A Brown Company, Inc.
2018 Annual Report

A BROWN COMPANY, INC.

BUILDING DREAMS

ANNUAL REPORT 2018

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Building dreams

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Contents

Message from the President and Chairman

TO OUR VALUED STOCKHOLDERS,

2018 has been the year that saw the A Brown Group through several developments, from project milestones to personnel changes to evolving industrial prospects.

The Company has always strived to work towards enlightened and happier communities and deliver quality products and services through innovative thinking, excellence-driven and responsible business practices, and a community-collaborative spirit. It is these values that have taken us through the challenges and successes, and enable us to look back on the past year with gratitude and fulfillment.

As you will see on the summarized financial (p. 6) and operational reports (pp. 8-11), the Company enjoyed sustained growth alongside the Philippine economy. Highlights include a 50% increase in revenue amounting to ₱274.6 million. These were driven by a spike in real estate sales, particularly in high-end and economic units, as well as an increase in sales of crude palm oil (a 158% increase), palm olein products, and water services.

The Philippine housing backlog remains high, with 67% of the demand for socialized or economic housing. The middle class is also a growing market for affordable housing, particularly the BPO and OFW sectors. Being at the forefront of real estate development in Mindanao, A Brown will continue to pursue real estate projects in key cities in the Land of Promise. Similarly, A Brown Energy and Resource Development, Inc. (ABERDI) is targeting the development of 2,000 hectares of palm oil plantation in Bukidnon and Misamis Oriental through growership programs to address the current local demand of 1.1 million metric tons of palm oil (the country only produces an average of 300,000 MT per year).

As economic activities continue to expand in Visayas, the first unit of the 2 x 135 MW coal-fired plant Palm Concepcion Power Corporation in Iloilo is now delivering power supply to Panay, Negros, and the rest of Visayas region. The bunker-fired power projects of Peakpower Energy, Inc. in South Cotabato, Agusan del Sur, and Bukidnon are all commercially operational as well, fulfilling their purpose of bringing reliable and affordable power supply to homes and businesses for the development of our host communities.

Along with pursuing other energy projects such as the 16.3 MW Carac-an Hydroelectric Project in Surigao del Sur, ABCI has ventured into infrastructure projects to address demand. AB Bulk Water Company Inc. aims to supply potable water to cater to the requirements of Misamis Oriental. The PNR East-West Rail Project is proposed as a 9.5-km line that would traverse Quezon City and Manila from España to UP Diliman, with 11 stations and interconnecting facilities with other lines. ABCI will be working with Russia's RUSATOM on the peaceful use of nuclear energy such as irradiation facilities for agricultural and medical use.

Most recently, ABCI is looking at venturing into a project that will address the problems of the local government units' solid waste disposal via the Metro Manila Solid Waste Management Project. As the current solid waste materials of Metro Manila is estimated to amount more than 10,000 tons a day, this Build-Operate-Transfer project involves the development of a fully-compliant sanitary landfill, materials recovery facility, and waste-to-energy facility. This area is still being explored as a potential business prospect.

The Company's performance will continue to hinge on the overall economic performance of the country—interest rate movements, good governance, pollitical stability and other factors may affect the performance of the various industries in which ABCI has investments.

With its thrust on the "Build Build Build" Program, the Duterte administration continues to exert all efforts to bring inflation within the government's target range of 2-4% from a 10-year high of 5.2% and to ensure price stability. The country's economy remained stable, on its seventh year with above-6% expansion. Next to India, Vietnam and China, the Philippines is still one of the fastest-growing economies in Asia.

Through our increasingly diversified ventures, and aided by invaluable insights from the past year, your Company will continue to focus on increasing revenue generation and profit by innovating new products and services that would meet customer expectations, reduction of costs, and increasing efficiency in operations to continuously provide the growth of shareholder value.

As we take on 2019, we are grateful to our partners in these industries, in the media, in the local and national government, and in our host communities for continuously helping the A Brown Group remain true to its commitment of building Filipino dreams.

DR. WALTER W. BROWN
CHAIRMAN

ROBERTINO E. PIZARRO
PRESIDENT AND CEO

Corporate Vision:

An enterprise working towards enlightened and happier communities for the common good.

PROPERTY: Making dreams come true for happier families.

AGRIBUSINESS: Be the country's leader in producing basic products sustainably for the world.

ENERGY & UTILITIES: Energizing the country's development.

