234	10,297,230	–	25,422,256
Disposals	–	–	–	–	–	(9,528,758)	(4,023,989)	–	(13,552,747)
At December 31	–	7,383,030	9,255,959	2,671,375	47,435,044	174,531,388	115,738,149	–	357,014,945
Allowance for impairment	–	–	17,559,508	–	–	–	–	–	17,559,508
Net Book Value	₱12,967,297	₱83,774,304	₱333,841,768	₱250,371,588	₱9,531,523	₱130,538,993	₱28,106,226	₱43,011,570	₱892,143,269

There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2019 and 2018 are recognized as:

	2019	2018
General, administrative and selling expense (see Note 18)	**₱25,015,142**	₱16,442,595
Real estate inventories (Note 6)	**5,454,280**	6,403,558
Inventories (Note 7)	**2,450,990**	2,576,103
Bearer plants	**1,074,041**	–
	₱33,994,453	₱25,422,256

In 2019 and 2018, the Group has assessed that its bearer plants have indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2019, the Group recognized impairment loss of ₱14.8 million to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield. In 2018, the Group recognized impairment loss of ₱17.6 million to account for the trees specifically identified to have been withered, uprooted or with disease due to unfavorable weather conditions.

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2019 and 2018. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future fresh fruit bunches production, prices, direct costs, and using an average discount rate of 6.33% and 7.22% in 2019 and 2018, respectively.

The Group sold property and equipment which resulted to a gain of ₱3.5 million and ₱3.0 million in 2019 and 2018, respectively, presented as gain on sale of property and equipment under "Other income" in the consolidated statements of comprehensive income (see Note 22). Proceeds from the sale amounted to ₱5.6 million and ₱3.9 million in 2019 and 2018, respectively.

As at December 31, 2019 and 2018, the cost of fully depreciated assets still in use by the Group amounted to ₱101.1 million and ₱98.5 million, respectively.

13. Accounts and Other Payables

	2019	2018
Trade payables	**₱427,571,661**	₱405,047,650
Accrued expenses	**107,291,740**	81,030,905
Retention payable	**32,964,356**	24,100,743
Statutory payables	**7,998,026**	11,748,227
Accrued interest payable	**5,169,768**	9,964,349
Other payables	**1,699,605**	5,904,349
	₱582,695,156	₱537,796,223

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

Accrued expenses pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor's billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

Other payables include customers' deposits. These are noninterest-bearing and are normally settled within one year.

14. Contract Assets and Liabilities

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Contract assets are collectible in equal monthly installments over a period of 5 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

The Group requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the consolidated statements of comprehensive income.

When the buyer's equity is reached by the buyer, revenue is recognized, and these deposits and down payments are applied against the related ICR. The excess of collections over the recognized revenue is applied against the receivables in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in POC.

The Group's contract assets and contract liabilities as at December 31, 2019 and 2018 are as follows:

	2019	2018
Current portion of contract assets	**₱128,936,113**	₱233,125,761
Noncurrent portion of contract assets	**6,294,565**	77,708,587
Contract liabilities	**139,504,435**	68,365,034

15. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting entities and key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of relationship and not merely the legal form. Related parties may be individuals or corporate entities.

The Group, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Loans received by the Group from shareholder (see Note 16).

  Shareholder Loan - A
  As of December 31, 2018, the Parent Company has outstanding loan from shareholder, which is classified under "Short-term debt" in the current liabilities amounting to ₱369.0 million, being on demand and noninterest-bearing.

  On January 13, 2019, the Group signed into an agreement with the shareholder for the remaining balance of its short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The remaining balance of the loan bears a fixed annual interest rate of 6.00%.

  Shareholder Loan - B
  As of December 31, 2019 and 2018, ABERDI has outstanding loan from shareholder, which is classified under "Short-term debt" in the current liabilities amounting to ₱8.0 million, being on demand and noninterest-bearing.

- Noninterest-bearing cash advances to Group's associates, PEI and EWRTC.

- In 2018, the Group received management fees from EWRTC in relation to its agreement to manage the business operations and administer the associate's affairs.

The consolidated statements of financial position include the following amounts resulting from the above transactions with related parties:

		2019		
Category	**Amount**	**Receivable (Payable)**	**Terms**	**Conditions**
Shareholder				
Short-term debt (see Note 16):				
Shareholder Loan - A:				
Reclassification to long-term debt	**₱368,973,519**	**₱–**	**On demand; non-**	**Unsecured;**
Shareholder Loan - B	–	**(8,000,000)**	**interest bearing**	**no collateral**
Long-term debt (see Note 16):				
Shareholder Loan - A:				
Reclassification from short-term debt	**(₱368,973,519)**	**₱–**	**12-year, 6.00%**	**Unsecured;**
Principal and interest payments	**51,328,505**	**–**	**interest bearing**	**no collateral**
Current	–	**(6,018,818)**		
Noncurrent	–	**(311,626,196)**		
Associates				
Advances to*:				
PEI	**(₱6,352,755)**	**₱80,543,761**	**On demand; non-**	**Unsecured;**
EWRTC	**33,841,598**	**33,841,598**	**interest bearing**	**no impairment**

* *Presented as "Receivables from related parties" in the consolidated statements of financial position.*

		2018		
Category	Amount	Receivable (Payable)	Terms	Conditions
Shareholder				
Short-term debt (see Note 16):				
Shareholder Loan - A	(₱396,318,794)	(₱368,973,519)	On demand; non-interest bearing	Unsecured; no collateral
Shareholder Loan - B	–	(8,000,000)		
Associates				
Advances to*:				
PEI	₱–	₱86,896,516	On demand; non-interest bearing	Unsecured; no impairment
***Management fee*:**				
EWRTC	₱16,000,000	₱–	On demand; non-interest bearing	Unsecured

* *Presented as "Receivables from related parties" in the consolidated statements of financial position.*

Terms and Conditions of Transactions with Related Parties

The outstanding accounts with related parties, except for the advances to key management personnel, shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Group has approval process and established limits when entering into material related party transactions.

The compensation of the key management personnel, included as part of salaries, wages and employee benefits under "General and administrative expenses" in the consolidated statements of comprehensive income follows:

	2019	2018	2017
Salaries and wages	**₱44,005,303**	₱42,640,592	₱37,167,528
Short-term benefits	**2,736,699**	60,000	1,048,390
Post-employment benefits	**1,436,163**	4,063,995	673,250
	₱48,178,165	₱46,764,587	₱38,889,168

Key management personnel of the Group include all directors and senior management.

16. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local banks and shareholders to finance the Group's real estate development projects, working capital requirements and for general corporate purposes.

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

Short-term debt
Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 4.5% to 9.0% in 2019 and 4.5% to 8.5% in 2018, subject to semi-annual and quarterly repricing and ae due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

	2019	2018
UBP	**₱100,000,000**	₱100,000,000
CBC	**100,000,000**	100,000,000
UCPB	**95,104,000**	50,395,200
DBP	**74,996,000**	59,680,000
Shareholder Loan - A (Note 15)	–	368,973,519
Shareholder Loan - B (Note 15)	**8,000,000**	8,000,000
	₱378,100,000	₱687,048,719

Interest expense arising from these loans amounts to ₱21.1 million and ₱36.7 million in 2019 and 2018, respectively.

Long-term debt
The long-term debt represents various loans obtained from local banks and shareholders to finance the Parent Company's real estate projects and for general corporate purposes.

	2019	2018
UBP	**₱211,388,889**	₱164,387,181
UCPB	**80,578,108**	180,218,808
PBCOM	**67,494,993**	62,672,218
MBI	**66,666,667**	–
BPIF	**54,048,121**	79,534,554
DBP	**12,573,984**	24,210,860
CBC	**11,294,192**	8,604,624
AUB	–	66,219,492
BPIC	–	12,000,000
Shareholder Loan - A (Note 15)	**317,645,013**	–
	821,689,967	597,847,737
Less current portion	**212,402,746**	325,725,830
	₱609,287,221	₱272,121,907

Loans from UBP
Loans from UBP are comprised of loans subject to fixed and variable interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 5.78% to 9.10% payable for 2 to 5 years. Variable-rate loans are subject to variable interest rates based on Philippine Dealing System Treasury Reference Rate 2 (PDST-R2) plus 1.5% subject to a floor rate of 5.5% payable for 7 years.

Loans from UCPB
These loans are payable in quarterly installments for 8 years secured by real estate mortgage which are subject to variable interest rates ranging from 8.00% to 8.20% and 5.25% to 8.20% in 2019 and 2018, respectively, based on 3-month Philippine Dealing System Treasury Fixing (PDST-F) rate obtaining at the time of availment, plus a spread of 2% inclusive of gross receipts tax (GRT) or floor rate of 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting.

Loans from PBCOM
These loans are payable in monthly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rate of 11.50% payable for 5 years. Variable-rate loan is subject to variable interest rates ranging from 8.00% to 10.75% payable for 4 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from MBI
This loan is payable in quarterly installments for 3 years secured by real estate mortgage which is subject to a fixed annual interest rate of 8.00%.

Loans from BPIF
These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from DBP
This loan is payable in quarterly installments for 4 years secured by real estate mortgage which is subject to a fixed annual interest rate of 5.25%.

Loans from CBC
These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 8.76% to 9.89%.

Loans from AUB
These loans are payable in monthly installments for 5 years secured by real estate mortgage which are subject to variable interest rates ranging from 5.95% to 7.55% and 5.50% to 6.55% in 2019 and 2018, respectively, based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from BPIC
This loan is payable in monthly installments for 3 years secured by real estate mortgage which is subject to variable interest rates based on prevailing market interest rate for the same or similar type of loans as determined by the bank. In 2019, interest rates used were 5.23% to 7.75% and 5.23% was used in 2018 with no changes during the year.

Shareholder Loan - A (modified)
This loan is payable in monthly installments for 12 years, unsecured, and subject to a fixed annual interest rate of 6% (see Note 15).

The repayment schedule of the long-term debt follows:

Year	2019
2020	₱212,402,746
2021	205,134,217
2022 - 2030	404,153,004
	₱821,689,967

Interest expense arising from these loans and from those due to related parties recognized in consolidated statements of comprehensive income amounts to ₱37.6 million and ₱47.3 million in 2019 and 2018, respectively. In 2019, borrowing costs amounting to ₱35.7 million are capitalized as part of real estate inventories (see Note 6). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.92%. In 2018, the Group had no borrowings attributable to its on-going constructions.

Security and Debt Covenants
Real estate inventories with carrying amounts of ₱322.8 million and ₱380.7 million as of December 31, 2019 and 2018, respectively, are collateralized for its loans payable (see Note 6). In 2018, investment properties with a carrying amount of ₱35.7 million were collateralized in favor of the bank to secure the Parent Company's long-term debt (see Note 11).

The Group is not subject to any financial or negative covenants from its short-term and long-term debts.

17. **Equity**

Common stock
As of December 31, 2019 and 2018, the group's common stock consists of:

	Authorized Capital Stock	Outstanding	
		2019	2018
Subscribed and issued common shares*, ₱1 par value	3,300,000,000	**2,477,668,925**	2,477,668,925
Less treasury shares		**1,014**	1,014
		2,477,667,911	2,477,667,911

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

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

On May 19, 2016, the Group declared stock dividends amounting to 346,573,104 shares for the stockholders of record as of February 10, 2017 and distributed 346,572,301 shares net of 803 fractional shares to the stockholders.

These stock transactions resulted to an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively.

Record of Registration of Securities with the SEC
The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares. Common shares are the only equity securities registered and issued by the Group.

There were 2,092 and 2,098 stockholders as of December 31, 2019 and 2018, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.71 on December 27, 2019 and ₱0.78 on December 29, 2018.

Additional paid-in capital (APIC)
There are no movements in APIC in 2019 and 2018. APIC amounted to ₱638.0 million (net of treasury shares amounting to ₱1,014) as of December 31, 2019 and 2018.

Treasury shares
In 2016, the Group has acquired all of the unissued fractional shares arising from the stock dividend declaration in 2013, 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 of ₱1. These shares are not entitled for dividends.

Retained earnings
Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱1,143.1 million and ₱648.1 million as of December 31, 2019 and December 31, 2018, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Non-controlling interests
The Group's non-controlling interest recognized is the proportionate interests of the Parent Company in MCPI. Non-controlling interest amounted to ₱3.3 million and ₱3.5 million as of December 31, 2019 and 2018, respectively.

The summarized financial information of MCPI are provided below.

	2019	2018	2017
Assets	**₱6,839,725**	₱6,856,406	₱6,908,783
Liabilities	**59,359**	559	22,958
Equity	**6,780,366**	6,855,847	6,885,825
Net loss	**75,481**	29,978	16,097

As of December 31, 2019, 2018 and 2017, the accumulated balances of and net income attributable to noncontrolling interests follows:

	2019	2018	2017
Accumulated balances:			
Noncontrolling interest share in equity	**₱3,342,671**	₱3,495,179	₱3,513,671
Net loss attributable to NCI	**152,508**	18,492	8,549
Other comprehensive loss attributable to NCI	**152,508**	18,492	8,549

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

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

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

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

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2019 and 2018.

The table below pertains to the account balances the Group considers as its core economic capital:

	2019	2018
Short-term debt	**₱378,100,000**	₱687,048,719
Long-term debt	**821,689,967**	597,847,737
Capital stock	**2,477,668,925**	2,477,668,925
Additional paid-in capital	**637,968,859**	637,968,859
Retained earnings	**1,143,092,830**	648,147,097
	₱5,458,520,581	₱5,048,681,337

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

	2019	2018	2017
Net income attributable to the owners of the Parent Company	**₱494,945,733**	₱288,774,597	₱299,590,438
Weighted average number of outstanding shares	**2,477,667,911**	2,477,667,911	2,178,995,345
Basic earnings per share	**₱0.20**	₱0.12	₱0.14

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

18. General, Administrative and Selling Expenses

	2019	2018	2017
Personnel cost	**₱83,069,166**	₱93,887,224	₱68,217,305
Marketing	**51,226,497**	55,929,765	43,141,610
Taxes and licenses	**25,465,859**	33,606,761	34,278,530
Depreciation	**25,014,986**	16,442,595	11,739,258
Outside services	**10,998,341**	26,179,208	17,857,217
Professional fees	**10,250,175**	19,948,941	23,720,898
Rental (Note 21)	**13,361,982**	14,812,424	7,624,645
Utilities and supplies	**8,840,293**	11,275,592	8,646,046
Transportation and travel	**6,619,671**	9,867,474	9,561,038
Retirement benefits (Note 19)	**5,103,421**	8,676,690	5,245,687
Repairs and maintenance	**4,524,947**	4,921,622	4,609,578
Directors fee	**940,647**	1,349,500	2,270,500
Board meetings	**851,021**	1,354,227	817,445
Insurance	**541,762**	2,115,412	1,716,128
Others	**18,393,428**	18,033,693	14,207,628
	₱265,202,196	₱318,401,128	₱253,653,513

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Group.

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

19. Retirement Benefit Obligation

The Group has a funded non-contributory retirement plan covering all regular and full-time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Benefits are dependent on the years of service and the respective employee's compensation.

The defined benefit obligation is determined using the Projected Unit Credit method. There was no plan of termination, curtailment or settlement for the years ended December 31, 2019 and 2018.

Responsibilities of Trustee

The retirement fund is being administered and managed through a Multi-Employer Retirement Plan (the "Plan") 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 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.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The components of retirement benefit expense recognized as retirement benefits under "General, administrative and selling expenses" in the consolidated statements of comprehensive income are as follows (see Note 18):

	2019	2018	2017
Current service cost	**₱2,576,138**	₱7,195,622	₱4,691,139
Interest expense on defined benefit obligation	**3,083,098**	1,747,735	1,333,004
Interest income on plan assets	**(555,815)**	(266,667)	–
Gain on settlement	–	–	(778,456)
Total retirement benefit expense - net	**₱5,103,421**	₱8,676,690	₱5,245,687

The components of remeasurements of retirement benefit costs recognized in OCI are as follows:

	2019	2018	2017
Actuarial loss (gain) on defined benefit obligation	**₱9,986,687**	(₱7,302,949)	₱1,939,664
Remeasurement loss (gain) on plan assets	**4,368,302**	436,563	(207,523)
Income tax effect	**(4,306,497)**	2,059,916	(519,642)
Remeasurement loss (gain) at end of year	**₱10,048,492**	(₱4,806,470)	₱1,212,499

Remeasurement loss on defined benefit obligation recognized in the balance sheets are as follows:

	2019	2018
At January 1	**₱10,036,442**	₱14,842,912
Actuarial loss (gain) on defined benefit obligation	**9,986,687**	(7,302,949)
Actuarial loss (gain) on fair value of plan assets	**4,368,302**	436,563
Income tax effect	**(4,306,497)**	2,059,916
At December 31	**₱20,084,934**	₱10,036,442

The breakdown of the retirement benefit obligation recognized in the consolidated statements of financial position follow:

	2019	2018
Present value of defined benefit obligation	**₱47,590,152**	₱33,643,703
Fair value of plan assets	**(1,211,400)**	(5,023,887)
Retirement benefit obligation	**₱46,378,752**	₱28,619,816

Changes in the present value of the defined benefit obligation follow:

	2019	2018
Balance at beginning of year	**₱33,643,703**	₱32,151,135
Current service cost	**2,576,138**	7,195,622
Interest cost	**3,083,098**	1,747,735
Benefits paid	**(1,699,474)**	(147,840)
Actuarial losses (gains)	**9,986,687**	(7,302,949)
Balance at end of year	**₱47,590,152**	₱33,643,703

Changes in the fair value of plan assets follow:

	2019	2018
Balance at beginning of year	**₱5,023,887**	₱5,341,623
Interest income	**555,815**	266,667
Actuarial gain (losses)	**(4,368,302)**	(436,563)
Benefits paid	**–**	(147,840)
Balance at end of year	**₱1,211,400**	₱5,023,887

The fair value of plan assets by each class as of December 31 are as follows:

	2019	2018
Equity investments	**₱741,754**	₱4,541,594
Deposits in banks	**481,196**	708,712
Debt instruments	**–**	70,334
Others	**(11,550)**	(296,753)
Balance at end of year	**₱1,211,400**	₱5,023,887

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2019	2018
Discount rates used	**5.54%**	7.70%
Expected rate of salary increases	**4.00%**	5.00%

Assumptions regarding future mortality and disability are based on the 2001 CSO table-Generational and The Disability Study, Period 2, Benefit 5, respectively.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019, assuming all other assumptions were held constant.

	December 31, 2019	
		Effect
100 bps increase in discount rate	**2.3% to 6.0% decrease**	**(₱1,363,829)**
100 bps decrease in discount rate	**2.6% to 6.6% increase**	**1,495,417**
100 bps increase in salary rate	**2.6% increase**	**1,503,472**
100 bps decrease in salary rate	**2.4% decrease**	**(1,395,937)**
Increase in DBO, no attrition rates	**2.1% increase**	**1,875,808**

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

The average duration of the defined benefit obligation at the end of the reporting date is 2.4 years. Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019.

	Amount
2020	₱30,659,168
2021	5,277,577
2022	4,484,565
2023	5,993,936
2024	3,613,453
2025 - 2029	20,566,075

20. Income Taxes

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

	2019	2018	2017
RCIT	**₱36,444,856**	₱39,866,601	₱7,424,653
MCIT	**304,879**	373,900	253,461
	₱36,749,735	₱40,240,501	₱7,678,114

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax reported in the consolidated statements of comprehensive income follows:

	2019	2018	2017
Provision for income tax computed at statutory rate	**₱187,915,473**	₱104,648,918	₱88,735,655
Adjustments for:			
Share in net income of associates	**(114,091,149)**	(75,627,995)	(27,605,479)
Interest income subjected to final tax	**(44,239)**	(6,162)	(56,504)
Change in unrecognized deferred tax assets	**27,765,665**	35,714,597	1,419,283
Nondeductible (non-taxable) unrealized loss (gain) on EIFVPL	**13,054,169**	(5,001,770)	–
Nondeductible (non-taxable) loss (gain) on sale of EIFVPL	**9,628,444**	(3,029,773)	–
Nondeductible expenses	**5,311,675**	8,753,122	12,061,536
Expired NOLCO	**2,051,648**	1,415,977	309,895
Nontaxable income	–	(7,883,985)	(79,751,268)
Expired MCIT	–	1,090,692	1,090,509
	₱131,591,686	₱60,073,621	(₱3,796,373)

The components of net deferred tax liabilities as of December 31, 2019 and 2018 follow:

	2019	2018
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	**(₱158,601,755)**	(₱59,781,936)
Prepaid commission	**(4,906,578)**	(3,632,077)
Unrealized foreign exchange gain	–	(4,411,494)
	(163,508,333)	(67,825,507)
Deferred tax assets on:		
Retirement benefit liability	**6,428,486**	5,386,520
Unamortized past service costs	**213,517**	634,673
Allowance for expected credit losses	**126,439**	126,439
Unrealized foreign exchange loss	**3,281**	–
	6,771,723	6,147,632
In equity:		
Remeasurement loss on retirement benefit plan	**7,887,204**	3,844,981
Cumulative translation adjustment	**(1,761,959)**	–
	6,125,245	3,844,981
Deferred tax liabilities - net	**(₱150,611,365)**	(₱57,832,894)

The components of net deferred tax assets as of December 31, 2019 and 2018 follow:

	2019	2018
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	**₱11,854,952**	₱5,267,852
Retirement benefit obligation	**407,859**	428,640
Allowance for impairment on receivables	**15,875**	15,875
ROU asset	**11,282**	–
Unamortized past service cost	**2,645**	6,363,761
Unrealized forex loss	**300**	–
	12,292,913	12,076,128
In equity:		
Remeasurement loss on retirement benefit plan	**720,624**	456,351
Deferred tax assets	**₱13,013,537**	₱12,532,479

Unrecognized deferred tax assets
The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized amounting to ₱46.3 million and ₱41.1 million as of December 31, 2019 and 2018, respectively. These come from the following subsidiaries: ABERDI, BAC, PTCHC, ABBWCI, HLPC, SHDI and MCPI.

As of 2018, the Group has unrecognized deferred tax assets relating to cumulative translation adjustment from exchange differences in foreign currency translation of BCL's financial statements amounting to ₱0.9 million. These were not recognized since management does not expect these to be realized before expiration.

The details of unrecognized deferred tax assets as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Temporary Difference	**Tax Effect**	Temporary Difference	Tax Effect
NOLCO	**₱151,146,310**	**₱45,343,893**	₱129,819,378	₱38,945,813
Excess MCIT	**932,240**	**932,240**	1,184,192	1,184,192
Cumulative translation adjustment	**–**	**–**	3,104,652	931,396
	₱152,078,550	**₱46,276,133**	₱134,108,222	₱41,061,401

<u>*NOLCO*</u>. The details of NOLCO are as follow:

Year Incurred	Expiry Date	At December 31, 2018	Addition	Expired	At December 31, 2019
2016	December 31, 2019	₱33,958,898	₱–	(₱33,958,898)	₱–
2017	December 31, 2020	41,046,466	–	–	41,046,466
2018	December 31, 2021	54,814,014	–	–	54,814,014
2019	December 31, 2022	–	55,285,830	–	55,285,830
		₱129,819,378	₱55,285,830	(₱33,958,898)	₱151,146,310

MCIT. The details of excess MCIT are as follow:

Year Incurred	Expiry Date	At December 31, 2018	Addition	Expired	At December 31, 2019
2016	December 31, 2019	₱556,831	₱–	(₱556,831)	₱–
2017	December 31, 2020	253,461	–	–	253,461
2018	December 31, 2021	373,900	–	–	373,900
2019	December 31, 2022	–	304,879	–	304,879
		₱1,184,192	₱304,879	(₱556,831)	₱932,240

21. Lease Agreements

Group as a Lessor
The Group leased its various properties under operating leases. The term of the lease agreements is for one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

In 2019, lease agreements have expired and were not renewed. In 2018, rental income from third parties under these operating leases amounted to ₱0.9 million (see Note 22).

Group as a Lessee
In 2019 and 2018, the Group entered into lease agreements with related and non-related parties for its office spaces in Cagayan de Oro City and Metro Manila and on certain transportation equipment which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Parent Company applies the ‘short-term lease’ recognition exemption for these leases.

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

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations under the Group’s DCs with KASAMAKA and KMBT identified as contracts containing leases scoped in under PFRS 16. There are no future lease payments related to these lease contracts.

In 2019, the movements in the Group's right-of-use asset follows (Note 12):

Cost	
At January 1 and December 31, 2019	**₱41,655,391**
Accumulated depreciation	
At January 1, 2019, *as restated*	**11,119,656**
Depreciation	**1,237,695**
At December 31, 2019	**12,357,351**
Net book value	**₱29,298,040**

The following are the amounts recognized in 2019 in relation to the adoption of PFRS 16:

Depreciation expense of right-of-use asset (Note 12)	₱1,237,695
Expenses relating to short-term leases charged to operating expenses (Note 18)	13,361,982
	₱14,599,677

22. **Other Income**

	2019	2018	2017
Tapping fees, transfer fees and other water charges	**₱8,361,245**	₱7,240,732	₱5,614,354
Gain on sale of investment property (Note 11)	**5,138,414**	–	–
Gain (loss) on sale of property and equipment (Note 12)	**3,475,684**	2,966,668	(29,673)
Interest income (Notes 4 and 5)	**2,741,357**	2,281,600	6,411,751
Income from forfeited deposits	**1,276,766**	5,906,511	4,769,498
Management fees income (Note 15)	–	16,000,000	–
Rental income (Notes 11 and 21)	–	905,206	2,140,115
	₱20,993,466	₱35,300,717	₱18,906,045

Income from forfeited collections pertains to deposits from potential buyers deemed nonrefundable due to prescription of the period for entering into a contracted sale and/or payment from defaulting buyers upon prescription of the period for payment of the required amortizations subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*.

23. **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 in relation to its financial instruments which include financial assets comprising cash, receivables, advances to a related party, EIFVPL, EIFVOCI and refundable deposits included under “Other assets”. This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group’s business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group’s results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group’s overall risk management strategies and for approval of risk strategies and policies under the direction of the Group’s BOD.

The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

There were no changes in the Group's financial risk management objectives and policies in 2019 and 2018.

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

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

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Group's debt financial assets are not subject to collateral and other credit enhancement except for real estate receivables. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

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

The Group's maximum exposure to credit risk is equal to the carrying values of its debt financial assets except for real estate receivables as discussed above. The table below shows the credit quality and aging analysis of the Group's financial assets:

	2019	2018
Financial assets:		
Cash in banks*	**₱73,834,354**	₱74,825,294
Receivables**	**891,377,189**	252,364,774
Receivables from related parties	**114,385,359**	86,896,516
Refundable deposits	**43,363,477**	31,592,176
	₱1,122,960,379	₱445,678,760

** Excluding cash on hand amounting ₱1,165,527 and ₱904,738 in 2019 and 2018, respectively.*
*** Excluding advances to officers and employees amounting to ₱1,318,906 and ₱2,864,006 in 2019 and 2018, respectively.*

The aging analysis of debt financial assets as of December 31, 2019 and 2018 are as follows:

	2019						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks*	**₱73,834,354**	**₱73,834,354**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables**	**891,851,569**	**281,775,681**	**219,471,516**	**170,136,017**	**83,424,011**	**136,569,964**	**474,380**
Receivables from related parties	**114,385,359**	**114,385,359**	**–**	**–**	**–**	**–**	**–**
Refundable deposits	**43,363,477**	**43,363,477**	**–**	**–**	**–**	**–**	**–**
	₱1,123,434,759	**₱513,358,871**	**₱219,471,516**	**₱170,136,017**	**₱83,424,011**	**₱136,569,964**	**₱474,380**

** Excluding cash on hand amounting ₱1,165,527.*
*** Excluding advances to officers and employees amounting to ₱1,318,906.*

	2018						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks*	₱74,825,294	₱74,825,294	₱–	₱–	₱–	₱–	₱–
Receivables**	252,839,154	163,399,778	63,932,487	18,857,270	6,175,239	–	474,380
Receivables from related parties	86,896,516	86,896,516	–	–	–	–	–
Refundable deposits	31,592,176	31,592,176	–	–	–	–	–
	₱446,153,140	₱356,713,764	₱63,932,487	₱18,857,270	₱6,175,239	₱–	₱474,380

** Excluding cash on hand amounting ₱904,738.*
*** Excluding advances to officers and employees amounting to ₱2,864,006.*

Credit quality per class of the Group's financial assets are as follows:

	2019					
	Neither Past Due nor Impaired			Past Due but	Overdue and	
	High	Medium	Low	Not Impaired	Impaired	Total
Financial assets:						
Cash in banks*	**₱73,834,354**	**₱–**	**₱–**	**₱–**	**₱–**	**₱73,834,354**
Receivables**	**281,775,681**	**–**	**–**	**609,601,508**	**474,380**	**891,851,569**
Receivables from related parties	**114,385,359**	**–**	**–**	**–**	**–**	**114,385,359**
Refundable deposits	**43,363,477**	**–**	**–**	**–**	**–**	**43,363,477**
	₱513,358,871	**₱–**	**₱–**	**₱609,601,508**	**₱474,380**	**₱1,123,434,759**

** Excluding cash on hand amounting ₱1,165,527.*
*** Excluding advances to officers and employees amounting to ₱1,318,906.*

	2018					
	Neither Past Due nor Impaired			Past Due but	Overdue and	
	High	Medium	Low	Not Impaired	Impaired	Total
Financial assets:						
Cash in banks*	₱74,825,294	₱–	₱–	₱–	₱–	₱74,825,294
Receivables**	163,399,778	–	–	88,964,996	474,380	252,839,154
Receivables from related parties	86,896,516	–	–	–	–	86,896,516
Refundable deposits	31,592,176	–	–	–	–	31,592,176
	₱356,713,764	₱–	₱–	₱88,964,996	₱474,380	₱446,153,140

** Excluding cash on hand amounting ₱904,738.*
*** Excluding advances to officers and employees amounting to ₱2,864,006.*

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

- High quality financial assets include cash and cash equivalents, which include Cash in banks, refundable deposits, EIFVPL and EIFVOCI which are entered into with highly reputable counterparties. This also includes receivables with no default in payments.

- Medium quality financial assets are accounts which are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group's EIFVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.
- Low quality financial assets are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. This includes receivables with up to 3 defaults in payment.

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

The tables below summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of its financial liabilities as of December 31, 2019 and 2018 based on contractual undiscounted payments:

	2019			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	**₱74,999,881**	**₱–**	**₱–**	**₱74,999,881**
Receivables*	–	**745,128,358**	**146,248,831**	**891,377,189**
EIFVPL	–	**63,484,441**	–	**63,484,441**
EIFVOCI	–	–	**167,561,453**	**167,561,453**
Receivables from related parties	**114,385,359**	–	–	**114,385,359**
Refundable deposits	**43,363,477**	–	–	**43,363,477**
	₱232,748,717	**₱808,612,799**	**₱313,810,284**	**₱1,355,171,800**
Financial Liabilities				
Accounts and other payables**	**₱–**	**₱574,697,130**	**₱–**	**₱574,697,130**
Short-term debt				
Principal	–	**378,100,000**	–	**378,100,000**
Interest	–	**11,835,904**	–	**11,835,904**
Long-term debt				
Principal	**₱–**	**₱212,402,746**	**₱609,287,221**	**₱821,689,967**
Interest	–	**46,817,436**	**114,282,429**	**161,099,865**
	₱–	**₱1,223,853,216**	**₱723,569,650**	**₱1,947,422,866**
Net Inflow (Outflow)	**₱232,748,717**	**(₱415,240,417)**	**(₱409,759,366)**	**(₱592,251,066)**

* *Excluding advances to officers and employees amounting to ₱1,318,906.*
** *Excluding statutory payables amounting to ₱7,998,026.*

	2018			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	₱75,730,032	₱–	₱–	₱75,730,032
Receivables*	–	149,932,422	102,432,352	252,364,774
EIFVPL	–	233,170,738	–	233,170,738
EIFVOCI	–	–	168,647,685	168,647,685
Receivables from related parties	86,896,516	–	–	86,896,516
Refundable deposits	31,592,176	–	–	31,592,176
	₱194,218,724	₱383,103,160	₱271,080,037	₱848,401,921
Financial Liabilities				
Accounts and other payables**	₱–	₱526,047,996	₱–	₱526,047,996
Short-term debt				
Principal	–	687,048,719	–	687,048,719
Interest	–	13,812,431	–	13,812,431
Long-term debt				
Principal	–	325,725,830	272,121,907	597,847,737
Interest	–	55,554,293	121,518,097	177,072,390
	₱–	₱1,608,189,269	₱393,640,004	₱2,001,829,273
Net Inflow (Outflow)	₱194,218,724	(₱1,225,086,109)	(₱122,559,967)	(₱1,153,427,352)

** Excluding advances to officers and employees amounting to ₱2,864,006.*
*** Excluding statutory payables amounting to ₱11,748,227.*

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity, through the impact on floating rate borrowings:

2019		2018	
Increase (decrease) in basis points	**Effect on profit before tax**	Increase (decrease) in basis points	Effect on profit before tax
300	**(₱3,123,787)**	300	(₱3,126,287)
200	**(2,082,524)**	200	(2,085,024)
100	**(1,041,262)**	100	(1,043,762)
(100)	**1,041,262**	(100)	1,043,762
(200)	**2,082,524**	(200)	2,085,024
(300)	**3,123,787**	(300)	3,126,287

Equity Price Risk. The Group's equity investments listed in the PSE and golf and club shares are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group is exposed to equity price risk with respect to EIFVOCI.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's net income and equity as of December 31, 2019 and 2018.

	Effect on net income		Effect on equity	
Change in index	**2019**	2018	**2019**	2018
+5%	**₱3,174,222**	₱11,658,537	**₱7,739,022**	₱7,793,333
-5%	**(3,174,222)**	(11,658,537)	**(7,739,022)**	(7,793,333)

The following table presents a comparison by category of carrying values and estimated fair values of the Group's financial instruments as at December 31:

	2019		2018	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash	**₱74,999,881**	**₱74,999,881**	₱75,730,032	₱75,730,032
Receivables*	**891,377,189**	**893,596,231**	252,364,774	256,956,659
Receivables from related parties	**114,385,359**	**114,385,359**	86,896,516	86,896,516
EIFVPL	**63,484,441**	**63,484,441**	233,170,738	233,170,738
EIFVOCI	**167,561,453**	**167,561,453**	168,647,685	168,647,685
Refundable deposits	**43,363,477**	**43,363,477**	31,592,176	31,592,176
	₱1,355,171,800	**₱1,357,390,842**	₱848,401,921	₱852,993,806
Financial Liabilities				
Accounts and other payables**	**₱574,697,130**	**₱574,697,130**	₱526,047,996	₱526,047,996
Short-term debt	**378,100,000**	**378,100,000**	687,048,719	687,048,719
Long-term debt	**821,689,967**	**903,019,072**	597,847,737	599,379,922
	₱1,774,487,097	**₱1,855,816,202**	₱1,810,944,452	₱1,812,476,637

** Excluding advances to officers and employees amounting to ₱1,318,906 and ₱2,864,006 in 2019 and 2018, respectively.*
*** Excluding statutory payables amounting to ₱7,998,026 and ₱11,748,227 in 2019 and 2018, respectively.*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash, receivables (except ICR)*, *refundable deposits*, *accounts and other payables and short term-debt*. The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.

- *ICR*. The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates for similar types of instruments (Level 3 input).

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

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

- *Long-term debt.* The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 5.4% and 7.5% in 2019 and 5.5% to 7.2% in 2018. The Group classifies the fair value of its long-term debt under Level 3.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

24. Segment Information

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of December 31, 2019;
- Holding - Holding of properties of every kind and description.

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

For the years ended December 31, 2019, 2018 and 2017, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

	For the Year Ended December 31, 2019					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	₱964,086	₱63,724	₱–	₱–	₱–	₱1,027,810
Costs and expenses	(367,222)	(49,684)	–	–	–	(416,906)
Gross profit	596,864	14,040	–	–	–	610,904
General, administrative and selling expenses	(201,509)	(66,302)	(472)	(457)	3,538	(265,202)
Other income (expenses)	(2,087)	(16,806)	380,443	104,834	(185,700)	280,684
Income (loss) before income tax	393,268	(69,068)	379,971	104,377	(182,162)	626,386
Provision for (benefit from) income tax	(120,042)	1,326	1	–	(12,878)	(131,593)
Net income (loss)	₱273,226	(₱67,742)	₱379,972	₱104,377	(₱195,040)	₱494,793

	For the Year Ended December 31, 2019					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Eliminations**	**Consolidated**
Net income attributable to:						
Owners of the Parent Company	**₱273,226**	**(₱67,742)**	**₱380,010**	**₱104,377**	**(₱195,078)**	**₱494,793**
Non-controlling interests	**–**	**–**	**(38)**	**–**	**38**	**–**
	₱273,226	**(₱67,742)**	**₱379,972**	**₱104,377**	**(₱195,040)**	**₱494,793**

	As of December 31, 2019					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holding**	**Eliminations**	**Consolidated**
Other information						
Segment assets	**₱5,740,190**	**₱1,275,544**	**₱1,423,671**	**₱1,193,626**	**(₱3,578,405)**	**₱6,054,626**
Deferred tax assets	**–**	**3,775**	**–**	**–**	**9,239**	**13,014**
Total Assets	**₱5,740,190**	**₱1,279,319**	**₱1,423,671**	**₱1,193,626**	**(₱3,569,166)**	**₱6,067,640**
Segment liabilities	**₱1,769,159**	**₱1,084,596**	**₱41,241**	**₱829,590**	**(₱1,784,043)**	**₱1,940,543**
Deferred tax liabilities	**148,849**	**–**	**3**	**–**	**1,759**	**150,611**
Total Liabilities	**₱1,918,008**	**₱1,084,596**	**₱41,244**	**₱829,590**	**(₱1,782,284)**	**₱2,091,154**

	For the Year Ended December 31, 2018					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	₱725,628	₱103,940	₱–	₱–	(₱3,500)	₱826,068
Costs and expenses	(303,291)	(82,826)	–	–	–	(386,117)
Gross profit	422,337	21,114	–	–	(3,500)	439,951
General, administrative and selling expenses	(256,676)	(60,960)	(3,267)	(1,155)	3,657	(318,401)
Other income (expenses)	(3,277)	(22,401)	4	94,106	158,848	227,280
Income (loss) before income tax	162,384	(62,247)	(3,263)	92,951	159,005	348,830
Provision for income tax	32,626	15,064	48	325	12,011	60,074
Net income (loss)	₱129,758	(₱77,311)	(₱3,311)	₱92,626	₱146,994	₱288,756
Net income attributable to:						
Owners of the Parent Company	₱129,758	(₱77,311)	(₱3,296)	₱92,626	₱146,979	₱288,756
Non-controlling interests	–	–	(15)	–	15	–
	₱129,758	(₱77,311)	(₱3,311)	₱92,626	₱146,994	₱288,756

	As of December 31, 2018					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Other information						
Segment assets	₱5,318,537	₱1,285,269	₱278,403	₱1,115,954	(₱2,544,469)	₱5,453,694
Deferred tax assets	–	37,503	4,968	154	(30,093)	12,532
Total Assets	₱5,318,537	₱1,322,772	₱283,371	₱1,116,108	(₱2,574,562)	₱5,466,226
Segment liabilities	₱1,709,631	₱–	₱210,046	₱–	₱–	₱1,919,677
Deferred tax liabilities	51,938	1,049,719	–	890,705	(1,934,529)	57,833
Total Liabilities	₱1,761,569	₱1,049,719	₱210,046	₱890,705	(₱1,934,529)	₱1,977,510

	For the Year Ended December 31, 2017					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Revenue	₱472,495	₱82,430	₱–	₱–	(₱3,500)	₱551,425
Costs and expenses	(255,147)	(37,398)	(4,333)	(175)	3,500	(293,553)
Gross profit (loss)	217,348	45,032	(4,333)	(175)	–	257,872
General, administrative and selling expenses	(₱178,133)	(₱47,760)	(₱11,840)	(₱15,920)	₱–	(₱253,653)
Other income (expenses)	223,414	(23,865)	–	92,018	–	291,567
Income (loss) before income tax	262,629	(26,593)	(16,173)	75,923	–	295,786
Benefit from income tax	(3,796)	–	–	–	–	(3,796)
Net income (loss)	₱258,833	(₱26,593)	(₱16,173)	₱75,923	₱–	₱291,990
Net income attributable to:						
Owners of the Parent Company	₱258,833	(₱26,593)	(₱16,164)	₱75,923	₱–	₱291,999
Non-controlling interests	–	–	(9)	–	–	(9)
	₱258,833	(₱26,593)	(₱16,173)	₱75,923	₱–	₱291,990

	As of December 31, 2017					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Other information						
Segment assets	₱5,438,692	₱1,155,057	₱47,487	₱967,786	(₱2,532,329)	₱5,076,693
Deferred tax assets	20,735	17,393	148	154	–	38,430
Total Assets	₱5,459,427	₱1,172,450	₱47,635	₱967,940	(₱2,532,329)	₱5,115,123
Segment liabilities	₱2,080,139	₱825,425	₱28,851	₱688,400	(₱1,970,770)	₱1,652,045
Deferred tax liabilities	74,107	–	2	–	(16,211)	57,898
Total Liabilities	₱2,154,246	₱825,425	₱28,853	₱688,400	(₱1,986,981)	₱1,709,943

25. Notes to Consolidated Statements of Cash Flows

2019

	Beginning Balance	**Availments**	**Payments**	**Others**	**Ending Balance**
Short-term debt	₱687,048,719	₱245,805,000	(₱185,780,200)	(₱376,973,519)	₱370,100,000
Long-term debt	597,847,737	265,676,700	(410,807,989)	376,973,519	829,689,967
Interest (Note 13)	9,964,349	–	(64,524,147)	59,729,566	5,169,768
	₱1,294,860,805	₱511,481,700	(₱661,112,336)	₱59,729,566	₱1,204,959,735

2018

	Beginning Balance	**Availments**	**Payments**	**Others**	**Ending Balance**
Short-term debt	₱544,500,000	₱548,653,519	(₱406,104,800)	₱–	₱687,048,719
Long-term debt	892,699,036	108,815,298	(403,666,597)	–	597,847,737
Interest (Note 13)	7,073,139	–	(81,140,117)	84,031,327	9,964,349
	₱1,444,272,175	₱657,468,817	(₱890,911,514)	₱84,031,327	₱1,294,860,805

Others include reclassification of loan from shareholder from short-term debt to long-term debt in 2019 (see Notes 15 and 16), interest expense and capitalized borrowing costs.

26. Revenue from Contracts with Customers

Revenue Disaggregation
The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2019	2018
Type of product:		
Real estate sales		
House and lot units	**₱480,756,219**	₱347,233,146
Lot-only units	**461,979,547**	357,952,543
Sale of agricultural goods		
Crude palm oil	**45,945,063**	75,205,185
Palm olein	**9,546,393**	8,367,151
Palm kernel cake	**3,602,097**	–
Palm acid oil	**1,836,356**	2,081,326
Palm kernel	**1,348,977**	3,132,811

(Forward)

	2019	2018
Palm stearin	**₱865,857**	₱4,746,991
Palm fatty acid distillate	**579,857**	387,964
Refined bleached deodorized oil	**–**	6,518,927
Water service	**21,349,825**	20,441,816
	₱1,027,810,191	₱826,067,860

The real estate sales are revenue from contracts with customers that are recognized over time while revenue from water service and sale of agricultural goods are recognized at a point in time.

Contract Balances

	2019	2018
ICR	**₱598,655,904**	₱82,723,817
Current portion of contract assets	**128,936,113**	233,125,761
Noncurrent portion of contract assets	**6,294,565**	77,708,587
Costs to obtain contracts	**16,355,255**	12,106,922
Contract liabilities	**139,504,435**	68,365,034

ICR are from real estate sales which are collectible in equal monthly installments with over a period of 2 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Cost to obtain contract are derecognized if sales are subsequently cancelled. The balances below pertain to the costs to obtain contracts:

	2019	2018
Balance at January 1, *as previously reported*	**₱12,217,593**	₱11,394,554
Additions	**32,697,831**	36,666,711
Amortization	**(28,560,169)**	(35,843,672)
Balance at end of the year	**₱16,355,255**	₱12,217,593

The amortization of prepaid commissions which are expensed as the related revenue is recognized totaling ₱28.6 million and ₱35.8 million in 2019 and 2018, respectively, are recognized as marketing expenses presented under “General, administrative and selling expenses” account in the consolidated statements of comprehensive income (see Note 18).

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on percentage of completion. The movement in contract liability is mainly due to sales reservations and advance payments of buyers less real estate sales recognized upon reaching the buyer’s equity and from increase in percentage of completion.

Performance Obligation
Information about the Parent Company's significant performance obligation is summarized below:

Real estate sales
The Parent Company entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payments of 10% to 25% in 2019 and 2018, respectively, of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment, in 2019 and 2018. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Parent Company's real estate projects. The Parent Company's real estate projects are completed within 6 months to 12 months, from start of construction.

Upon the adoption of PFRS 15 as at January 1, 2018, the Group's retained earnings decreased by ₱17.1 million, decreased receivables by ₱47.8 million, decreased inventories by ₱23.6 million, decreased deferred tax liabilities by ₱7.2 million, increased contract assets by ₱292.8 million, increased contract liabilities by ₱57.2 million and increased costs to obtain contracts by ₱2.1 million as of January 1, 2018.

27. **Other Matters**

<u>Impasug-Ong and Kalabugao Plantations</u>
The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

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; and,
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

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

Opol Plantation
The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with 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; and,
- 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.

In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners' a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested.

Subsequent Event - COVID-19 Outbreak
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On April 23, 2020, the President further extended the enhanced community quarantine in Metro Manila, Central Luzon, Calabarzon, and several provinces and islands in Luzon until May 15, 2020. On May 28, 2020, the President approved the transition to general community quarantine starting June 1, 2020 in Metro Manila, Region 2, Region 3, Region 4-A, Albay, Pangasinan and Davao City until further notice. Meanwhile, the rest of the country were placed under modified general community quarantine.

It also enjoined all government agencies and local government units (LGUs) to render full assistance and cooperation to mobilize the necessary resources, undertake critical, urgent, and appropriate responses and measures in a timely manner. Since the issuance of the proclamation, various LGUs throughout the country have issued their own quarantine and travel restrictions.

On March 16, 2020, the local government of Cagayan de Oro City issued an Executive Order to impose stringent social distancing measures in the city effective immediately. On March 19, 2020, Executive Order No. 049-2020 was issued, imposing a community quarantine throughout the city until further notice.

On March 17, 2020, the local government of Bukidnon issued an Executive Order No. 2020-13, imposing a community quarantine throughout the province. On April 27,2020, the province reverted to a general community quarantine after being placed under enhanced community quarantine for more than a week.

These measures have significantly impacted the Group's business due to travel restrictions/ban and temporary suspension of business operations and/or measures imposed by the authorities or companies. The impact of COVID-19 on the Group's business and operations continue to evolve.

The Group considers the events surrounding the pandemic as non-adjusting subsequent events, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2019 for the impact of COVID-19. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
Suites 4 & 5, Fourth Level
Gateway Tower 1
Limketkai Center, Lapasan
9000 Cagayan de Oro City
Philippines

Tel: (08822) 725 078
(08822) 726 555
Fax: (088) 856 4415
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the years ended, included in this Form 17-A, and have issued our report thereon dated June 11, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements, and in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
SEC Accreditation No. 0781-AR-3 (Group A),
April 3, 2018, valid until April 2, 2021
Tax Identification No. 198-819-157
BIR Accreditation No. 08-001998-70-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125280, January 7, 2020, Makati City

June 11, 2020

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

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the years ended, and have issued our report thereon dated June 11, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018, and for each of the years ended and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
SEC Accreditation No. 0781-AR-3 (Group A),
April 3, 2018, valid until April 2, 2021
Tax Identification No. 198-819-157
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February 26, 2018, valid until February 25, 2021
PTR No. 8125280, January 7, 2020, Makati City

June 11, 2020

A BROWN COMPANY, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2019

	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash	₱–	₱74,999,881	₱147,381
Receivables			
Dividend receivable	–	182,200,000	–
Trade receivable	–	13,524,501	85,074,425
ICR	–	598,655,904	807,505,091
Other receivables	–	97,471,164	–
EIFVPL	63,484,441	63,484,441	–
EIFVOCI	29,387,017	167,561,453	–
Receivables from related parties	–	114,385,359	–
Refundable deposits	–	43,363,477	–
	₱92,871,458	₱1,355,646,180	₱892,726,897

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.						

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019

Intercompany receivable and payable

	Receivable Balance	**Payable Balance**	**Current Portion**
ABCI	₱248,194,636	(₱234,916,954)	₱13,277,682
ABERDI	31,091,434	(14,068,750)	17,022,684
ABBWCI	–	(15,162,690)	(15,162,690)
SHDI	–	(1,209,893)	(1,209,893)
BAC	–	(1,142,793)	(1,142,793)
NC	15,316,747	(2,760,033)	12,556,714
BCL	–	(25,341,704)	(25,341,704)
Total Eliminated Receivables/Payables	₱294,602,817	(₱294,602,817)	₱–

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance	**Payable Balance**	**Current Portion**
ABCI	₱1,488,340,351	₱–	₱–
ABERDI	248,037,878	(715,209,675)	–
NC	–	(248,037,603)	–
HLPC	–	(25,984,253)	–
PTCHC	–	(746,896,698)	–
BCL	–	(250,000)	–
Total Eliminated DFFS	₱1,736,378,229	(₱1,736,378,229)	₱–

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2019

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Not applicable						

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2019

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Term Loan	₱2,332,974,015	₱212,402,746	₱609,287,221

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019

Indebtedness to related parties (Long-term loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholders	₱–	₱317,645,013

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
		Not applicable		

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2019

	Number of shares			Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Affiliates	Directors, officers and employees	Others
Capital stock	3,300,000,000	2,477,667,911	–	1,351,556,468	200,671,254	925,440,189

A BROWN COMPANY, INC. AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱648,147,097
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	494,945,733
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	(380,303,831)
Fair value adjustment of EIFVPL	43,513,896
Add(Less):	
Treasury shares	(1,014)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND	₱806,301,881

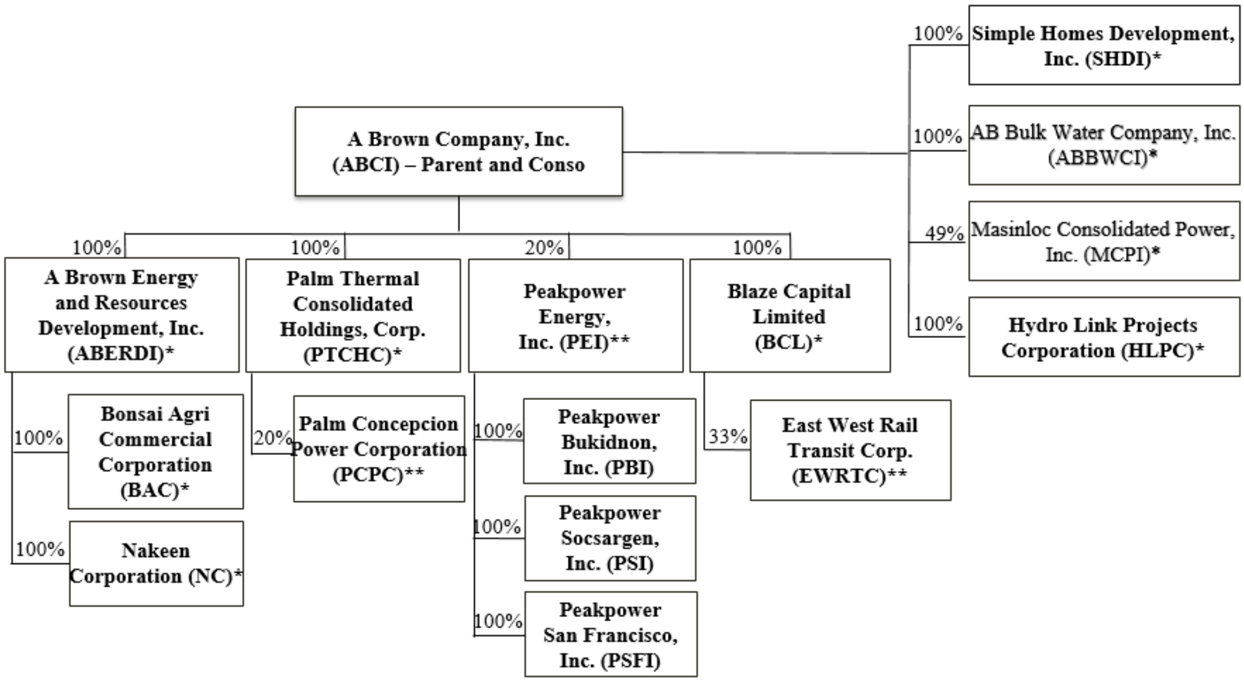
A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2019, 2018 and 2017.

Ratios	Formula	2019	2018	2017
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.45	1.73	1.64
Acid test ratio	$\frac{\text{Quick assets}}{\text{Current liabilities}}$	0.76	0.34	0.38
Solvency ratio	$\frac{\text{Net income + Depreciation}}{\text{Total liabilities}}$	0.25	0.16	0.15
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.53	0.57	0.63
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.53	1.57	1.63
Interest rate coverage ratio	$\frac{\text{EBITDA}}{\text{Total interest paid}}$	10.45	5.54	4.60
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	0.13	0.09	0.10
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	0.09	0.05	0.06
Net profit margin	$\frac{\text{Net income}}{\text{Net revenue}}$	0.48	0.35	0.54

SCHEDULE IV

A BROWN COMPANY, INC. AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2019



**Subsidiary*

***Associate*

ANNEX - C

REPUBLIC OF THE PHILIPPINES)
PASIG CITY, METRO MANILA) S.S.

CERTIFICATION

JASON C. NALUPTA, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary of **A BROWN COMPANY, INC.** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City and business office at Unit 3301-A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City;

2. Based on the information provided to the Corporation by the members of its Board of Directors and its principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

ATTESTATION OF THE ABOVE, this Certificate was signed this JUL 2 1 2020 day of July 2020 at Pasig City.

JASON C. NALUPTA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUL 2 1 2020 day of July 2020 at Pasig City, Metro Manila, affiant exhibiting to me his Community Tax Certificate No. 07573881 issued on 23 January 2020 at Manila, as well as his Passport No. P7670714A issued at DFA South on 26 June 2018 which expires on 25 June 2028 as his competent evidence of identity.

Doc. No. 226;
Page No. 47;
Book No. II;
Series of 2020.

YSABEL KATHRYN M. SANTOS
Notary Public for
Pasig City, San Juan, Taguig & Pateros
Appointment No. 231 (2019-2020)
Commission Expires on December 31 2020
2704 East Tower PSE Centre, Exchange Road
Ortigas Center, 1605 Pasig City
PTR No 2968657 / 01 08.20 Mandaluyong
IBP LRN No. 016949 / 06.28.2019 / RSM
Roll of Attorneys No 70409
MCLEC No. VI-0017136 / 01 10 19

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ABKT/JCN/cely 273-2-00

ANNEX - D

3	1	1	6	8

SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

XAVIER ESTATES UPTOWN
AIRPORT ROAD BALULANG
CAGAYAN DE ORO CITY

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

Allan Ace R. Magdaluyo
Contact Person

02-8638 6832
Company Telephone Number

12 31
Month Day
Fiscal Year

17-Q
FORM TYPE

06
Month Day
Annual Meeting

Secondary License Type, if applicable

MSRD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,091 (June 30, 2020)	Php 1,188,194,816 (June 30, 2020)	- 0 -
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the **2nd** quarter ended **June 30, 2020**
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) 8638-6832 (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: ₱2,240,622,134

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

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

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

TABLE OF CONTENTS

PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit 1) for the Second (2nd) Quarter ending June 30, 2020.

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

Financial Condition – Consolidated (Unaudited)

In Thousand Pesos	Unaudited June 2020	Audited December 2019	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Unaudited	Audited
			Amount	%	June 2020	December 2019
Current Assets	**3,634,123**	3,213,597	420,526	13%	55%	53%
Noncurrent Assets	**3,025,111**	2,881,868	143,243	5%	45%	47%
Total Assets	**6,659,234**	6,095,465	563,769	9%	100%	100%
Current Liabilities	**1,517,237**	1,312,702	204,535	16%	23%	22%
Noncurrent Liabilities	**723,385**	806,277	(82,892)	-10%	11%	13%
Equity	**4,418,612**	3,976,486	442,127	11%	66%	65%
Total Liabilities & Equity	**6,659,234**	6,095,465	563,769	9%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – June 30, 2020 vs. December 2019

The Group's total assets increased by 9**% or ₱563.8 million,** from a balance of ₱6.10 billion as of end of the year 2019 to **₱6.66 billion** as of June 30, 2020.

Current assets increased by 14% or ₱438.6 million as a result of the net effect of the following:

44% or ₱33.0M increase in Cash– due to the net effect of cash provided by operating activities as compared to the cash used in investments and deposits and other investing and financing activities.

17% or ₱123.9M increase in Current Receivable due to the net effect of:

a) **100% or ₱182.2M decrease in dividend receivable** due to collections of dividend receivable account during this current period
b) **5% or ₱633k increase in Trade Receivable** – directly related from increase sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products
c) **39% or ₱235.4M increase in installment contract receivable** due to increase in sales from the recent Projects
d) **211% or ₱2.8M increase in advances to officers and employees** due to advances to salary and other loans granted to the employees that are collectible through salary deduction
e) **206% or ₱200.8M increase in accounts receivable - others -** due to advances made to affiliates

12% or ₱191.3M increase in Real estate inventories – due to the net effect of the increase in development costs over sales of various projects

34% or ₱53M decrease in Inventories – due to materials not yet used in development and lower inventory turn-over of crude palm oil

49% or ₱172.1 increase *in other current assets* – due to the increases in deposit for land, creditable withholding taxes, refundable deposits.

74% or ₱46.9M decrease in Equity Instruments at Fair Value through Profit and Loss (EIFVPL) – this pertains to sale of equity investments that are listed on the stock exchange

Non-Current assets increased by 5% or ₱143.2 million as a result of the net effect of the following:

1% or ₱1.8M decrease in Current Receivable

100% or ₱6.3M decrease in contract assets due to the application of collections of account as payment under the in-house payment scheme

10% or ₱139.3M *increase in Investment in Associates* – due to the Group's share in the net income of the associates

₱3.1M *decrease in Property and Equipment, net* - due to the movements of the following property, plant and equipment.

a) 4% or ₱3.3k net decrease in leasehold improvements – additional depreciation
b) ₱68k net increase in Bearer plants – additions to bearer plants
c) ₱258k net decrease in RBD and fractionation machineries due to additional depreciation which off-setted an addition amounting to ₱798k
d) 4% or ₱369k net decrease in building and improvement – additional depreciation
e) 2% or ₱2.5M net decrease in Machineries and Equipment – net of additional machineries against the wear and tear of the existing asset
f) 13% or ₱3.3M net increase in other fixed assets/equipment – net of additional equipment against additional depreciation and disposal of some equipment

42% or ₱5.4M increase in Deferred Tax Assets – directly related to the increase in the net operating loss carry over (NOLCO) of the group during the quarter.

1% or ₱856k increase in Other Non-current Assets – due to the additional utility deposits made during the quarter related to new real estate developments

Current liabilities increased by 16% of ₱204.5 million as a result of the net effect of the following:

7% or ₱41.7M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 2% or ₱10M decrease in accounts payable – payments made to accounts payable
b) 14% or ₱15M decrease in accrued expenses – due to payments made to the accrued of expenses
c) 60% or ₱3.1M increase in accrued interest payable -directly related with the increase in the loan balance due to availment
d) 53% or ₱17.4M decrease in retention payable - due to payment of retention fee to contractors
e) 7% or ₱592k increase in Statutory Payables - increase in withholding for government agencies
f) 4730% or ₱80.4M increase in other payables - increase in other payables

29% or ₱*108.2M** ***increase in Short term Debt – due to the re-classification additional availment

9% or ₱*18.4M** ***decrease in Current maturities portion of long-term debt – pertains to the part of loan currently due against settlement of principal amount due

Non-Current liabilities decreased by 10% or ₱*82.9** ***million as a result of the net effect of the following:

17% or ₱101.4M ***decrease in Long-term Debt - net*** – due to the reclassification of the principal amount that will be due more than one year.

12% or ₱*5.4M** ***increase in Retirement benefit obligation - due to the increase in retirement obligation to employees

9% or ₱*13.1M** ***increase in Deferred tax liabilities - due to the decrease in collections pertaining to prior years' real estate sales

Equity increased by 11% or ₱442.1 million as a result of the net effect of the following:

38% or ₱*432.9M** ***increase in the Retained Earnings – due to the effect of net income earned during the year period

1% or ₱2.5*M decrease in Fair Value Reserve of EIFVOCI* – due to the decrease in market value of equity instruments at fair value through other comprehensive income

491% or ₱*4.9M** ***increase in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operations – Consolidated (Unaudited)

For the Quarter

In Thousand Pesos	For the Quarter ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited June 30 2020	Unaudited June 30 2019	Amount	%	Unaudited June 30 2020	Unaudited June 30 2019
Real estate sales	**127,978**	114,768	13,210	12%	**88%**	83%
Sale of agricultural goods	**11,435**	17,928	(6,494)	-36%	**8%**	13%
Water service income	**5,749**	5,714	35	1%	**4%**	4%
REVENUES	**145,162**	138,411	6,751	5%	**100%**	100%
Cost of real estate sales	**35,884**	46,954	(11,070)	-24%	**25%**	34%
Cost of agricultural goods sold	**10,839**	14,503	(3,664)	-25%	**7%**	10%
Cost of water service income	**3,328**	2,695	632	23%	**2%**	2%
COST OF SALES AND SERVICES	**50,051**	64,153	(14,102)	-22%	**34%**	46%
GROSS PROFIT	**95,111**	74,258	20,853	28%	**66%**	54%
General, Administrative and Selling Expenses	**46,152**	61,647	(15,495)	-25%	**32%**	45%
Share in net income (loss) of associates	**81,533**	103,147	(21,614)	-21%	**56%**	75%
Unrealized gain (loss) on EIFVPL	**3,860**	2,131	1,729	81%	**3%**	2%
Gain (loss) on sale of EIFVPL	**513**		513		**0%**	0%
Gain (loss) on sale of PPE		6,368				5%
Interest expense	**(12,852)**	16,633	(29,485)	-177%	**-9%**	12%
Other income (expense) -net	**2,155**	5,269	(3,114)	-59%	**1%**	4%
Other Income (Expenses)	**75,209**	133,547	(58,339)	-44%	**52%**	96%
Income (Loss) Before Income Tax	**124,167**	146,158	(21,991)	-15%	**86%**	106%
Provision for (Benefit from) Income Tax	**2,488**	37,347	(34,859)	-93%	**2%**	27%
NET INCOME (LOSS)	**121,680**	108,811	12,868	12%	**84%**	79%
Remeasurement gain (loss) on defined benefit plan-net of tax	**-**	-	-			
Exchange difference in foreign currency translation	**-**	-	-			
Net change in fair value of EIFVOCI and AFS investments	**2,502**	-	2,502			
OTHER COMPREHENSIVE INCOME (LOSS)	**2,502**	-	2,502			
TOTAL COMPREHENSIVE INCOME (LOSS)	**124,182**	108,811	15,370	14%		

Year-to-Date

In Thousand Pesos	Year-to-Date ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited June 30 2020	Unaudited June 30 2019	Amount	%	Unaudited June 30 2020	Unaudited June 30 2019
Real estate sales	**353,758**	414,624	(60,866)	-15%	**91%**	89%
Sale of agricultural goods	**22,052**	42,414	(20,361)	-48%	**6%**	9%
Water service income	**11,789**	11,080	710	6%	**3%**	2%
REVENUES	**387,600**	468,118	(80,518)	-17%	**100%**	100%
Cost of real estate sales	**82,587**	152,129	(69,542)	-46%	**21%**	32%
Cost of agricultural goods sold	**20,407**	32,589	(12,182)	-37%	**5%**	7%
Cost of water service income	**7,016**	4,857	2,160	44%	**2%**	1%
COST OF SALES AND SERVICES	**110,011**	189,575	(79,564)	-42%	**28%**	40%
GROSS PROFIT	**277,589**	278,543	(954)	0%	**72%**	60%
General, Administrative and Selling Expenses	**97,532**	129,573	(32,041)	-25%	**25%**	28%
Share in net income (loss) of associates	**139,275**	197,565	(58,290)	-30%	**36%**	42%
Unrealized gain (loss) on EIFVPL	**3,860**	2,131	1,729	81%	**1%**	0%
Gain (loss) on sale of EIFVPL	**513**		513		**0%**	0%
Gain (loss) on sale of PPE	**(184)**	6,368	(6,553)	-103%	**0%**	1%
Interest expense	**(29,608)**	(40,073)	10,464	-26%	**-8%**	-9%
Unrealized foreign exchange gain (loss)		1	(1)	-100%		0%
Other income (expense) -net	**4,192**	7,129	(2,937)	-41%	**1%**	2%
Other Income (Expenses)	**118,047**	173,121	(55,075)	-32%	**30%**	37%
Income (Loss) Before Income Tax	**298,105**	322,092	(23,987)	-7%	**77%**	69%
Provision for (Benefit from) Income Tax	**33,310**	32,077	1,233	4%	**9%**	7%
NET INCOME (LOSS)	**264,794**	290,015	(25,220)	-9%	**68%**	62%
Remeasurement gain (loss) on defined benefit plan-net of tax	**-**	-	-			
Exchange difference in foreign currency translation	**-**	-	-			
Net change in fair value of EIFVOCI and AFS investments	**2,502**	-	2,502			
OTHER COMPREHENSIVE INCOME (LOSS)	**2,502**	-	2,502			
TOTAL COMPREHENSIVE INCOME (LOSS)	**267,296**	290,015	(22,718)	-8%		

A Brown Company - CONSOLIDATED
Results of Operations
For the 2nd Quarter ending June 30, 2020

The consolidated financial statements for the quarter ending June 30, 2020 resulted to a net income after tax of **₱128.0 million** compared to a **₱108.8 million** net income for the same quarter last year with an increase of 18% or **₱19.2 million** and resulted to a net income after tax of **₱271.1 million** compared to a **₱289.9 million** net income for the same year-to-date period last year with a decrease of 6% or **₱18.8 million** due to the net effect of the following:

5% or* ₱6.8M *increase in Revenue on a QTR and 17% or* ₱80.5M decrease on a YTD *due to:

a) ***Increase in Real estate Sales by 12% or P13.2M on a QTR and 15% or P60.9M decrease on a YTD*** – the due to the higher selling price of number of units sold at this quarter as compared to the lots sold for same quarter last year
b) ***Decrease in Sales of agricultural goods by 36% or P6.5M on a QTR and 48% or P20.4M decrease on a YTD*** – the due to the lower number of quantity sold at this quarter as compared to the quantity sold for same quarter last year
c) ***Increase in Water services by 1% or P35k on a QTR and 6% or P710k increase on a YTD***

22% or P14.1M decrease in Cost of Sales on a QTR and 42% or P79.6M decrease on a YTD due to:

a) ***24% or P11.1M decrease in cost of Real estate on a QTR and 46% or P69.5M decrease on a YTD –*** the decrease is relatively due to decrease in lots sold of economic units with higher development costs as compared to socialized housing units for the quarter
b) ***Decrease in cost of sales of agricultural goods by 25% or P3.7M on a QTR and 37% or P12.2M decrease on a YTD*** – the due to the lower number of quantity sold at this quarter as compared to the quantity sold for same quarter last year
c) ***Increase in Water services by 23% or P632k on a QTR and 44% or P2.2M increase on a YTD***

25% or P15.5M decrease in General, Administrative and Selling Expenses on a QTR and 25% or P32.0M decrease on a YTD - due to the following net effect of:

a) ***31% or P7.8M decrease in Personnel expenses on a QTR and 27% or P12.2M decrease on a YTD*** – due to the reduction of personnel in this quarter of the current year
b) ***19% or P1.2M decrease in Marketing expenses on a QTR and 19% or P3.8M decrease on a YTD*** – includes commissions and incentives on lot sales which is directly related to the decrease real estate sales during the quarter and various advertising and promotional activities which decreased this quarter
c) ***32% or P2.7M decrease in Taxes and Licenses on a QTR and 40% or P6.6M decrease on a YTD –*** pertains to the decrease in business taxes
d) ***66% or P3.5M decrease in Outside Services on a QTR and 31% or P2.6M decrease on a YTD –*** pertains to the decrease in security services
e) ***77% or P1.8M increase in Depreciation and amortization on a QTR and 62% or P3.5M increase on a YTD*** – due to the net effect of additional recorded depreciation expense
f) ***19% or P620k decrease in Rental expense on a QTR and 46% or P3.0M decrease on a YTD***

g) ***173% or P4.7M decrease in Utilities and supplies on a QTR and 124% or P7.2M decrease on a YTD***

h) ***31% or P322k decrease in Repairs and maintenance on a QTR and 12% or P249k decrease on a YTD –*** due to the decrease in cost of repairs and maintenance during the quarter as against the second quarter of 2019

i) ***2% or P55k decrease in professional fees on a QTR and 20% or P1.1M decrease on a YTD*** – directly related to the various consultancy services incurred by the group

j) ***44% or P1.4M decrease in travel and transportation on a QTR and 17% or P903k decrease on a YTD*** – directly related to the various site visitation for mill, real estate projects and plantation operations and power group operations which were decreased this year's 2nd quarter

k) ***533% or P601k increase in board meeting expenses on a QTR and 368% or P561k increase on a YTD –*** due to the various materials and other expenses incurred last year relative to this year's 2nd quarter related to board meetings and annual reports

l) ***41% or P295k decrease in director fees on a QTR and 47% or P156k decrease on a YTD***

m) ***929% or P211k increase in insurance expense on a QTR and 13% or P53k increase on a YTD –*** includes increase payment in insurance of Company's properties

n) ***1,030% or P743k increase in others/miscellaneous expenses on a QTR and 96% or P6.3M decrease on a YTD –*** includes community relations expenses such as scholar's tuition and other humanitarian assistance

21% or P21.6M decrease in Equity in net gain of an associate on a QTR and 30% or P58.3M decrease 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 2nd quarter of 2020

P3.9M increase in Unrealized gain on EIFVPL on a QTR and 81% or P1.7M increase on a YTD – due to the change on the market value of equity investments on fair value through profit and loss.

76% or P1.6M increase in Gain on EIFVPL on a QTR and P513k increase on a YTD – due to the sale of equity investments during the period.

59% or P3.1M decrease in Other income on a QTR and 41% or P2.9M decrease on a YTD – due to the lower tapping fees, transfer fees, income from forfeited deposits.

100% or P6.4M decrease in gain on sale of property and equipment on a QTR and 103% or P6.6M decrease on a YTD transaction occurred in 2019

59% or P3.1M decrease in Other income on a QTR and 41% or P2.9M decrease on a YTD – due to the lower tapping fees, transfer fees, income from forfeited deposits.

177% or P29.5M decrease in Finance costs on a QTR and 26% or P10.5M decrease on a YTD – lower interest payment on bank loans this quarter of this year as compared from last year

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 06/30/2020	Unaudited 06/30/2019	Audited 12/31/2019
Current ratio[1]	2.40:1	2.18:1	2.45:1
Quick ratio[2]	0.73:1	0.55:1	0.76:1
Solvency ratio[3]	0.12:1	0.14:1	0.25:1
Total Debt to Equity ratio[4]	0.51:1	0.53:1	0.53:1
Asset to Equity ratio[5]	1.51:1	1.53:1	1.53:1
Interest coverage ratio[6]	11.38x	9.18x	10.45x
Return on Equity[7]	6.31%	7.84%	13.26%
Return on Assets[8]	4.15%	5.07%	8.56%
Net Profit Margin ratio[9]	68.32%	61.95%	48.14%

[1]*Current assets/Current liabilities*
[2]*Current assets less contract assets, inventories and prepayments/Current liabilities*
[3]*Net Income plus depreciation (YTD)/Total liabilities*
[4]*Total liabilities/Stockholders' equity*
[5]*Total assets/Stockholders' equity*
[6]*Earnings before income tax, interest, depreciation and amortization (YTD)/Total Interest Payment*
[7]*Net Income (YTD)/ Average Total stockholders' equity*
[8]*Net income (YTD)/Average Total assets*
[9]*Net income (YTD)/Total Revenue (YTD)*

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. No units were sold for the 2nd quarter of 2020 and 2nd quarter of 2019.

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 was only one (1) house and lot package recorded as sold this quarter of the year and one (1) house and lot for the same quarter of last year.

Xavierville Homes: It is an economic housing development project adjacent to the Xavier Estates. Phase 1 and 2 are 100% complete. No units were sold for the 2nd quarter of this year and 2nd quarter of last year.

Teakwood Hills: It is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This idyllic enclave has a breathtaking endless view of the mountains and the sea. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as swimming pool, billiards, darts and table tennis. Lot sizes start from a minimum cut of 250 sq. m., all with a 180-degree scenic view of the famous Macalajar bay and an elevation of 220 meters above sea level. Percentage-of-completion for Phase 1 is at 81% while Phase 2 is 100% complete. For this year's 2nd quarter, no lots were sold compared to three (3) lots for the same quarter last year.

St. Therese Subdivision: The subdivision is a 1.67-hectares socialized housing project located in Balulang, Cagayan de Oro that will provide 155 house and lots of which 91 units are row houses, 38 units are duplex, and 26 units are single attached. The project is 100% complete. There were no lots sold for this year's 2nd quarter and last year.

Valencia Estates: It is located in Barangay Lumbo, Valencia City, Bukidnon. The amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service. The project is 100% complete. Two (2) lots were sold for the 2nd quarter of 2020 while seven (7) lots for the 2nd quarter of 2019.

Coral Resort Estates: The project is considered as the first residential resort estates in Northern Mindanao. It is strategically located in Initao, Misamis Oriental with a total development area of 5.4 hectares. Phase 1-Cluster A and Cluster B of the project with development area of 2.5 hectares and 2.9 hectares, respectively are 100% complete. No lot was sold for this quarter of the year while there was one (1) for the same quarter of last year.

West Highlands is a residential estate beside a golf course community 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. Percentage-of-completion for Phase 1 is at 100% while Phase 2 is 96% complete on horizontal development and 46% for vertical development. There were two (2) lots sold for this quarter of the year compared to three (3) lots sold for the same quarter last year.

Mountain View Homes: This project has a development area of 2.3 hectares with 216 saleable house and lots with guard house and basketball court. **Mountain View Homes Phase 2** is a new venture into the socialized and economic housing which is adjacent to the original Mountain View Homes. It is accessible to churches, schools, malls and commercial establishment. The socialized housing project has row houses with lot area of 50sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq. m. and floor area of 36-38 sq. m. Percentage-of-completion for Phase 1 and Phase 2 is 100% complete. No sale was booked in the 2nd quarter of 2020 while seven (7) house and lot were sold for the 2nd quarter of 2019.

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 60-110 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. The horizontal development is 100% complete while the vertical development is at 89%. There were four (4) house and lots sold for the 2nd quarter of this year while six (6) house and lot for the same quarter last year.

New Projects in 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. The horizontal development is 80% complete while the vertical development is at 81%. No units were recorded as booked sale for this quarter last year.

Xavier Estates Phase 6 - 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. The horizontal development is 100% complete while the vertical development is at 93%. There were nine (9) house and lots sold for the 2nd quarter of this year while three (3) house and lot for the same quarter last year.

Xavier Estates 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 horizontal development is 100% complete while the vertical development is at 88%. Six (6) units were sold for this quarter this year while one (1) unit was sold for the same quarter last year.

The Terraces in Xavier Estates was launched last September 2018. This prime property is highlighted by prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 50 lots for sale. The horizontal development is 51% complete. No units were recorded as booked sale for this quarter this year and for the same quarter last year.

Oil Palm Plantation:

For the Quarter Ending June 30, 2020

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	185
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	-
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**185**

**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, 2019

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				-
Phase II				-
Phase III				-
Phase IV				-
Phase V				-
Impasug-ong	4.14	4.14	4.14	680
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	1,167
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**1,847**

**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, 2020:

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, 2019:

Location	Flowering	Vegetative
Kalabugao		
Phase I	100%;100%	0%;0%
Phase II	100%;100%	0%;0%
Phase III	100%;70%;100%	0%;30%;0%
Phase IV	20%;0%	80%;100%
Phase V	20%	80%
Impasug-ong	100%	0%
Opol		
Phase I a	100%	0%
Phase I b	100%	0%
Phase I c	100%	0%
Phase II a	100%	0%
Phase II b	100%	0%
Phase II c	100%	0%
Phase III a	100%	0%
Phase III b	80%	20%
Phase IV a	50%	50%
Phase V a	0%	100%
XE Plantation		
Phase I	100%	0%
Phase II	100%	0%

:

Palm Oil Mill

A total of 3,366 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed for the 2nd Quarter of 2020, compared to 2,729 metric tons in the same period of last year. This is an average of 1,122 metric tons of fresh fruit bunch processed per month as against 909.67 metric tons of the same period last year. The yield for the 2nd quarter of this year was 567.44 metric tons of crude palm oil with an average oil extraction rate of 16.86% as compared to 537.05 metric tons having an average extraction rate of 18.77% for the same period last year.

The kernels that were produced totaled to 7.35 metric tons as compared to 18 metric tons of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 2nd quarter of 2020, the refinery produced RBDO 129.45 metric tons compared to 182.37 metric tons of the same period last year.

In addition, only 3.4 metric tons of Palm Fatty Acid Distillate was produced in the 2nd quarter of this year as compared to 2.2 metric tons for the same period of last year. This by-product is generated during production of RBDO.

Fractionation Plant

The production of Palm Olein and Palm Stearin started in June 2015. Crude Palm Oil produced is further processed into Refined Bleached and Deodorized Oil, the raw material of Palm Olein and Palm Stearin. In the 2nd quarter of 2020, there were 67.33 metric tons of Palm Olein compared to 126.46 metric tons for the same period last year and 36.65 metric tons of Palm Stearin compared to 35.64 metric tons for the 2nd quarter of last year that were produced. The quantity sold during the 2nd quarter was 39.96 metric tons of Palm Olein compared to 703.02 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 2 x 135-megawatt coal-fired power plant in Concepcion, Iloilo.

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

The power plant project is located in Concepcion, Iloilo. It is a base load plant that uses Circulating Fluidized Bed Combustion (CFBC) technology that is highly efficient and low-pollution. The first 135MW unit was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power to the growing businesses and economic development in the islands of Panay, Negros, Cebu and even Leyte.

PCPC started construction of the first 135MW in 2013 and was able to complete the project after 37 months and 22 days. Its commercial operations commenced on August 16, 2016. Ten (10) electric cooperatives have signed up offtake agreements with PCPC's first

135MW unit for their base load power capacity requirements. The project site is designed to operate and support two units of 135MW.

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

At present, PCPC still takes pride in its environmental performance in which its emission levels are way below the standards set by DENR. On the average, as per YTD, Sulphur Oxides (SOx) is at 383.16mg/Nm3 compared to the standard value of 700mg/Nm3; nitrogen oxides (NOx) is at 191.60mg/Nm3 versus the limit of 1000mg/Nm3; carbon oxide (CO) is 11.39mg/Nm3 versus the DENR set value at 150mg/Nm3; while the particulate matter is at 0.77mg/Nm3 compared to the 150mg/Nm3 standards.

PCPC Power Plant's Gross Generation for the period (January-October 2019 YTD) is at 705,749MWh against the target of 653,388MWh.

Bunker-Fired Power Project

Peakpower Energy Inc. (PEI) – 20% owned by ABCI

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

Peakpower Soccsargen Inc. (PSI) – 100% owned by PEI

Peakpower Soccsargen Inc. (PSI) is a 34.8MW diesel/bunker-fired power plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (Socoteco 2).

The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (COC) for PSI's first 20.9MW (3 units of 6.97MW) capacity last December 1, 2014. Commercial operations started on January 27, 2015.

The 13.9MW (2 units of 6.97MW) Power Plant expansion declared commercial operations last September 12, 2017. ERC granted the COC of the expansion on February 20, 2018.

Socoteco 2 is the largest distribution utility in Mindanao and its franchise area includes General Santos City, the municipalities of Glan, Malapatan, Alabel, Malungon, Kiamba, Maasim and Maitum in Saranggani and the municipalities of Polomolok and Tupi in South Cotabato.

Peakpower San Francisco Inc. (PSFI) – 100% owned by PEI

Peakpower San Francisco Inc. (PSFI) is a 10.4MW diesel/bunker-fired power plant located in San Francisco, Agusan del Sur. It has a 15-year BOMT agreement with the Agusan del Sur Electric Cooperative Inc. (ASELCO).

ERC issued the Certificate of Compliance (COC) for the first 5.2MW capacity on March 23, 2015. Commercial operations started on January 26, 2018.

The 5.2MW power plant expansion was granted its Provisional Certificate of Compliance on September 27, 2017, which was extended on February 20, 2018. The expansion plant started commercial operations on January 26, 2018.

Aselco's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City.

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

Peakpower Bukidnon Inc. (PBI) is a 10.4MW diesel/bunker-fired power plant located in Barangay Alae, Manolo Fortich, Bukidnon. It has a 15-year BOMT agreement with the Bukidnon Second Electric Cooperative Inc. (Buseco).

ERC issued a Provisional Certificate of Compliance for the 10.4MW (2 units of 5.2MW) on November 21, 2017, which was extended on February 20, 2018. PBI commenced commercial operation on March 26, 2018.

Buseco's franchise area includes the municipalities of Libona, Manolo Fortich, Sumilao, Baungon, Malitbog, Talakag, Impasug-ong, Malaybalay, Lantapan and Cabanglasan, all in the Province of Bukidnon.

Outlook for the Year and Onwards

Real Estate Business:

Recent information on the property sector posts significant highs in demand and supply this year despite the challenges from increasing interest rates and inflation.

Reports say that rising interest rates could dampen low to mid-income residential demand over the next 12 to 24 months. Apart from the rising interest rates, inflation became a challenge for the property sector since it curtails consumer spending.

There are also issues on construction delays due to shortage of skilled workers and the increasing cost of construction supplies.

Despite this, A Brown Company Inc. is robust in its outlook for the real estate sector particularly in Cagayan de Oro and Butuan Cities.

First off, Mangoville, the socialized housing located in Barangay Agusan, Cagayan de Oro City which was sold out in 5 hours on launching date is well on its way to completing the construction of houses by year-end.

With the introduction of a new model house with bigger floor area, stretched pricing scheme and attractive incentive packages for brokers, reservation sales for Xavier Estates Phase 5B Ventura Residences and Xavier Estates Phase 6 Ignatius Enclave house and lot units were posted at 96% and 100% by the third quarter 2019.

Seventy-five per cent (75%) of the current profile of buyers are local businessmen, professionals, and officers of private corporations while 25% are Overseas Filipino Workers particularly nurses, seafarers and engineers with families residing in Cagayan de Oro City.

West Highlands in Butuan City, the property located inside a golf course community, have steadily increased sales for the quarter with fairway lots as the choice area.

COVID-19 Global Health Crisis

However, health crisis that became pandemic will certainly have tremendous impact on the economy.

After the spread of COVID-19 led to the lockdown of the entire island of Luzon, which accounts for 73 percent of the country's GDP, economic managers were not so optimistic. The Asian Development Bank said Philippine GDP could expand by 2 percent this year. Former Socioeconomic Planning Secretary Ernesto Pernia meanwhile said that depending on how long the crisis would last, GDP could contract by 0.6 percent or grow by 4.3 percent. Finance Secretary Carlos Dominguez said GDP could shrink 1 percent this year, or post zero growth.

Impact on Real Estate Sales
Possible drop in sales due to reduced foot traffic and the inability of clients to personally visit its project sites and perform ocular inspections. We see a potential impact also on lower sales from clients living overseas.

To mitigate, sales shall be sourced from mostly local buyers and investors. There remains to be a strong local demand for our real estate products in Mindanao. The Company plans to intensify online marketing through brokers and agents and encourage clients to do transactions online.

Supply Chain Risks
There is a potential risk of shortage of construction materials and supplies because of supply issues from sources in COVID-19 affected countries. Shortage of imported construction materials might lead to an increase in development costs.

To mitigate the impact of potential shortages, we have implemented contingency strategies such as increased inventory and advanced procurement of construction materials.

With the recommended social distancing and adoption of flexible work arrangements, our personnel and brokers' efficiency in handling administrative work (e.g. processing of sale documents; processing of government permits and license; etc.) may be impaired.

We have also instituted increased health awareness in all our offices and project sites. Constant disinfecting and sanitation of the offices and model houses in the all project sites is done. Constant hand-washing is promoted and health and temperature monitoring is conducted with the use of thermal scanners.

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 second quarter of 2020, 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.

PROSPECTS OF POWER GENERATION:

Vision
The "Build, Build, Build" program of the Duterte administration serves as a guide of the Department of Energy (DOE) in its programs for 2020. This program emphasizes the crucial role of energy, particularly building sufficient capacity, as the key to sustaining the country's economic growth.

At present, the country is still on its quest to obtain energy security and equity, considering the affordability and access of electric supply. However, the Philippine Power System remained generally stable and that the DOE will ensure the sustainable implementation of the rules and laws for the security of our energy supply through competition, access to bilateral markets, anti-monopoly measures, least-cost power, and the protection of the environment.

Demand and Forecast
Increase in energy demand are expected from the distinct growth in the industrial, commercial, and domestic sectors of the country. In addition, electrification continues—households in areas such as parts of Mindanao and Mindoro, which are not fully grid-connected, are likely to gain better access to electricity supply in the coming years with the target to reach 100% electrification across the Philippines by 2022.

By 2040, the country's electricity demand is projected to grow by about 5% annually. And to meet this demand including reserve requirements, a total of 43,765 MW additional capacities must come online.

Peak electricity demand is predicted at 12,285 megawatts (MW) for Luzon; 2,519 MW for Visayas and 2,278 MW for Mindanao, for 2020, according to DOE.

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

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

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

DOE also called for the full cooperation of all industry stakeholders in monitoring and responding to the power demand-supply situations, they also encourage consumers to practice energy efficiency and conservation measures.

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

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

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

Meanwhile, the Philippines scored 4.2 out of 7 in terms of sufficiency and reliability of power supply, as showed in a World Economic Forum report, and still showing great probability of improvement in the energy industry. Strong coordination among energy stakeholders, coupled with the additional power generation capacities, are paving way in responding to the challenges of the industry.

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

Plan of Action

Coal-Fired Power Project:

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

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

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

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

The power plant takes pride with the capability of its CFBC Technology and the sound environmental measures being practiced in the power plant as it maintained its excellent emission performance vis-a-vis the DENR standards.

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

Bunker-Fired Power Project:

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

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

Expansion of these two plants are also completed and has already declared their commercial operations last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. (PBI) which is a 2 x 5.2MW peaking plant and embedded to Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations on March 2018, and was inaugurated a year after.

Recently, PEI officially appointed Wartsila Philippines Inc., a leading supplier of power solutions in the country, to operate the mobilization and maintain the facilities of PEI’s three diesel power plants in Mindanao. On October 11, 2019, PEI and Wartsila Philippines Inc. signed an operations and maintenance contract agreement for all its three power plants.

Hydro Power Project:

Hydro Link Projects Corporation (HLPC) - 100% owned by ABCI

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

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

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

The project covers a drainage area of about 161 sq. km. measured at the proposed dam site. The result of the feasibility study shows that it would necessitate to build a diversion dam with a height of about 42 meters to attain the projected capacity and energy. The water will be diverted to a powerhouse located about four (4) kms downstream via a 4.4-

km length of associated headrace and 140-m penstock. The powerhouse will be equipped with two (2) units of 8.15MW (2 x 8.15MW) of Francis Turbine for a total of installed capacity of 16.3MW with an estimated annual energy generation of about 78.9 GWh.

The output of the power station is proposed to be connected to the nearest sub-station of the Surigao del Sur Electric Cooperative II (SURSECO II), located in Madrid Sub-station. Currently SURSECO II has a peak demand of about 13MW and can accommodate the output of the proposed hydropower plant. 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 upon the issuance of the COC. This includes Environmental Study, Endorsement from NCIP for FPIC, Endorsement and Resolution of Support from LGUs, and Public Consultation. The acquisition of the above approvals is the requirement of DOE in order for the Project to advance to the next phase of project implementation which is the development/commercial stage. Afterwards, the project is ready for construction.

Bulk Water Project

AB Bulk Water Company, Inc. (ABWCI) - 100% owned by ABCI

AB Bulk Water Company, Inc. (ABWCI) was incorporated on March 31, 2015 to engage in the business of holding and providing rights to water, to public utilities and cooperatives or in water distribution in the Municipality of Opol or to engage in business activities related to water development.

ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project which will tap the water resources of Lumayagan River aims to supply about 15 to 20 million liters per day (MLD) of potable water, with potential expansion up to 25 MLD, to cater the present and future requirements of the municipality. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on the study, these are potential growth areas.

The detailed engineering design of the Project has been completed confirming the technical viability of the project as defined during the pre-feasibility study. The Water Permit has already been granted by the National Water Resources Board (NWRB) in which the board approved the applied quantity required for the project. Likewise, the Environmental

Compliance Certificate (ECC) has been secured from the Department of Environment and Natural Resources (DENR). The Watershed Management Study was also completed with the involvement of different LGU sectors and stakeholders. The project was submitted to the local government of Opol for their evaluation and consideration. Groundbreaking ceremony was held in April 2016.

East West Railway Project:

Blaze Capital Limited – 100% owned by ABCI

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

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

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

Currently, the project is under evaluation by the National Economic and Development Authority (NEDA).

Natural Gas Project:

Vires Energy Corporation – 99.995% owned by ABCI

As disclosed on June 18, 2020, A Brown Company, Inc. is acquiring 99.995% of the outstanding capital of Vires Energy Corporation (VEC) owned by Argo Group Pte. Ltd. of Singapore at a total price of Php 50,200,000.

VEC was incorporated in 2015 and is the proponent for the Integrated Floating LNG Storage and Regasification Terminal and the 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. VEC has already secured the Environmental Compliance Certificate (ECC) for the project and has also registered the project with the Board of Investments to avail of incentives.

Natural gas supply from Malampaya is expected to decline and reach its economic production threshold by the Mid-2020s. VEC will build the necessary infrastructure to allow the importation of liquefied natural gas (LNG) as early as 2022.

The project will have a Floating Storage and Regasification Unit (FSRU) Terminal in Batangas Bay, Philippines and will deliver natural gas through a pipeline to supply existing and new natural gas-fired power plants.

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 annual average headline inflation of the country for the year 2019 slowed down to 2.5% from 5.2 % in 2018 was within the government's 2 to 4 percent target band and way lower than the 2.9% of 2017 (using the 2012-base price). The 2018 rate was also the highest since 2008's 8.2 percent year-on-year increase in prices, making it a 10-year high, Philippine Statistics Authority (PSA) data showed.

The Development Budget and Coordination Committee (DBCC), an inter-agency economic planning body together with the BSP sets to keep the current inflation target at 3.0 percent ± 1.0 percentage point for 2020 – 2022. The 3.0 percent ± 1.0 percentage point inflation target for 2020 – 2022 continues to be an appropriate quantitative representation of the BSP's medium-term price stability goal that is conducive to the balanced and sustainable growth of the Philippine economy.

With government's thrust on "Build Build Build" Program, it continues to exert all efforts to bring inflation within the government's target range of 2 to 4 percent and ensure price stability all year round. The rate of price increases has to be manageable to give the country adequate elbow room to sustain its economic growth and reach its development goals. While faster inflation will affect many disadvantaged sectors, the government has to take swift and decisive measures to tame inflation. Given the signs of easing price pressures, the government needs to continually vigilant of possible risks.

Government agencies as well are asked to fast-track the implementation of the mitigating measures scheduled to fast under the Tax Reform for Acceleration and Inclusion law, particularly unconditional cash transfer and fuel vouchers. This could fend off possible second-round effects which may arise from further demand for wage and fare increases. Other private group has raised concern about the government's insistence on the implementation of additional fuel excise taxes under the second tranche of the TRAIN law which will only add inflationary pressure. It has said that government should not be too quick to take credit for the lower year-end inflation adding that the biggest factor easing inflation is rather the falling global oil prices. The private group added that the citizens will continue to be burdened by high prices of basic commodities if the government does not take genuine measures to curb inflation and arrest a faltering economy.

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

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

In early 2020, the Philippine Statistics Authority said that the government missed its growth target in 2019 which settled at 5.9% with a target of between 6% to 6.5%. Months later, it revised its GDP growth rate at 6% using on its calculations 2018 as the base year instead of 2000. Despite the revision, the growth posted last year was still the lowest in 8 years. For the whole year of 2019, services posted growth of 7.1%, while industry and agriculture registered growth rates of 4.9% and 1.5%, respectively. Meanwhile, per capita GDP for 2019 stood at 4.6%. Growth was much slower than expected during the first half of the year due to the delayed passage of the 2019 budget over alleged pork barrel or illegal funds. The reenactment of the budget meant government underspending of over P1 billion per day for 4 months and stalled infrastructure projects.

The implementation of the "Build, Build, Build" infrastructure program and the focus on improving the performance of services exports would boost economic growth in 2020 targeting to hit 6.5% to 7.5% until 2022. Under the ambitious "Build, Build, Build," the government plans to roll out 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." With the government's political will, it has been able to institute policy reforms like liberalizing some areas from farm restriction.

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.

Jumpstarting the Economy from the Impact of COVID-19

The government's flagship "Build, Build, Build" infrastructure project will help "jumpstart" the economy from the impact of the coronavirus disease 2019 (Covid-19) crisis. However, the government has yet to determine which infrastructure projects already appropriated under Build, Build, Build would be discontinued to prioritize the government response to Covid-19.

Although the Bayanihan to Heal as One Act (Republic Act 11469) has provision that allows the "direct discontinuance" of appropriated programs, projects or activities of any agency of the Executive Department in the 2019 and 2020 national budget to use savings to augment Covid-19 response allocation, the government is still trying to determine other sources of funds to augment the current PHP275-billion budget for Covid-19 response. The government needs more funds for relief efforts as the country continues to deal with the Covid-19 pandemic.

The Build, Build, Build program, which has helped generate thousands of jobs, would also be crucial in helping the economy recover. Under the Build, Build, Build program, the government has improved the country's key infrastructures -- bridges, roads, railways, urban mass transport, railways, airports, seaports, and new and better cities. The Department of Public Works and Highways (DPWH) was able to construct and rehabilitate about 9,845 km. of roads, 2,709 bridges, 4,536 flood mitigation structures, and 71,803 classrooms. The program also generated 4,199,288 jobs and helped reduce the unemployment rate to 4.5 percent, the lowest rate since 2005.

Source: NEDA Reports, Various News Articles

Impact on Real Estate Sales
Possible drop in sales due to reduced foot traffic and the inability of clients to personally visit its project sites and perform ocular inspections. We see a potential impact also on lower sales from clients living overseas.

To mitigate, sales shall be sourced from mostly local buyers and investors. There remains to be a strong local demand for our real estate products in Mindanao. The Company plans to intensify online marketing through brokers and agents and encourage clients to do transactions online.

Supply Chain Risks
There is a potential risk of shortage of construction materials and supplies because of supply issues from sources in COVID-19 affected countries. Shortage of imported construction materials might lead to an increase in development costs.

To mitigate the impact of potential shortages, we have implemented contingency strategies such as increased inventory and advanced procurement of construction materials.

With the recommended social distancing and adoption of flexible work arrangements, our personnel and brokers' efficiency in handling administrative work (e.g. processing of sale documents; processing of government permits and license; etc.) may be impaired.

We have also instituted increased health awareness in all our offices and project sites. Constant disinfecting and sanitation of the offices and model houses in the all project sites is done. Constant hand-washing is promoted and health and temperature monitoring is conducted with the use of thermal scanners.

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

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

Material Event/s and Uncertainties:

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

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

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

SIGNATURES:

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

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

ROBERTINO E. PIZARRO
President & Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

SEC Form 17-Q (2nd Quarter Report)
Date: June 30, 2020

Signed on: August 7, 2020

EXHIBIT 1

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	**₱108,045,932**	₱74,999,881
Receivables (Note 5)	**870,388,241**	746,447,264
Contract assets (Notes 14 and 26)	**128,936,113**	128,936,113
Receivables from related parties (Note 15)	**114,385,359**	114,385,359
Real estate inventories (Note 6)	**1,772,292,107**	1,580,964,264
Inventories (Note 7)	**101,636,378**	154,605,096
Equity instruments at fair value through profit or loss (EIFVPL) (Note 9)	**16,598,698**	63,484,441
Other current assets (Note 8)	**521,840,317**	349,774,970
Total Current Assets	**3,634,123,146**	3,213,597,388
Noncurrent Assets		
Receivables - net of current portion (Note 5)	**144,498,287**	146,248,831
Contract assets - net of current portion (Notes 14 and 26)	**6,294,565**	6,294,565
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9)	**170,063,197**	167,561,453
Investments in associates (Note 10)	**1,569,677,141**	1,430,401,980
Investment properties (Note 11)	**97,133,941**	97,133,941
Property, plant and equipment (Note 12)	**877,274,275**	880,355,966
Deferred tax assets (Note 20)	**18,456,511**	13,013,537
Other noncurrent assets (Note 8)	**141,713,335**	140,857,610
Total Noncurrent Assets	**3,025,111,251**	2,881,867,883
TOTAL ASSETS	**6,659,234,397**	6,095,465,271

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**624,341,885**	582,695,156
Short-term debt (Note 16)	**486,305,200**	378,100,000
Current portion of long-term debt (Note 16)	**193,968,923**	212,402,746
Contract liabilities (Notes 14 and 26)	**212,621,049**	139,504,435
Total Current Liabilities	**1,517,237,057**	1,312,702,337
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**507,920,693**	609,287,221
Retirement benefit obligation	**51,773,793**	46,378,752
Deferred tax liabilities - net (Note 19)	**163,690,590**	150,611,365
Total Noncurrent Liabilities	**723,385,077**	806,277,338
Total Liabilities	**₱2,240,622,134**	₱2,118,979,675

(Forward)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 17)	**₱2,477,668,925**	2,477,668,925
Additional paid-in capital (Note 17)	**637,968,859**	637,968,859
Retained earnings (Note 17)	**1,576,021,025**	1,143,092,830
Fair value reserve of EIFVOCI (Note 9)	**(264,007,596)**	(266,509,340)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	**(20,084,934)**	(20,084,934)
Cumulative translation adjustment	**5,944,973**	1,006,585
	4,413,511,253	3,973,142,925
Noncontrolling Interests (Note 17)	**5,101,010**	3,342,671
Total Equity	**4,418,612,263**	3,976,485,596
TOTAL LIABILITIES AND EQUITY	**₱6,659,234,397**	6,095,465,271

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ending June 30		Year-To-Date Ended June 30	
	2020 (Unaudited)	2019 (Unaudited)	**6/30/2020 (Unaudited)**	6/30/2019 (Unaudited)
REVENUES				
Real estate sales (Note 26)	**₱127,977,954**	₱114,768,089	**₱353,757,919**	₱414,624,122
Sale of agricultural goods (Note 26)	**11,434,654**	17,928,493	**22,052,456**	42,413,941
Water service (Note 26)	**5,749,308**	5,714,093	**11,789,461**	11,079,804
	145,161,916	**138,410,675**	**387,599,837**	**468,117,867**
COST AND EXPENSES				
Cost of real estate sold (Note 6)	**35,884,080**	46,953,890	**82,587,322**	152,129,317
Cost of agricultural goods sold (Note 7)	**10,839,437**	14,503,383	**20,407,107**	32,589,042
Cost of water service income	**3,327,615**	2,695,377	**7,016,145**	4,856,574
	50,051,133	64,152,650	**110,010,574**	189,574,933
GROSS PROFIT	**95,110,783**	74,258,025	**277,589,263**	278,542,934
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**46,151,987**	61,647,349	**97,531,687**	129,572,810
OTHER INCOME (EXPENSES)				
Share in net income of associates (Note 10)	**81,532,703**	103,146,618	**139,275,161**	197,565,139
Unrealized gain (loss) on EIFVPL (Note 9)	**3,860,162**		**3,860,162**	2,130,970
Gain (loss) on sale of EIFVPL (Note 9)	**512,585**	2,130,970	**512,585**	
Interest expense (Note 16)	**(12,852,009)**	16,632,736	**(29,608,296)**	(40,072,793)
Impairment loss (Notes 8 and 12)	**-**			
Gain on sale of Property Plant & Equipment	**-**	6,368,146	**(184,474)**	6,368,146
Unrealized foreign exchange gain (loss)	**-**			1,181
Other income	**2,155,186**	5,269,005	**4,191,824**	7,128,826
	75,208,628	133,547,474	**118,046,961**	173,121,469
INCOME BEFORE INCOME TAX	**124,167,423**	146,158,151	**298,104,537**	322,091,593
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)				
Current	**552,276**	37,360,028	**27,727,581**	32,134,811
Deferred	**1,935,390**	(13,260)	**5,582,684**	(57,731)
	2,487,666	37,346,768	**33,310,265**	32,077,080
NET INCOME	**₱121,679,758**	₱108,811,382	**₱264,794,272**	₱290,014,514
Remeasurement (gain) loss on fair value of EIFVOCI - net of tax	**2,501,744**		**2,501,744**	
Remeasurement loss on retirement fund payable - net of tax				
OTHER COMPREHENSIVE GAIN	**2,501,744**	**-**	**2,501,744**	**-**
TOTAL COMPREHENSIVE INCOME	**₱124,181,502**	**₱108,811,382**	**₱267,296,016**	**₱290,014,514**
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱121,679,941**	₱108,802,008	**₱264,799,753**	₱290,034,453
Non-controlling interests	**(184)**	9,374	**(5,481)**	(19,940)
	₱121,679,758	₱108,811,382	**₱264,794,272**	₱290,014,514
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱124,181,686**	₱108,802,008	**₱267,301,497**	₱290,034,453
Non-controlling interests	**(184)**	9,374	**(5,481)**	(19,940)
	₱124,181,502	₱108,811,382	**₱267,296,016**	₱290,014,514
BASIC AND DILUTED EARNINGS PER SHARE				
Attributable to:				
Equity holders of the Parent Company	**0.049**	**0.044**	**0.107**	**0.117**

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2020 AND DECEMBER 31, 2019

	Total Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	**Additional Paid-in Capital**	**Retained Earnings**	**Fair Value Reserve of EIFVOCI**	**Stock Dividend Distributable**	**Remeasurement Loss on Retirement Obligation**	**Cumulative Translation Adjustment**	**Total**	**Noncontrolling Interests**	**Total**
At January 1, 2020	**₱2,477,668,925**	**₱637,968,859**	**₱1,143,092,830**	**-₱266,509,340**	**₱0**	**-₱20,084,934**	**-₱3,104,652**	**₱3,969,031,688**	**₱3,495,179**	**₱3,972,526,867**
Net income	-	-	**267,296,016**	-	-	-	-	**267,296,016**	**1,605,831**	**268,901,847**
Adjustment			**119,938,290**					**119,938,290**		**119,938,290**
Other comprehensive income (loss)	-	-	-	**2,501,744**	-	**-**	**9,049,625**	**11,551,369**	-	**11,551,369**
Total comprehensive income	-	-	**387,234,307**	**2,501,744**	**-**	**-**	**9,049,625**	**398,785,676**	**1,605,831**	**400,391,507**
At June 30, 2020	**2,477,668,925**	**637,968,859**	**1,530,327,137**	**(264,007,596)**	**-**	**(20,084,934)**	**5,944,973**	**4,367,817,364**	**5,101,010**	**4,372,918,374**
						-	(11,889,947)			
At January 1, 2019	2,477,668,925	637,968,859	648,147,097	(265,423,108)	-	(10,036,442)	(3,104,652)	3,485,220,679	3,495,179	3,488,715,858
Net income	-	-	494,945,733	-	-	-	-	494,945,733	(152,508)	494,793,225
Other comprehensive income (loss)	-	-	-	(1,086,232)	-	(10,048,492)	4,111,237	(7,023,487)	-	(7,023,487)
Total comprehensive income	-	-	494,945,733	(1,086,232)	-	(10,048,492)	4,111,237	487,922,246	(152,508)	487,769,738
At December 31, 2019	₱2,477,668,925	₱637,968,859	₱1,143,092,830	-₱266,509,340	₱0	-₱20,084,934	₱1,006,585	₱3,973,142,925	₱3,342,671	₱3,976,485,596

	Total Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	**Additional Paid-in Capital**	**Retained Earnings**	**Fair Value Reserve of EIFVOCI**	**Other Equity Matters**	**Remeasurement Loss on Retirement Obligation**	**Cumulative Translation Adjustment**	**Total**	**Noncontrolling Interests**	**Total**
At January 1, 2019	**₱2,477,668,925**	**₱637,968,859**	**₱648,147,097**	**-₱265,423,108**		**-₱10,036,442**	**-₱3,104,652**	**₱3,485,220,679**	**₱3,495,179**	**₱3,488,715,858**
Net income	-	-	**290,014,514**	-	-	-	-	**290,014,514**	**1,605,831**	**291,620,345**
Adjustment					119,810,804		6,891,427	**126,702,231**		**126,702,231**
Other comprehensive income (loss)	-	-	-	**-**	-			**-**		**-**
Total comprehensive income	-	-	**290,014,514**	**-**	**119,810,804**	**-**	**6,891,427**	**416,716,745**	**1,605,831**	**418,322,576**
At June 30, 2019	**2,477,668,925**	**637,968,859**	**938,161,611**	**(265,423,108)**	**119,810,804**	**(10,036,442)**	**3,786,775**	**3,901,937,424**	**5,101,010**	**3,907,038,434**

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Quarter Ending June 30		Year-To-Date ending June 30	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax and non-controlling inte	**₱124,167,423**	**₱146,158,151**	**₱298,104,537**	**₱322,091,593**
Adjustments for:				
Gain on sale of available for sale investment		(44,760,667)		(2,130,970)
Gain on sale of Property and equipment		(6,368,146)		(6,368,146)
Equity in net profit of an associate	**-**	(103,146,619)	**(57,742,458)**	(197,565,139)
Finance costs	**12,852,009**	16,632,736	**29,608,296**	40,078,387
Depreciation and amortization	**4,236,425**	2,038,680	**9,092,683**	6,806,858
Financial income	**-**	(1,609,892)		(2,967,327)
Cumulative foreign translation	**(4,609,086)**	686,341	**(5,944,973)**	(4,320,388)
Unrealized foreign exchange loss		(1,181)		(1,181)
Amortization of leasehold rights		33,932	**33,932**	67,864
Operating income before working capital changes	**136,646,772**	9,663,337	**273,152,017**	155,691,551
Decrease (increase) in:				
Accounts receivable	**118,781,633**	(146,023,806)	**122,190,433**	(149,910,428)
Inventories	**74,189,960**	(9,744,489)	**47,036,382**	(16,881,079)
Prepayments and other current assets	**-**	(128,524,348)	**15,490,136**	(76,734,709)
Real estate held for sale	**(208,087,746)**	36,039,846	**(191,327,843)**	(8,727,916)
Increase (decrease) in:				
Accounts payable and accrued expenses		239,742,705	**(90,782,823)**	144,277,970
Deposit from customers		33,004,363	**11,587,138**	35,710,652
Cash provided by operations	**121,530,619**	34,157,608	**187,345,439**	83,426,041
Interest received	**16,160**	1,452,005	**34,798**	1,455,363
Income tax paid		6,097,018		25,152,903
Net cash provided by operating activities	**₱121,546,779**	₱41,706,631	**₱187,380,236**	₱110,034,306
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Dividends Receivable	**-**		**₱133,500,000**	
Additions (deductions) to:				
Property and equipment	**4,654,903**	16,563,017	**(6,062,399)**	13,529,965
Refundable deposits	**35,561,312**	17,803,075	**35,561,312**	27,162,896
Investment Properties	**-**	(15,537,229)	**(82,831,000)**	(15,537,229)
Land and improvements	**-**			
Payments received from a related party	**-**			
Proceeds from sale of Available for Sale Invesmer	**-**	28,671,584		10,467,970
Advances made to related parties	**(33,735,330)**	79,944,489		61,740,875
Proceeds from sale of property and equipment	**-**	74,821		74,821
Net cash provided by (used in) investing activities	**6,480,885**	127,519,758	**80,167,913**	97,439,299
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt	**(92,712,316)**	(198,592,827)	**(204,893,802)**	(198,592,827)
Short-term debt		(5,291,200)		(5,291,200)
Proceeds from:				
Short-term debt				
Long-term debt		81,518,300		81,518,300
Finance costs paid	**(12,852,009)**	(16,632,736)	**(29,608,296)**	(40,078,387)
Net cash used in financing activities	**(105,564,325)**	(138,998,463)	**(234,502,098)**	(162,444,114)
EFFECT OF EXCHANGE RATE TRANSLATION GAIN/LOSS		4,320,388		4,320,388
NET INCREASE IN CASH	**22,463,339**	34,548,314	**33,046,051**	49,349,879
CASH AT BEGINNING OF YEAR	**85,582,593**	90,531,597	**74,999,881**	75,730,032
CASH AT END OF PERIOD/YEAR	**₱108,045,932**	₱125,079,910	**₱108,045,932**	₱125,079,911

See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On December 28, 2012, upon amendment of Article IV of the Articles of Incorporation, approved among others that "That the term for which the Parent Company is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on December 20, 2016".

The Parent Company is engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Cainta, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

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

The Subsidiaries
The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The following are the subsidiaries of the Parent Company:

A Brown Energy and Resources Development, Inc. (ABERDI)
ABERDI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.

Palm Thermal Consolidated Holdings, Corp. (PTCHC)
PTCHC is a 100% owned subsidiary of the Parent Company registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of

its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

Blaze Capital Limited (BCL)
BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company in August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges.

Hydro Link Projects Corp. (HLPC)
HLPC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. The Company's primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment.

AB Bulk Water Company, Inc. (ABBWCI)
ABBWCI is a 100% owned subsidiary of the Parent Company registered with the SEC on March 31, 2015. The Company was organized primarily 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 and related activities.

Masinloc Consolidated Power, Inc. (MCPI)
MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. The Company was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. The Company is registered under the Foreign Investments Act of 1991 on July 6, 2007.

Simple Homes Development, Inc. (SHDI)
SHDI is a 100% owned subsidiary of the Parent Company registered with the SEC on February 26, 1997. The Company was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities.

Nakeen Corporation (NC)
NC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company's primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

Bonsai Agri Corporation (BAC)
BAC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle,

both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets.

2. Summary of Significant Accounting Policies

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

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

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for the following implementation issues of PFRS 15 affecting the real estate industry:

a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Adoption of PIC Q&A No. 2018-14: PFRS 15 – *Accounting for Cancellation of Real Estate Sales*
d. Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2020 and December 31, 2019.
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Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

	Effective Percentage of Ownership (%)	
	2020	2019
A Brown Energy and Resource Development Inc. (ABERDI)	**100**	100
Nakeen Corporation (NC)	**100**	100
Bonsai Agri Corporation (BAC)*	**100**	100
Palm Thermal Consolidated Holdings Corp. (PTCHC)	**100**	100
Hydro Link Projects Corp. (HLPC)*	**100**	100
AB Bulk Water Company, Inc. (ABWCI)*	**100**	100

	Effective Percentage of Ownership (%)	
	2020	2019
BCL*	**100**	100
Simple Homes Development, Inc. (SHDI)*	**100**	100
Masinloc Consolidated Power, Inc. (MCPI)**	**49**	49

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

Noncontrolling Interests
Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

As at June 30, 2020 and December 31, 2019, percentage of noncontrolling interests pertaining to MCPI amounted to 51%. The voting rights held by the noncontrolling interests are in proportion of their ownership interest.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Group recognized right-of-use asset based on its carrying amount as if PFRS 16 had always been applied while the lease liability is recognized at date of adoption, January 1, 2019.

The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

On August 2006, the Group entered into Development Contracts (DCs) with *Kapunungan Sa Mga Mag-uuma sa Kaanibungan* (KASAMAKA) and *Kahugpongan sa mga Mag-Uuma sa Barangay Tingalan* (KMBT) identified as contracts containing leases scoped in under PFRS 16. The contracts provide the Group for the rights to use the parcels of land from various landowners for the establishment of palm oil plantations. The Group paid advance rentals for the rights to use parcels of land and there are no future lease payments related to these lease contracts.

The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	Increase (Decrease)
Assets	
Property, plant and equipment:	
Right-of-use asset	₱30,535,735
Other noncurrent assets	
Prepaid land rights	(30,535,735)

Based on the above, as at January 1, 2019:

- Property, plant and equipment was recognized amounting to ₱30.5 million representing the amount of right-of-use assets set up on transition date.
- Prepaid land rights under “Other noncurrent assets” of ₱30.5 million were derecognized.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have a significant impact on the consolidated financial statements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

These amendments are not expected to have any impact on the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

The amendments had no impact on the Group's consolidated financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*
  - Amendments to PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments*
    Classified as Equity

  These amendments are not expected to have any impact on the Group.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  This standard is not expected to have any impact on the Group.

Deferred effectivity

- Deferment of Application of the Provisions of the PIC Q&A No. 2018-12 for the Real Estate Industry

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

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

The Memorandum also provided the mandatory disclosure requirements should the real estate company decided to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A
- Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

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

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

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

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2019 as well as a decrease in the revenue from real estate sales in 2019. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (CTS) would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate (EIR) method and this would have impacted retained earnings as at January 1, 2019 and the revenue from real estate sales in 2019. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2019 and gain from repossession in 2019. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

- Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020 providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These 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 current/noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Fair Value Measurement

The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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 consolidated 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 consolidated financial statements on a recurring basis, the Group determines whether or not 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 asset or liability and the level of the fair value hierarchy as explained above.

<u>Cash</u>
Cash includes cash on hand and in banks.

<u>Financial Instruments - Initial recognition and subsequent measurement effective January 1, 2018</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Business model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement
The Group subsequently classifies its financial assets into the following measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the consolidated statements of comprehensive income.

The Group's financial assets at amortized cost include cash, receivables, receivables from related parties and refundable deposits included under "Other assets" in the consolidated statements of financial position (see Notes 4, 5, 8 and 15).

Financial assets at FVOCI (debt instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the consolidated statements of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at June 30, 2020 and December 31, 2019, the Group's does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combination* applies. The classification is determined on an instrument-by-instrument basis.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss. Dividends are recognized in the consolidated statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company includes equity instruments not HFT in this category. The Group made irrevocable election to present in OCI subsequent changes in the fair value of all the Group's investments in golf shares and unlisted shares of stock.

Financial assets at FVPL. Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVPL include listed equity securities (see Note 9).

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from The Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and, either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

(iv) Impairment of financial assets

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

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

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

The Group applies a simplified approach in calculating ECLs for receivables. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Group has established a provision matrix that is based on its historical credit loss experience.

For installment contracts receivable (ICR) and contract assets, the Group uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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

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

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

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

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

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

Financial liabilities

(i) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the consolidated statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities measured at amortized cost. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest in the consolidated statements of comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2019 includes the following (see Notes 13 and 16):
- Short-term debt
- Long-term debt

- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as “Interest expense” in the consolidated statements of comprehensive income on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

(iii) Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9 in 2018)

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

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

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

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL. This accounting policy pertains to the Group’s cash, receivables, receivables from related parties and refundable deposits included under “Other current assets” in the consolidated statements of financial position.

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

AFS investments
AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are reported under "Net change in fair value of AFS investments" account in other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment,

the cumulative gain or loss previously reported in other comprehensive income is recognized in consolidated statements of comprehensive income.

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

This accounting policy applies primarily to the Group's short-term and long-term debts and accounts and other payables (excluding statutory payables).

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

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

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

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

Real Estate Inventories

Real estate inventories consists of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale while the asset, which includes real estate held for sale and property, plant and equipment, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Inventories
Inventories pertain to agricultural produce and the related finished goods and construction materials which are measured at the lower of cost and net realizable value (NRV). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss. Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged, and obsolete inventories.

Agricultural produce
Agricultural produce is the harvested product of the Group's bearer plants. A harvest occurs when agricultural produce is either detached from the bearer plant or when a bearer plant's life processes cease. The Group's agricultural produce (e.g. fresh fruit bunches, under inventories) are measured at fair value less estimated costs to sell at the time of harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

Finished goods
Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor, and indirect production and overhead costs. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction materials
Construction materials are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Deposits for Purchased Land
This represents deposits made to land owners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Group normally makes deposits before a contract to sell (CTS) is executed between the Group and the land owner. These are recognized at cost. The sales contracts are expected to be executed within 12 months after the reporting date.

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

Investments in Associates
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statements of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of comprehensive income outside operating profit. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share to the extent of the interest in associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statements of comprehensive income.

Investment Property
Investment property consists of land and building which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

The carrying value of the asset, if reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the consolidated statements of comprehensive income.

The investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the asset is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Effective January 1, 2019, it is the Group's policy to classify ROU assets as part of property, plant and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statements of financial position. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements and right-of-use assets, which are amortized over their estimated lives or term of the lease, whichever is shorter, and bearer plants, which are depreciated using units-of-production (UOP) method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	21
Building and improvements	10 - 20
Leasehold improvements	2 - 5
Machineries and equipment	2 - 10
Right-of-use assets	17
Other equipment	2 - 10

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

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Construction in progress represents property, plant and equipment under construction or development 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 is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts while any resulting gain or loss is included in the consolidated statements of comprehensive income.

Bearer plants
Bearer plants pertain to the Group's palm oil trees used in the production or supply of fresh fruit bunches (FFB) as its agricultural produce and are expected to bear produce for more than twelve months and have a remote likelihood of being sold as a plant or harvested as agricultural produce, (except for incidental scrap sales).

Bearer plants are measured at cost less accumulated depreciation. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs necessary to cultivate such plants before they are brought in to the location and condition necessary to be capable of operating in the manner intended by management.

UOP method is used for depreciating the bearer plants. Depreciation is charged according to units of FFB harvested over the estimated units of FFB to be harvested during the life of the bearer plants or remaining contract period, whichever is shorter. The Group estimates its total units of FFB to be harvested based on the average yield over which the bearer plants are expected to be available for use. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. Changes in the estimated total units of FFB to be harvested may impact the depreciation of bearer plants.

<u>Impairment of Nonfinancial Assets</u>
This accounting policy applies primarily to the Group's investments in associates, investment properties, property plant, and equipment and other assets excluding refundable deposits (see Notes 8, 10, 11 and 12).

The Group assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. 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.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the 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 asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.

<u>Equity</u>
Capital stock and additional paid-in capital
Capital stock consists of common shares which are measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration

other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to ‘Additional paid-in capital’ account.

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

Retained earnings
Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Business Combinations and Goodwillx
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are charged to expense and included in operating expenses in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at costs being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling-interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statements of comprehensive income.

After initial recognition, goodwill is measured at costs less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within 12 months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Revenue and Cost Recognition effective January 1, 2018

Revenue from contracts with customers
The Group is primarily engaged in real estate development, production and sale of agricultural goods, and water services. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these revenue arrangements.

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

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

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

Buyer's equity represents the percentage of collection over the total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Revenue recognition commences when the required buyer's equity is met.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under "Contract assets" in the assets section of the consolidated statements of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under "Contract liabilities" account in the liabilities section of the consolidated statements of financial position.

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

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

In addition, the Group recognizes cost as an asset that gives rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Sale of agricultural goods. Revenue from sale of agricultural goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and acceptance by the buyer.

Cost of agricultural goods sold. Costs of sales include direct material costs, manufacturing expenses and monetary value of inventory adjustments. This is recognized upon delivery of goods or upon transfer of risks and rewards of ownership and when the cost is incurred, or the expense arises.

Water service. Revenue is recognized when services are rendered.

Income from forfeited deposits. Income from forfeited collections recorded under “Other income” in the consolidated statements of comprehensive income is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Dividend income. Dividend income is recognized when the Group’s right to receive payment is established which is generally when shareholders approve the dividend.

Rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the respective lease terms.

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

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

<u>Contract Balances</u>

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

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

For the Group’s real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to ICR. It is recognized under “Receivables and contract assets” in the consolidated statements of financial position.

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

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

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

Amortization, derecognition and impairment of capitalized costs to obtain a contract. The Group amortizes capitalized costs to obtain a contract as marketing expense under "General, administrative expenses and selling expenses" account in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

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

At each reporting date, the Group determines whether there is an indication that costs to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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

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

Revenue and Cost Recognition prior to January 1, 2018

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

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

Revenue from sales of completed real estate projects is accounted for using the POC method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Any excess of collections over the recognized receivables are included in the "Deposits from customers" account in the liabilities section of the consolidated statements of financial position.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statements of financial position as "Real estate inventories" and the related liability as deposits under "Deposits from customers".

Cost of real estate sales. This is consistent with the revenue recognition method applied. Cost of subdivision land and residential house and lot units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's project engineers.

Cost and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used, or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

Post-employment Benefits

Pension benefits are provided to employees through a defined benefit plan. The net defined benefit liability or asset 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 any 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 plans is actuarially determined using the projected unit credit method.

The following comprise the defined benefit costs:
- Service cost
- Net interest on the net defined benefit liability or asset
- 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 consolidated statements of comprehensive income. 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 the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI 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).

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

As Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Effective January 1, 2019 (Upon Adoption of PFRS 16)
As Lessee. Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. Since there are no future lease payments on the Group's lease in scope, the Group derecognized the related prepaid land rights under "Other noncurrent assets" in the consolidated statements of financial position and recognized right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

Right-of-use assets are presented under "Property, plant and equipment" in the consolidated statements of financial position and are subject to impairment.

Short-term leases. The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and transportation equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Effective before January 1, 2019 (Prior to Adoption of PFRS 16)

As Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

<u>Taxes</u>

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Creditable withholding taxes (CWT). CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

VAT. Revenues, expenses and assets are recognized net of amount of VAT, if applicable.

For its VAT-registered activities (i.e., services related to the conditional cash transfer), when VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under “Accounts and other payables” in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under “Other current assets” in the consolidated statements of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Deferred input VAT. Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. Deferred Input VAT is stated at its realizable value.

Foreign Currencies

The Group's consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Group companies. The functional currency of BCL is the US Dollar. On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso (₱) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized under "Exchange differences in foreign currency translation" in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Segment Reporting

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

Basic and Diluted Earnings Per Share (EPS)

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

As of June 30, 2020 and December 31, 2019, the Group has no potentially dilutive common shares.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a 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. When the Group expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These 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 benefits is probable.

Events After the Reporting Period
Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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.

Real estate revenue recognition effective January 1, 2018 (upon adoption of PFRS 15)

Revenue from contracts with customers. The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*. The Group is primarily engaged in real estate sales and development, sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels, and water services. The Group accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

- *Determining the timing of satisfaction of sale of goods and services*. The Group concluded that the revenue for sale of palm oil and other palm products and water services is to be recognized when the goods are delivered or as services are performed and it has a present right to payment for the services rendered.

- *Existence of a contract.* The Group's primary document for a contract with a customer is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a customer under PFRS 15.

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

- *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

  The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

In 2019, the Group considered that the initial and continuing investments by the buyer of about 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The reassessment of buyer's equity to 10% was based on the management's evaluation of the historical cancellations and back-outs and consideration of various factors such as collection history with the buyers, age of receivables and pricing of the property. The change in the buyer's equity resulted to the recognition of additional real estate sales amounting to ₱207.6 million in 2020 and ₱225.2 million in 2019. The Group accounted this change prospectively as a change in an accounting estimate.

Revenue recognition - sales of agricultural goods effective January 1, 2018 (upon adoption of PFRS 15)

- *Real estate revenue recognition prior to January 1, 2018 (prior to adoption of PFRS 15).* Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments about the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project. The buyers' commitment is evaluated based on collections, credit standing and historical collection from buyers.

  In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer reaching a level of collection would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

Contractual cash flows assessment. For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

As at June 30, 2020 and December 31, 2019, the aggregate carrying values of the financial assets amounted to ₱1.404 billion and ₱1.123 billion, respectively.

Evaluation of business model in managing financial instruments. The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and,
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Definition of default and credit-impaired financial assets. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when a borrower is more than 90 days past due on its contractual obligations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate the Group's expected loss.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

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

- *Quantitative criteria*
  The customer is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

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

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

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

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

Determining taxable profit, tax bases and tax rates. Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

Distinction of land between real estate inventories and investment properties. The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Significant influence on PCPC, PEI and EWRTC. In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence. The Group considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

Evaluation and reassessment of control in MCPI. The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all the following:
a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with the investee; and,
c. the ability to use its power over the investee to affect the amount of the investor's returns.

Ownership interest in MCPI represent 49%. The Group has the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations of the investee are occupied by the representatives of the Group.

Management's Use of Estimates and Assumptions

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

Revenue recognition on real estate projects. The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment.

The Group's revenue from real estate is recognized based on the POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the management's specialists (project engineers). The Group also includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended June 30, 2020 and June 30, 2019, the real estate sales recognized over time amounted to ₱354 million and ₱415 million, respectively, while the related cost of real estate sales amounted to ₱82 million and ₱152 million, respectively.

Collectability of the sales price. In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 10% and 25% in 2020 and 2019, respectively, would demonstrate the buyer's commitment to pay.

In 2019, the Group considered that the initial and continuing investments by the buyer of about 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The reassessment of buyer's equity to 10% was based on the management's evaluation of the historical cancellations and back-outs and consideration of various factors such as collection history with the buyers, age of receivables and pricing of the property. The change in the buyer's equity resulted to the recognition of additional real estate sales amounting to ₱126.6 million in 2020.

Provision for expected credit losses of receivables effective January 1, 2018. The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

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

The Group considers an ICR and contract asset in default when the Group forfeits and repossesses the property from the customer through cancellation. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero loss given default, thus resulting to no recognized impairment loss.

In 2020 and 2019, no additional ECL was recognized in the consolidated statements of comprehensive income. As at June 30, 2020 and December 31, 2019, the allowance for ECL recognized in the consolidated statements of financial position amounted to ₱0.4 million (see Note 5).

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

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

The carrying values of real estate inventories amounted to ₱1,772 billion and ₱1,581.0 billion as of June 30, 2020 and December 31, 2019, respectively (see Note 6).

Determining depreciation method of crushing equipment and RBD and fractionation machineries. The Group uses the depreciation method for its property, plant and equipment that best reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The depreciation method used is reviewed periodically, and if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate.

In 2019, the Group changed the depreciation method of its crushing equipment included in machinery and equipment and RBD and fractionation machineries from units-of-production method to straight-line method. The Group assessed that the straight-line method would better reflect the pattern of expected benefits obtained from the use of the assets. This resulted to the accelerated recognition of depreciation expense amounting to ₱9.6 million in 2019. The Group expects salvage value of 10% of the original cost for the crushing equipment and RBD and fractionation machineries.

Estimating useful lives of property, plant and equipment. The Group estimates the useful lives of property, plant and equipment and investment properties, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties 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 property, plant and equipment and investment properties is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of June 30, 2020 and December 31, 2019, the aggregate carrying value of depreciable property, plant and equipment and investment properties amounted to ₱546 million and ₱477 million, respectively (see Notes 11 and 12).

Estimating fair values of financial assets and liabilities. When the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of nonfinancial assets. The Group assesses impairment on its nonfinancial assets (e.g. investments in associates, investment properties, property, plant and equipment and other assets excluding refundable deposits) and considers the following important indicators:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset’s value-in-use and decrease the asset’s recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or,

- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the remaining contract period or useful lives, if practicable, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying values of the nonfinancial assets follow:

	June 30, 2020	December 31, 2019
Investments in associates	**₱1,569,677,141**	₱1,430,401,980
Other current assets*	**539,951,552**	349,774,970
Property, plant and equipment	**877,274,275**	880,355,966
Investment properties	**97,133,941**	97,133,941
Other noncurrent assets	**141,713,335**	140,857,610

** Excluding refundable deposits*

Estimating total units of output for bearer plants. The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the bearer plants, and in consideration of the lease term under the contracts providing the Group for the rights to use parcels of land. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. The carrying amount of bearer plants, amounted to ₱317 million and ₱317.2 million as of June 30, 2020 and December 31, 2019 (see Note 12).

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of June 30, 2020 and December 31, 2019, the Group's retirement obligation amounted to ₱ 51.8 million.

Estimating realizability of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

As at June 30, 2020 and December 31, 2019, deferred tax assets amounting to ₱18.46 million and ₱13.01 million, respectively, were not recognized in the consolidated statements of financial position since it is not probable that sufficient taxable income may be available in the future against which the deferred tax assets can be utilized. As at June 30, 2020 and December 31, 2019, the carrying values of deferred tax assets amounted to ₱18.5 million and ₱ 13 million, respectively (see Note 20).

4. Cash

	As of 06/30/2020 (Unaudited)	As of 12/31/2019 (Audited)
Cash on hand	**₱1,296,022**	₱1,165,527
Cash in banks	**106,749,910**	73,834,354
	₱108,045,932	₱74,999,881

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱0. 004 million and ₱0.4 million in 2020 and 2019, respectively.

5. Receivables

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
ICR	**₱834,082,230**	₱598,655,904
Trade receivables	**14,157,708**	13,524,501
Dividend receivable	**-**	182,200,000
Advances to officers and employees	**4,097,865**	1,318,906
Other receivables	**163,023,104**	97,471,164
	1,015,360,908	893,170,475
Less allowance for impairment	**474,380**	474,380
	1,014,886,528	892,696,095
Less noncurrent portion	**144,498,287**	146,248,831
	₱870,388,241	₱746,447,264

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest earned from contract assets and ICR amounted to ₱1.7 million and ₱.9 million in 2020 and 2019, respectively.

Trade receivables include receivables from water service and sale of palm oil and other palm products which are noninterest-bearing and are normally collected within seven (7) to sixty (60) days.

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one year.

Other receivables pertain to receivables for the sale of equity. These receivables are noninterest-bearing and are normally on 30-day terms.

6. Real Estate Inventories

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Land for sale and development	**₱322,604,738**	₱291,091,721
Construction and development costs	**1,449,687,369**	1,289,872,543
	₱1,772,292,107	₱1,580,964,264

The rollforward of this account follows:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Balance at beginning of the year	**₱1,580,964,264**	₱1,596,802,518
Construction costs incurred	**272,340,283**	284,133,119
Borrowing costs capitalized (Note 16)		35,651,325
Depreciation expense capitalized (Note 12)	**1,574,882**	5,454,280
Purchase of raw land		4,555,160
Transfers from investment properties (Note 11)		9,600,000
Transfer from deposits for purchased land		-
Cost of real estate sold	**(82,587,322)**	(355,232,138)
	₱1,772,292,107	₱1,580,964,264

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2020 and 2019.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, capitalized borrowing costs and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories in June 30, 2020 and December 31, 2019 amounted to ₱35.7 million (Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.92%. In 2018, the Group had no borrowings attributable to its on-going constructions.

In 2018, the Parent Company transferred deposits for purchased land to real estate inventories since the related CTS or sales contracts have already been executed.

Collateralized properties
Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 16). As at June 30, 2020 and December 31, 2019, the carrying values of the collateralized real estate inventories amounted to ₱ 387 million and ₱322.8 million.

7. Inventories – at cost

The cost of inventories recognized under cost of goods sold in the consolidated statements of comprehensive income are as follows:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Finished agricultural goods	**₱99,498,845**	₱91,464,783
Construction materials	**-**	60,279,616
Materials and other supplies	**2,137,533**	2,860,697
	₱101,636,378	₱154,605,096

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Fresh fruit bunches at the beginning of year	**-**	-
Purchase and harvest of fresh fruit bunches	**₱19,332,130**	₱28,001,011
Crude palm oil purchased during the year	**-**	16,814,433
Fresh fruit bunches at the end of year	**-**	-
Fresh fruit branches used in production	**19,332,130**	44,815,444
Direct labor	**1,496,733**	3,845,652
Manufacturing overhead	**7,612,306**	12,924,105
Total manufacturing cost	**28,441,169**	61,585,201
Finished goods at beginning of year	**91,464,783**	79,564,205
Finished goods at end of year	**(99,498,845)**	(91,464,783)
Total cost of goods sold	**₱20,407,107**	₱49,684,623

Depreciation capitalized to inventories amounted to ₱ .677 million and ₱2.5 million in 2020 and 2019 (see Note 12).

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Materials and other supplies pertain to fertilizers, fuel and oil and other consumables.

8. **Other Assets**

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Current:		
Deposits for purchased land	**₱229,481,357**	₱160,780,887
Creditable withholding taxes	**106,583,949**	98,227,792
Prepaid expenses	**19,741,603**	66,777,985
Costs to obtain contracts	**17,479,834**	16,355,255
Refundable deposits	**94,024,260**	7,296,467
Miscellaneous	**54,529,313**	336,584
	₱521,840,317	₱349,774,970

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Noncurrent:		
Advances to third party	**₱102,719,000**	₱102,719,000
Refundable deposits - net of	**36,965,742**	36,067,010
Deferred input VAT	**1,985,586**	2,028,593
Goodwill	**43,007**	43,007
Prepaid land rights	**-**	-
	₱141,713,335	₱140,857,610

Deposits for purchased land pertain to installment payments made by the Group to the sellers of land where sales contracts have yet to be executed. The land is intended to be held for sale in the future.

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Prepaid expenses consist mainly of prepaid supplies, employee benefits, rent, insurance and taxes and licenses which are applicable in the future period.

Advances to third party pertain to advances made by the Group in connection with its engagement of a third party for potential joint venture partners for acceptable business projects. The advances are to be applied to the cost of the business project.

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are charged to expense as “Marketing” under “General, administrative and selling expenses” in the consolidated statements of comprehensive income as the related revenue is recognized (see Note 18).

Deferred input VAT pertains to the input VAT from the purchase of a capital good whose acquisition cost exceeds ₱1.0 million. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. In 2019, input VAT written-off amounting to ₱5.0 million was recognized under “Impairment loss” in the consolidated statements of comprehensive income.

Miscellaneous pertains to advances to suppliers and contractors.

9. Investments in Equity Instruments

Quoted and unquoted equity securities
The Group's EIFVPL consists of quoted equity securities that are listed and traded in the Philippine Stock Exchange. The fair value of these securities has been determined directly by reference to published prices in an active market using Level 1 fair value hierarchy. The changes in the fair value of the quoted equity securities are recognized under "Unrealized loss on EIFVPL" in the consolidated statements of comprehensive income.

The Group's EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). Moreover, the Group's unlisted shares of stock are measured at cost since it represents the best estimate of fair value within the range of possible fair value measurements which are under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under "Net change in fair value of EIFVOCI" in other comprehensive income.

The rollforward analysis of investments in EIFVOCI and EIFVPL in June 30, 2020 and Decemebr 31, 2019 follows:

	As of 06/30/20 (Unaudited)	
	FVPL	**FVOCI**
Cost:		
At January 1	**₱64,125,698**	**₱434,070,793**
Disposal	**(51,258,490)**	**-**
At March 31	**12,867,208**	**434,070,793**
Cumulative unrealized gain (loss):		
At January 1	**(641,257)**	**(266,509,340)**
Disposal	**512,585**	**-**
Fair value adjustment	**3,860,162**	**2,501,744**
At March 31	**3,731,490**	**(264,007,596)**
Carrying values	**₱16,598,698**	**₱170,063,197**

	As of 12/31/19 (Audited)	
	FVPL	FVOCI
Cost:		
At January 1	₱139,742,698	₱434,070,793
Disposal	(75,617,000)	-
At December 31	64,125,698	434,070,793
Cumulative unrealized gain (loss):		
At January 1	93,428,040	(265,423,108)
Disposal	(50,555,401)	-
Fair value adjustment	(43,513,896)	(1,086,232)
At December 31	(641,257)	(266,509,340)
Carrying values	₱63,484,441	₱167,561,453

In 2019, the Group sold its 75,617,000 shares of Apex Mining Corporation (AMC) for ₱94.1 million and ₱122.8 million resulting in a loss of ₱32.1 million.

The Group's investments in golf club shares and unlisted shares of stock were irrevocably designated at FVOCI as the Group considers these instruments to be held for the foreseeable future. Prior to adoption of PFRS 9, these were categorized as AFS investments. Cumulative unrealized loss for these investments amounted to ₱294.3 million as of January 1, 2018.

10. Investments in Associates

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Palm Concepcion Power Corporati	**₱1,138,991,761**	₱1,081,884,039
Peakpower Energy, Inc. (PEI)	**377,011,261**	294,768,295
East West Rail Transit Corporatior	**53,674,119**	53,749,646
	₱1,569,677,141	₱1,430,401,980

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Acquisition cost, beginning and end of year	**₱1,105,595,917**	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of year	**324,806,063**	126,702,232
Share in net income	**139,275,161**	380,303,831
Dividends		(182,200,000)
	464,081,224	324,806,063
	₱1,569,677,141	₱1,430,401,980

In 2019 and 2018, PEI declared cash dividend to the Group amounting to ₱72.2 million and ₱13.0 million, respectively, while PCPC declared cash dividend to the Group amounting to

₱110.0 million and ₱80.0 million, respectively. The Group collected the dividends on January 2020 and April 2019, respectively.

The Group's share in net income (loss) of its associates are shown below:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Palm Concepcion Power Corporati	**₱82,242,966**	₱260,684,547
Peakpower Energy, Inc. (PEI)	**57,107,722**	119,749,941
East West Rail Transit Corporatior	**(75,527)**	(130,657)
	₱139,275,161	₱380,303,831

Investment in PCPC
The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC. The following table sets out the summarized financial information of PCPC as of June 30, 2020 and December 31, 2019:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Assets		
Current assets	**₱3,459,410,665**	₱3,683,808,510
Noncurrent assets	**10,051,051,942**	10,311,897,819
Less liabilities		
Current liabilities	**1,289,767,176**	2,088,588,083
Noncurrent liabilities	**6,681,230,480**	6,778,868,122
Equity	**5,539,464,952**	5,128,250,124
Group's carrying amount of the investment	**₱1,138,991,761**	₱1,081,884,039

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Revenue	**₱2,246,686,575**	₱5,326,855,110
Costs and expenses	**1,835,471,747**	4,023,432,382
Net income	**₱411,214,828**	₱1,303,422,728

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

The following table sets out the summarized financial information of PEI as of June 30, 2020 and December 31, 2019:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Assets		
Current assets	**₱875,324,793**	₱874,862,507
Noncurrent assets	**1,993,523,831**	2,363,246,269
Less liabilities		
Current liabilities	**190,666,361**	1,230,763,795
Noncurrent liabilities	**959,092,096**	588,211,988
Equity	**1,719,090,166**	1,419,132,993
Group's carrying amount of the Investment	**₱377,011,261**	₱294,768,295

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Revenue	**₱497,505,472**	₱1,042,302,657
Costs and expenses	**211,966,860**	443,552,945
Net income	**₱285,538,612**	₱598,749,712

Investment in EWRTC

The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in Manila. As of December 31, 2019, the Project is under evaluation for approval by the National Economic and Development Authority and the Public-Private Partnership Center.

On July 12, 2017, a new investor was given the option to participate in the PNR East West Railway Project as an additional consortium member subject to certain conditions and approval of the PNR.

The following table sets out the summarized financial information of EWRTC as of June 30, 2020 and December 31, 2019:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Assets		
Current assets	**₱38,107,968**	₱38,810,865
Noncurrent assets		-
Less liabilities		
Current liabilities	**438,272,382**	446,128,619
Capital deficiency	**(400,164,413)**	(407,317,754)
Group's carrying amount of the investment	**₱53,674,119**	₱53,749,646

11. **Investment Properties**

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Land held for capital appreciation	**₱95,523,877**	₱95,523,877
Land and building held for lease	**1,610,064**	1,610,064
-	**₱97,133,941**	₱97,133,941

The fair values of land as of December 31, 2019 and 2018 as determined by an independent appraiser based on International Valuation Standards (IVS) in 2018, amounted to ₱398.4 million in both years. The Group classifies the fair values of land under Level 3 fair value hierarchy.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at June 30, 2020 and December 31, 2019. The significant unobservable input to the valuation is the price per square meter.

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The details of land held for capital appreciation are as follows:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Cost:		
Balances at beginning of year	**₱95,523,877**	₱113,659,571
Transfers to real estate inventories (Note 6)		(9,600,000)
Disposal		(8,535,694)
Net carrying value	**₱95,523,877**	₱95,523,877

Land and building held for lease for 2020 and 2019 are as follows:

	Land	**Building**	**Total**
Cost:			
Balances at beginning and end of year	**₱1,610,064**	**₱7,142,747**	**₱8,752,811**
Accumulated depreciation:			
Balances at beginning and end of year	**-**	**7,142,747**	**7,142,747**
	₱1,610,064	**₱0**	**₱1,610,064**

In 2019, the Group has sold a land with a net book value of ₱8.5 million and recognized a gain of ₱5.1 million presented as gain on sale of investment property under “Other income” in the consolidated statements of comprehensive income. Proceeds from the sale amounted to ₱13.7 million.

12. Property, Plant and Equipment

2020	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1, *as restated*	**₱12,967,297**	**₱91,181,109**	**₱361,731,276**	**₱253,060,820**	**₱57,076,567**	**₱303,518,953**	**₱146,356,450**	**₱30,535,735**	**₱43,011,570**	**₱1,299,439,777**
Additions	**-**	**-**	**67,864**	**798,000**	**3,779**	**2,496,916**	**5,192,755**	**-**	**-**	**8,559,314**
Disposals	**-**						**(419,643)**	**-**	**-**	**(419,643)**
At June 30	**12,967,297**	**91,181,109**	**361,799,140**	**253,858,820**	**57,080,346**	**306,015,869**	**151,129,562**	**30,535,735**	**43,011,570**	**1,307,579,449**
Accumulated depreciation										
At January 1	**-**	**13,922,587**	**10,004,173**	**12,769,798**	**48,307,864**	**177,428,290**	**120,936,140**	**1,237,695**	**-**	**384,606,547**
Depreciation	**-**	**3,342,863**	**-**	**1,056,105**	**373,096**	**4,991,594**	**1,581,267**	**-**	**-**	**11,344,924**
Disposals							**(123,562)**		**-**	**(123,562)**
At June 30	**-**	**17,265,450**	**10,004,173**	**13,825,903**	**48,680,960**	**182,419,884**	**122,393,845**	**1,237,695**	**-**	**395,827,910**
Allowance for impairment										
At January 1	**-**	**-**	**34,477,264**	**-**	**-**	**-**	**-**	**-**	**-**	**34,477,264**
Addition	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
At June 30	**-**	**-**	**34,477,264**	**-**	**-**	**-**	**-**	**-**	**-**	**34,477,264**
Net Book Value	**₱12,967,297**	**₱73,915,659**	**₱317,317,703**	**₱240,032,918**	**₱8,399,386**	**₱123,595,985**	**₱28,735,717**	**₱29,298,040**	**₱43,011,570**	**₱877,274,275**

2019	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1, *as previously reported*	**₱12,967,297**	**₱91,157,334**	**₱360,657,235**	**₱253,042,963**	**₱56,966,567**	**₱305,070,381**	**₱143,844,375**	**₱0**	**₱43,011,570**	**₱1,266,717,722**
Effect of adoption of PFRS 16	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,535,735**	**-**	**30,535,735**
At January 1, *as restated*	**12,967,297**	**91,157,334**	**360,657,235**	**253,042,963**	**56,966,567**	**305,070,381**	**143,844,375**	**30,535,735**	**43,011,570**	**1,297,253,457**
Additions	**-**	**23,775**	**1,074,041**	**17,857**	**110,000**	**446,429**	**9,045,200**	**-**	**-**	**10,717,302**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1,997,857)**	**(6,533,125)**	**-**	**-**	**(8,530,982)**
At December 31	**12,967,297**	**91,181,109**	**361,731,276**	**253,060,820**	**57,076,567**	**303,518,953**	**146,356,450**	**30,535,735**	**43,011,570**	**1,299,439,777**
Accumulated depreciation										
At January 1	**-**	**7,383,030**	**9,255,959**	**2,671,375**	**47,435,044**	**174,531,388**	**115,738,149**	**-**	**-**	**357,014,945**
Depreciation	**-**	**6,539,557**	**748,214**	**10,098,423**	**872,820**	**4,582,338**	**9,915,406**	**1,237,695**	**-**	**33,994,453**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1,685,436)**	**(4,717,415)**	**-**	**-**	**(6,402,851)**
At December 31	**-**	**13,922,587**	**10,004,173**	**12,769,798**	**48,307,864**	**177,428,290**	**120,936,140**	**1,237,695**	**-**	**384,606,547**
Allowance for impairment										
At January 1	**-**	**-**	**17,559,508**	**-**	**-**	**-**	**-**	**-**	**-**	**17,559,508**
Addition	**-**	**-**	**16,917,756**	**-**	**-**	**-**	**-**	**-**	**-**	**16,917,756**
At December 31	**-**	**-**	**34,477,264**	**-**	**-**	**-**	**-**	**-**	**-**	**34,477,264**
Net Book Value	**₱12,967,297**	**₱77,258,522**	**₱317,249,839**	**₱240,291,022**	**₱8,768,703**	**₱126,090,663**	**₱25,420,310**	**₱29,298,040**	**₱43,011,570**	**₱880,355,966**

There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2020 and 2019 are recognized as:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
General, administrative and selling expense	**₱9,092,683**	₱25,015,142
Real estate inventories (Note 6)	**1,574,882**	5,454,280
Inventories (Note 7)	**677,359**	2,450,990
Bearer plants		1,074,041
	₱11,344,924	₱33,994,453

13. **Accounts and Other Payables**

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Trade payables	**₱417,562,800**	₱427,571,661
Accrued expenses	**92,246,383**	107,291,740
Retention payable	**15,574,978**	32,964,356
Statutory payables	**8,590,062**	7,998,026
Accrued interest payable	**8,278,966**	5,169,768
Other payables	**82,088,696**	1,699,605
	₱624,341,885	₱582,695,156

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

Accrued expenses pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor's billings to be settled upon completion of the relevant contracts within the year.
The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

Other payables include customers' deposits. These are noninterest-bearing and are normally settled within one year.

14. **Contract Assets and Liabilities**

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Contract assets are collectible in equal monthly installments over a period of 5 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

The Group requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer’s equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as “Contract liabilities” in the consolidated statements of comprehensive income.

When the buyer’s equity is reached by the buyer, revenue is recognized, and these deposits and down payments are applied against the related ICR. The excess of collections over the recognized revenue is applied against the receivables in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the buyer’s equity and from increase in POC.

15. **Related Party Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting entities and key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of relationship and not merely the legal form. Related parties may be individuals or corporate entities.

The Group, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Loans received by the Group from shareholder (see Note 16).

  Shareholder Loan - A
  As of December 31, 2018, the Parent Company has outstanding loan from shareholder, which is classified under “Short-term debt” in the current liabilities amounting to ₱369.0 million, being on demand and noninterest-bearing.

  On January 13, 2019, the Group signed into an agreement with the shareholder for the remaining balance of its short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The remaining balance of the loan bears a fixed annual interest rate of 6.00%.

Shareholder Loan - B
As of December 31, 2019 and 2018, ABERDI has outstanding loan from shareholder, which is classified under "Short-term debt" in the current liabilities amounting to ₱8.0 million, being on demand and noninterest-bearing.

- Noninterest-bearing cash advances to Group's associates, PEI and EWRTC.

- In 2018, the Group received management fees from EWRTC in relation to its agreement to manage the business operations and administer the associate's affairs.

The consolidated statements of financial position include the following amounts resulting from the above transactions with related parties:

				As of 06/30/20 (Unaudited)
Category	**Amount**	**Receivable (Payable)**	**Terms**	**Conditions**
Shareholder				
Short-term debt (see Note 16):				
Shareholder Loan - B	-	**-₱8,000,000**	**interest bearing**	**no collateral**
Long-term debt (see Note 16):				
Shareholder Loan - A:				
Reclassification from short-term debt	**-₱317,645,013**	-	**7-year, 6.00%**	**Unsecured;**
Principal payments	**-**	-	**interest bearing**	**no collateral**
Current	-	**(17,645,013)**		
Noncurrent	-	**(300,000,000)**		
Associates				
Advances to*:				
PEI		**80,543,761**	**On demand; non-**	**Unsecured;**
EWRTC		**33,841,598**	**interest bearing**	**no impairment**

* *Presented as "Receivables from related parties" in the consolidated statements of financial position.*

				2019
Category	**Amount**	**Receivable (Payable)**	**Terms**	**Conditions**
Shareholder				
Short-term debt (see Note 16):				
Shareholder Loan - A:				
Reclassification to long-term debt	**368,973,519**	-	**On demand; non-**	**Unsecured;**
Shareholder Loan - B	-	**(8,000,000)**	**interest bearing**	**no collateral**
Long-term debt (see Note 16):				
Shareholder Loan - A:				
Reclassification from short-term debt	**(368,973,519)**	-	**12-year, 6.00%**	**Unsecured;**
Principal payments	**51,328,505**	-	**interest bearing**	**no collateral**
Current	-	**(6,018,818)**		
Noncurrent	-	**(311,626,196)**		
Associates				
Advances to*:				
PEI	**(6,352,755)**	**80,543,761**	**On demand; non-**	**Unsecured;**
EWRTC	**33,841,598**	**33,841,598**	**interest bearing**	**no impairment**

* *Presented as "Receivables from related parties" in the consolidated statements of financial position.*

Terms and Conditions of Transactions with Related Parties

The outstanding accounts with related parties, except for the advances to key management personnel, shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Group has approval process and established limits when entering into material related party transactions.

16. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local banks and shareholders to finance the Group's real estate development projects, working capital requirements and for general corporate purposes.

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

Short-term debt

Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 4.5% to 9.0% in 2019 and 4.5% to 8.5% in 2018, subject to semi-annual and quarterly repricing and ae due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
UBP	**₱100,000,000**	₱100,000,000
CBC	**100,000,000**	100,000,000
UCPB	**84,194,200**	95,104,000
DBP	**194,111,000**	74,996,000
Shareholder Loan - B (Note 15)	**8,000,000**	8,000,000
	₱486,305,200	₱378,100,000

Interest expense arising from these loans amounts to ₱29.6 million and ₱21.1 million in 2020 and 2019, respectively.

Long-term debt

The long-term debt represents various loans obtained from local banks and shareholders to finance the Parent Company's real estate projects and for general corporate purposes.

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
UBP	**₱179,722,222**	₱211,388,889
UCPB	**51,495,000**	80,578,108
PBCOM	**52,040,096**	67,494,993
MBI	**53,333,333**	66,666,667
BPIF	**43,228,097**	54,048,121
DBP	**8,198,984**	12,573,984
CBC	**12,784,344**	11,294,192
Shareholder Loan - A (Note 15)	**301,087,539**	317,645,013
	701,889,616	821,689,967
Less current portion	**634,774,123**	212,402,746
	₱609,287,221	₱609,287,221

Loans from UBP
Loans from UBP are comprised of loans subject to fixed and variable interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 5.78% to 9.10% payable for 2 to 5 years. Variable-rate loans are subject to variable interest rates based on Philippine Dealing System Treasury Reference Rate 2 (PDST-R2) plus 1.5% subject to a floor rate of 5.5% payable for 7 years.

Loans from UCPB
These loans are payable in quarterly installments for 8 years secured by real estate mortgage which are subject to variable interest rates ranging from 8.00% to 8.20% and 5.25% to 8.20% in 2019 and 2018, respectively, based on 3-month Philippine Dealing System Treasury Fixing (PDST-F) rate obtaining at the time of availment, plus a spread of 2% inclusive of gross receipts tax (GRT) or floor rate of 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting.

Loans from PBCOM
These loans are payable in monthly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rate of 11.50% payable for 5 years. Variable-rate loan is subject to variable interest rates ranging from 8.00% to 10.75% payable for 4 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from MBI
This loan is payable in quarterly installments for 3 years secured by real estate mortgage which is subject to a fixed annual interest rate of 8.00%.

Loans from BPIF
These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from DBP
This loan is payable in quarterly installments for 4 years secured by real estate mortgage which is subject to a fixed annual interest rate of 5.25%.

Loans from CBC
These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 8.76% to 9.89%.

Loans from AUB
These loans are payable in monthly installments for 5 years secured by real estate mortgage which are subject to variable interest rates ranging from 5.95% to 7.55% and 5.50% to 6.55% in 2019 and 2018, respectively, based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from BPIC
This loan is payable in monthly installments for 3 years secured by real estate mortgage which is subject to variable interest rates based on prevailing market interest rate for the same or similar type of loans as determined by the bank. In 2019, interest rates used were 5.23% to 7.75% and 5.23% was used in 2018 with no changes during the year.

Security and Debt Covenants
Real estate inventories with carrying amounts of ₱387 million and ₱322.8 million as of June 30, 2020 and December 31, 2019, respectively, are collateralized for its loans payable (see Note 6). In 2018, investment properties with a carrying amount of ₱35.7 million were collateralized in favor of the bank to secure the Parent Company's long-term debt (see Note 11).

The Group is not subject to any financial or negative covenants from its short-term and long-term debts.

17. Equity

Common stock
As of June 30, 2020 and December 31, 2019, the group's common stock consists of:

	Authorized Capital Stock	Outstanding	
		As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Subscribed and issued common shares*, 1 par value	3,300,000,000	**₱2,477,668,925**	₱2,477,668,925
Less treasury shares		**1,014**	1,014
		₱2,477,667,911	₱2,477,667,911

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

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

On May 19, 2016, the Group declared stock dividends amounting to 346,573,104 shares for the stockholders of record as of February 10, 2017 and distributed 346,572,301 shares net of 803 fractional shares to the stockholders.

These stock transactions resulted to an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively.

Record of Registration of Securities with the SEC
The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares. Common shares are the only equity securities registered and issued by the Group.

There were 2,092 and 2,098 stockholders as of December 31, 2019 and 2018, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.71 on December 27, 2019 and ₱0.78 on December 29, 2018.
Additional paid-in capital (APIC)

There are no movements in APIC in 2019 and 2018. APIC amounted to ₱638.0 million (net of treasury shares amounting to ₱1,014) as of December 31, 2019 and 2018.

Treasury shares
In 2016, the Group has acquired all of the unissued fractional shares arising from the stock dividend declaration in 2013, 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 of ₱1.
These shares are not entitled for dividends.

Retained earnings
Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱1,593 million and ₱1,143.1 million as of June 30, 2020 and December 31, 2019, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Non-controlling interests
The Group's non-controlling interest recognized is the proportionate interests of the Parent Company in MCPI. Non-controlling interest amounted to ₱3.3 million as of June 30, 2020 and December 31, 2019.

The summarized financial information of MCPI are provided below.

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Assets	**₱6,851,603**	₱6,839,725
Liabilities	**80,653**	59,359
Equity	**6,770,950**	6,780,366
Net loss	**(9,417)**	75,481

As of June 30, 2020 and December 31, 2019, the accumulated balances of and net income attributable to noncontrolling interests follows:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Accumulated balances:		
Noncontrolling interest share in equity	**₱3,352,088**	₱3,342,671
Net loss attributable to NCI	**(9,417)**	152,508
Other comprehensive loss attributable to NCI	**(9,417)**	152,508

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

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

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

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

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2019 and 2018.

The table below pertains to the account balances the Group considers as its core economic capital:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Short-term debt	**₱486,305,200**	₱378,100,000
Long-term debt	**701,889,616**	821,689,967
Capital stock	**2,477,668,925**	2,477,668,925
Additional paid-in capital	**637,968,859**	637,968,859
Retained earnings	**1,637,854,308**	1,143,092,830
	₱5,458,520,581	₱5,458,520,581

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

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Net income attributable to the owners of the Par	**₱271,092,486**	₱494,945,733
Weighted average number of outstanding shares	**2,477,667,911**	2,477,667,911
Basic earnings per share	₱0.11	₱0.20

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

18. **General, Administrative and Selling Expenses**

	For three months ended 06/30/20 (Unaudited)	For three months ended 06/30/19 (Audited)
Personnel cost	**₱17,284,631**	₱25,072,673
Marketing	**5,260,577**	6,504,260
Taxes and licenses	**5,847,031**	8,585,566
Depreciation	**1,360,505**	2,394,659
Outside services	**4,236,425**	5,249,583
Professional fees	**2,760,534**	2,815,844
Rental	**2,574,715**	3,194,512
Utilities and supplies	**2,261,801**	2,699,029
Transportation and travel	**1,801,209**	3,237,535
Repairs and maintenance	**724,461**	1,046,129
Directors fee	**173,000**	295,147
Board meetings	**713,484**	112,649
Insurance	**233,200**	22,658
Others	**920,413**	417,105
	₱46,151,987	₱61,647,349

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Group.

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

19. **Income Taxes**

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

	As of 06/30/20 (Unaudited)	As of 06/30/19 (Unaudited)
RCIT	**₱27,727,581**	₱26,524,535
MCIT	**5,582,684**	5,570,859
	₱33,310,265	32,095,394

The components of net deferred tax liabilities as of June 30, 2020 and December 31, 2019:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	**₱160,220,587**	₱142,620,975
Prepaid commission	**(5,243,950)**	(4,906,578)
Unrealized foreign exchange gain		-
	154,976,637	137,714,397
Deferred tax assets on:		
Retirement benefit liability	**6,428,486**	6,428,486
Unamortized past service costs	**213,517**	213,517
Allowance for expected credit losses	**126,439**	126,439
Unrealized foreign exchange loss	**3,281**	3,281
	6,771,723	6,771,723
In equity:		
Remeasurement loss on retirement benefit plan	**7,887,204**	7,887,204
Cumulative translation adjustment	**(5,944,973)**	(1,761,959)
	1,942,231	6,125,245
Deferred tax liabilities - net	**₱163,690,590**	₱150,611,365

The components of net deferred tax assets as of June 30, 2020 and December 31, 2019:

	As of 06/30/20 (Unaudited)	As of 12/31/19 (Audited)
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	**₱17,297,926**	₱11,854,952
Retirement benefit obligation	**407,859**	407,859
Allowance for impairment on receivables	**15,875**	15,875
ROU asset	**11,282**	11,282
Unamortized past service cost	**2,645**	2,645
Unrealized forex loss	**300**	300
In equity:	**17,735,887**	12,292,913
Remeasurement loss on retirement benefit	**720,624**	720,624
Deferred tax assets	**₱18,456,511**	₱13,013,537

20. **Lease Agreements**

Group as a Lessor
The Group leased its various properties under operating leases. The term of the lease agreements is for one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

Group as a Lessee
In 2019 and 2018, the Group entered into lease agreements with related and non-related parties for its office spaces in Cagayan de Oro City and Metro Manila and on certain transportation equipment which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Parent Company applies the 'short-term lease' recognition exemption for these leases.

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

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations under the Group's DCs with KASAMAKA and KMBT identified as contracts containing leases scoped in under PFRS 16. There are no future lease payments related to these lease contracts.

21. **Other Income**

	For three months ended 06/30/20 (Unaudited)	**For three months ended 06/30/19 (Audited)**
Surcharge Income		₱1,455,363
Income from forfeited deposits	**₱419,643**	1,517,558
Miscellaneous Income	**1,735,543**	2,296,084
	₱2,155,186	₱5,269,005

Income from forfeited collections pertains to deposits from potential buyers deemed nonrefundable due to prescription of the period for entering into a contracted sale and/or payment from defaulting buyers upon prescription of the period for payment of the required amortizations subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*.

22. **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 in relation to its financial instruments which include financial assets comprising cash, receivables, advances to a related party, EIFVPL, EIFVOCI and refundable deposits included under "Other assets". This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group's business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group's overall risk management strategies and for approval of risk strategies and policies under the direction of the Group's BOD.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

There were no changes in the Group's financial risk management objectives and policies in 2020 and 2019.

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

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

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Group's debt financial assets are not subject to collateral and other credit enhancement except for real estate receivables. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

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

The Group's maximum exposure to credit risk is equal to the carrying values of its debt financial assets except for real estate receivables as discussed above. The table below shows the credit quality and aging analysis of the Group's financial assets:

	For three months ended 06/30/20 (Audited)	As of 12/31/19 (Audited)
Financial assets:		
Cash in banks*	**₱106,828,662**	₱73,834,354
Receivables**	**1,011,263,042**	891,377,189
Receivables from related parties	**114,385,359**	114,385,359
Refundable deposits	**36,965,742**	43,363,477
	₱1,269,442,806	₱1,122,960,379

** Excluding cash on hand amounting ₱1,296,022 and ₱1,165,527in 2020 and 2019, respectively.*
*** Excluding advances to officers and employees amounting to ₱4,097,865 and ₱1,318,906 in 2019 and 2018, respectively.*

The aging analysis of debt financial assets as of June 30, 2020 and December 31, 2019 are as follows:

	As of 06/30/20 (Unaudited)						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks*	₱106,828,662	₱106,828,662	-	-	-	-	-
Receivables**	1,146,493,720	1,138,043,250	₱3,414,265	₱2,226,408	₱1,309,389	₱1,026,028	₱474,380
Receivables from related parties	114,385,359	114,385,359	-	-	-	-	-
Refundable deposits	36,965,742	36,965,742	-	-	-	-	-
	₱1,404,673,484	₱1,396,223,014	₱3,414,265	₱2,226,408	₱1,309,389	₱1,026,028	₱474,380

	As of 12/31/19 (Audited)						
		Neither Past	Past Due But not Impaired				
	Total	Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks*	₱73,834,354	₱73,834,354	-	-	-	-	-
Receivables**	891,851,569	281,775,681	₱219,471,516	₱170,136,017	₱83,424,011	₱136,569,964	₱474,380
Receivables from related parties	114,385,359	114,385,359	-	-	-	-	-
Refundable deposits	43,363,477	43,363,477	-	-	-	-	-
	₱1,123,434,759	₱513,358,871	₱219,471,516	₱170,136,017	₱83,424,011	₱136,569,964	₱474,380

** Excluding cash on hand amounting ₱1,165,527.*
*** Excluding advances to officers and employees amounting to ₱1,318,906.*

Credit quality per class of the Group's financial assets are as follows:

As of 06/30/20 (Unaudited)

	Neither Past Due nor Impaired			Past Due but	Overdue and	Total
	High	Medium	Low	Not Impaired	Impaired	
Financial assets:						
Cash in banks*	₱106,828,662	-	-	-	-	₱106,828,662
Receivables**	1,141,457,515	-	-	₱4,561,825	₱474,380	1,146,493,720
Receivables from related parties	114,385,359	-	-	-	-	114,385,359
Refundable deposits	36,965,742	-	-	-	-	36,965,742
	₱1,399,637,278	-	-	₱4,561,825	₱474,380	₱1,404,673,484

As of 12/31/19 (Audited)

	Neither Past Due nor Impaired			Past Due but	Overdue and	Total
	High	Medium	Low	Not Impaired	Impaired	
Financial assets:						
Cash in banks*	₱73,834,354	-	-	-	-	₱73,834,354
Receivables**	281,775,681	-	-	₱609,601,508	₱474,380	891,851,569
Receivables from related parties	114,385,359	-	-	-	-	114,385,359
Refundable deposits	43,363,477	-	-	-	-	43,363,477
	₱513,358,871	₱0	₱0	₱609,601,508	₱474,380	₱1,123,434,759

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

- High quality financial assets include cash and cash equivalents, which include Cash in banks, refundable deposits, EIFVPL and EIFVOCI which are entered into with highly reputable counterparties. This also includes receivables with no default in payments.
- Medium quality financial assets are accounts which are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group's EIFVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.
- Low quality financial assets are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. This includes receivables with up to 3 defaults in payment.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Equity Price Risk. The Group's equity investments listed in the PSE and golf and club shares are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group is exposed to equity price risk with respect to EIFVOCI.

23. Segment Information

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of June 30, 2020;
- Holding - Holding of properties of every kind and description.

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

For the years ended June 30, 2020 and December 31, 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

	As of 06/30/20 (Unaudited)					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	₱365,547	₱22,052				₱387,600
Costs and expenses	89,603	20,407	-	-	-	110,011
Gross profit	275,944	1,645	-	-	-	277,589
General, administrative and selling	72,168	26,490	₱62	₱561	-₱1,750	97,531
Other income (expenses)	-39,182	-176		₱16,379	141,025	118,046
Income (loss) before income tax	164,594	-25,021	-62	15,818	142,775	298,104
Provision for (benefit from) income tax	40,815	-7,506	1	-		33,310
Net income (loss)	₱123,779	-₱17,515	-₱63	₱15,818	142,775	₱264,795
Net income attributable to:						
Owners of the Parent	₱123,779	-₱17,515	-₱63	₱15,818	₱142,775	₱264,795
Non-controlling interests	2,502	-		-	-	2,502
	₱123,779	-₱17,515	-₱63	₱15,818	₱142,775	₱267,297

	As of 06/30/20 (Unaudited)					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Other information						
Segment assets	₱6,098,924	₱1,048,576	₱920,990	₱362,336	-₱1,775,707	₱6,655,119
Deferred tax assets	14,659	3,775	19	3.2		18,456
Total Assets	6,084,266	1,044,801	920,971	362,333	-1,775,707	6,636,664
Segment liabilities	2,088,194	858,850	637,081	323,001	-1,665,122	2,242,004
Deferred tax liabilities	163,688	-	3	-		163,691
Total Liabilities	₱1,924,506	₱858,850	₱637,078	₱323,001	-₱1,665,122	₱2,078,313

	For the Year Ended December 31, 2019					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	₱964,086	₱63,724				₱1,027,810
Costs and expenses	-367,222	-49,684	–	–	–	-416,906
Gross profit	596,864	14,040	–	–	–	610,904
General, administrative and selling expenses	-201,509	-66,302	-₱472	-₱457	₱3,538	-265,202
Other income (expenses)	-2,087	-16,806	380,443	104,834	-185,700	280,684
Income (loss) before income tax	393,268	-69,068	379,971	104,377	-182,162	626,386
Provision for (benefit from) income tax	-120,042	1,326	1	–	-12,878	-131,593
Net income (loss)	₱273,226	-₱67,742	₱379,972	₱104,377	-₱195,040	₱494,793
Net income attributable to:						
Owners of the Parent Company	₱273,226	-₱67,742	₱380,010	₱104,377	-₱195,078	₱494,793
Non-controlling interests	–	–	-38	–	38	–
	₱273,226	-₱67,742	₱379,972	₱104,377	-₱195,040	₱494,793

	As of December 31, 2019					
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Other information						
Segment assets	₱5,740,190	₱1,275,544	₱1,423,671	₱1,193,626	-₱3,578,405	₱6,054,626
Deferred tax assets	–	3,775	–	–	9,239	13,014
Total Assets	5,740,190	1,279,319	1,423,671	1,193,626	-3,569,166	6,067,640
Segment liabilities	1,769,159	1,084,596	41,241	829,590	-1,784,043	1,940,543
Deferred tax liabilities	148,849	–	3	–	1,759	150,611
Total Liabilities	₱1,918,008	₱1,084,596	₱41,244	₱829,590	-₱1,782,284	₱2,091,154

24. Revenue from Contracts with Customers

Revenue Disaggregation

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	For three months ended 06/30/20 (Unaudited)	For three months ended 06/30/19 (Audited)
Type of product:		
Real estate sales		
House and lot units	**₱127,977,954**	₱288,437,162
Lot-only units		11,418,870
Sale of agricultural goods		
Crude palm oil	**2,158,894**	18,878,843
Palm olein	**1,679,268**	3,218,592
Palm kernel cake		1,132,848
Palm acid oil	**2,880,946**	637,991
Palm kernel	**175,984**	617,175
Palm stearin	**1,681,482**	
Palm fatty acid distillate	**2,858,080**	
Refined bleached deodorized oil		
Water service	**5,749,308**	11,079,804
	₱145,161,916	₱335,421,285

The real estate sales are revenue from contracts with customers that are recognized over time while revenue from water service and sale of agricultural goods are recognized at a point in time.

Performance Obligation
Information about the Parent Company's significant performance obligation is summarized below:

Real estate sales
The Parent Company entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payments of 10% to 25% in 2019 and 2018, respectively, of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment, in 2019 and 2018. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Parent Company's real estate projects. The Parent Company's real estate projects are completed within 6 months to 12 months, from start of construction.

25. Other Matters

Impasug-Ong and Kalabugao Plantations
The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

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; and,
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

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

Opol Plantation
The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with 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; and,
- 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.

In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners' a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested.

Subsequent Event - COVID-19 Outbreak
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On April 23, 2020, the President further extended the enhanced community quarantine in Metro Manila, Central Luzon, Calabarzon, and several provinces and islands in Luzon until May 15, 2020. On May 28, 2020, the President approved the transition to general community quarantine starting June 1, 2020 in Metro Manila, Region 2, Region 3, Region 4-A, Albay, Pangasinan and Davao City until further notice. Meanwhile, the rest of the country were placed under modified general community quarantine.

It also enjoined all government agencies and local government units (LGUs) to render full assistance and cooperation to mobilize the necessary resources, undertake critical, urgent, and appropriate responses and measures in a timely manner. Since the issuance of the proclamation, various LGUs throughout the country have issued their own quarantine and travel restrictions.

On March 16, 2020, the local government of Cagayan de Oro City issued an Executive Order to impose stringent social distancing measures in the city effective immediately. On March 19, 2020, Executive Order No. 049-2020 was issued, imposing a community quarantine throughout the city until further notice.

On March 17, 2020, the local government of Bukidnon issued an Executive Order No. 2020-13, imposing a community quarantine throughout the province. On April 27,2020, the province reverted to a general community quarantine after being placed under enhanced community quarantine for more than a week.

These measures have significantly impacted the Group's business due to travel restrictions/ban and temporary suspension of business operations and/or measures imposed by the authorities or companies. The impact of COVID-19 on the Group's business and operations continue to evolve.

The Group considers the events surrounding the pandemic as non-adjusting subsequent events, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2019 for the impact of COVID-19. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

EXHIBIT 1-A

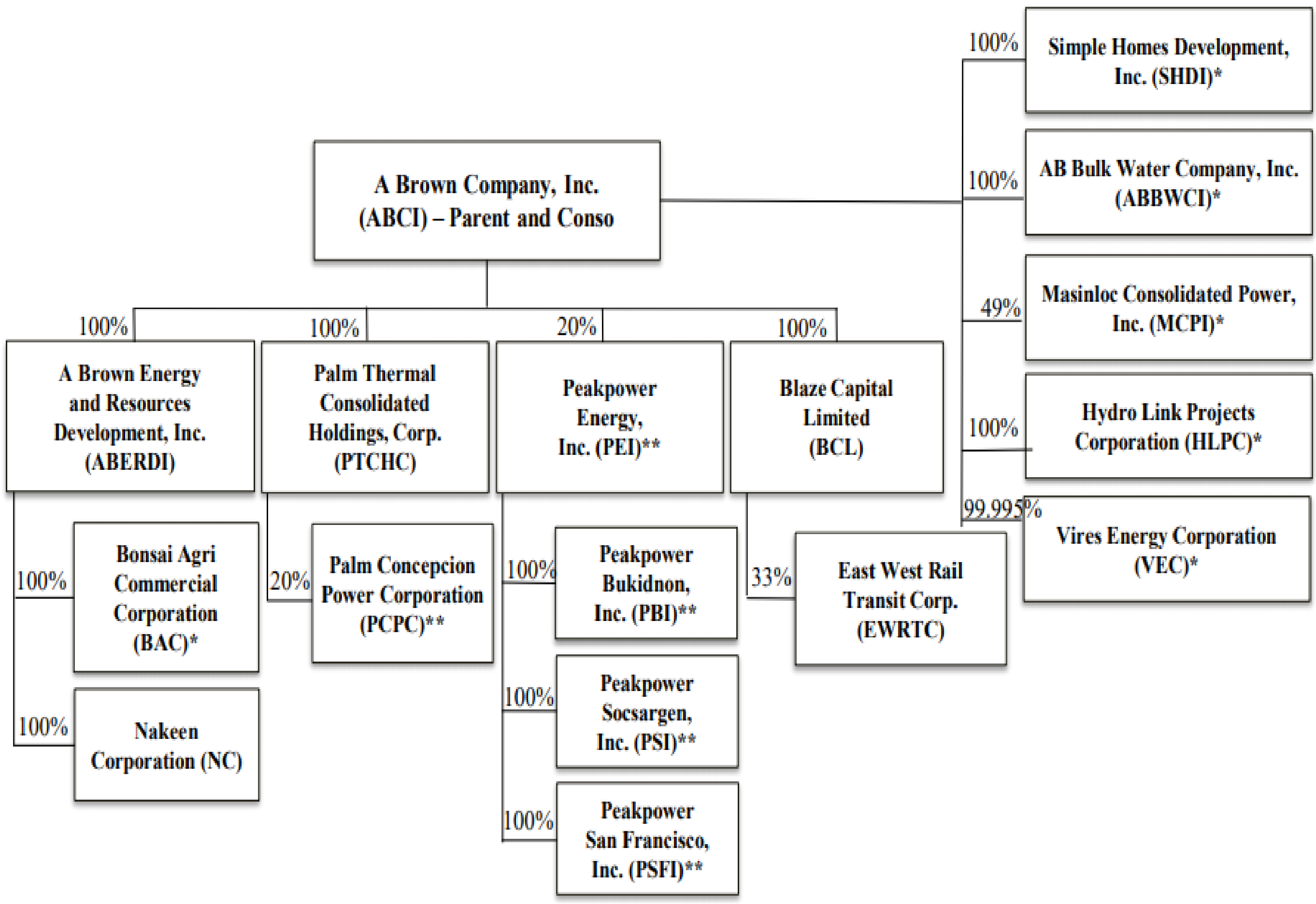
A BROWN COMPANY, INC. & SUBSIDIARIES
AGING OF INSTALLMENT CONTRACTS AND TRADE RECEIVABLES
As of June 30, 2020

	TOTAL	Long Term	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days
ABCI	834,082,229.68	144,498,286.74	679,876,554.84	2,910,535.91	2,985,627.36	2,362,612.83	1,448,612.00
ABERDI	7,340,061.71		842,401.00	14,730.00	7,308.00	2,678,101.07	3,797,521.64
TOTAL	841,422,291.39	144,498,286.74	680,718,955.84	2,925,265.91	2,992,935.36	5,040,713.90	5,246,133.64

EXHIBIT 1-B

Please refer to Note 23 – Segment Reporting

EXHIBIT 1-C
GROUP CHART



**Subsidiary*

***Associate*