Corporate Mission:

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

Shared Values:

PASSION FOR EXCELLENCE:
Order and discipline, initiative, innovativeness and enterprising, sound judgment, optimism and efficiency, competence and professionalism

FAMILY SPIRIT:
Unity, loyalty and concern, respect and humility, cheerfulness, generosity

INTEGRITY:
Love for God & others, moral integrity, honesty and credibility, stewardship, prudence

Financial Highlights

	2018	2017*	2016
Operating results			
Gross income	₱1,154,938,682	₱928,534,131	₱585,280,633
Net income	₱288,756,105	₱299,581,889	(₱76,806,916)
Equity holders of the parent company	288,774,597	299,590,438	(76,963,204)
Non-controlling interest	(18,492)	(8,549)	156,288
Return on assets[1]	5.42%	5.56%	(1.38%)
Return on equity[2]	8.66%	9.67%	(2.63%)
Financial Position			
Total current assets	2,751,434,903	2,319,538,577	1,339,798,350
Total assets	5,466,226,281	5,190,998,987	5,584,533,717
Total current liabilities	1,613,833,980	1,414,899,467	1,664,361,236
Total long-term debt, net of current portion	363,676,443	598,076,719	901,926,067
Total liabilities	1,977,510,423	2,012,976,185	2,566,287,303
Total equity	3,488,715,858	3,178,022,802	3,018,246,414
Equity holders of the parent company	3,485,220,679	3,174,509,131	3,014,724,194
Non-controlling interest	3,495,179	3,513,671	3,522,220
No. of shares outstanding	2,477,667,911	2,477,667,911	1,732,865,522
Weighted average no. of outstanding shares (WANOS)	2,477,667,911	2,178,995,345	1,732,865,522
Current ratio[3]	1.70:1	1.64:1	0.80:1
Current debt to equity ratio[4]	0.46:1	0.45:1	0.55:1
Total debt to equity ratio[5]	0.57:1	0.63:1	0.85:1
Earnings per share[6]	₱0.1166	₱0.1375	(₱0.0444)
Net book value per share[7]	₱1.407	₱1.281	₱1.740
Net asset value per share[8]	₱2.141	₱1.636	₱2.250

* As restated
[1] Net income divided by average total assets
[2] Net income divided by average stockholders' equity
[3] Current assets divided by current liabilities
[4] Current liabilities divided by stockholders' equity
[5] Total liabilities divided by stockholders' equity
[6] Net income attributable to the equity holders of the Parent Company divided by WANOS
[7] Total equity attributable to the equity holders of the Parent Company divided by no. of shares outstanding
[8] Total equity plus appraisal increase and potential gain on the market values of lot inventory attributable to the equity holders of the Parent Company divided by no. of shares outstanding





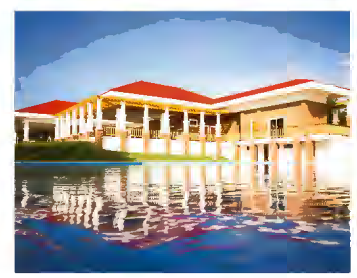




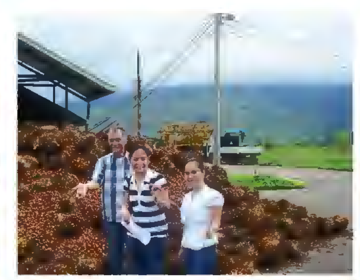


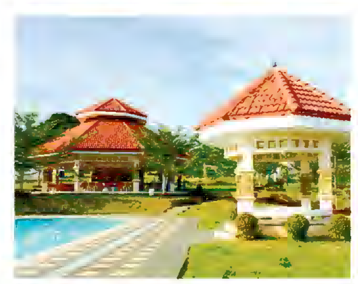









Operational Highlights | Real Estate

All real estate developments follow the concept of a mixed-use, nature-themed, well-planned integrated community. In recent years, the Company has expanded to economic and socialized housing projects.

Xavier Estates in Upper Balulang, CDO is the pioneer in premier mixed-use development in Northern Mindanao. It is a master-planned community with 24-hour security, tree-lined streets, high-pressure sodium streetlamps, centralized water supply system and treatment facility, airconditioned chapel, parks and playground, jog and bike paths, forest park and bird sanctuary. Nearby are schools, shops, gasoline station and Xavier Sports and Country Club. 50 lots sold in 2018.

Ventura Residences (Phase V-A) nestled inside Xavier Estates is the first venture of A Brown into the middle market house-and-lot package. There were three (3) units sold in 2018. Beside it is Ventura Lane, with 8 lots sold in 2018.

Xavierville Homes, adjacent to Xavier Estates, is an economic housing development. Phase 1 has an area of 1.8 hectares while Phase 2 has an area of 0.60 hectares for a total of 131 saleable lots. There were two (2) house and lot sold for 2018.

Teakwood Hills is located in Brgy. Agusan, CDO. It has a breathtaking view of the mountains and the sea, a perimeter fence with ingress and egress controlled by two gates, 24 hour security, private cul-de-sac with esplanades and parks. Its club house amenities include an infinity swimming pool and basketball court. 82 lots were sold in 2018.

Valencia Estates in Brgy. Lumbo, Valencia City, Bukidnon is patterned after the excellent standards of a plush subdivision, with a basketball court, a clubhouse with a swimming pool. 52 lots were sold in 2018.

St. Therese Subdivision is a socialized housing project in mid-Balulang. It is a 1.67-hectare project with 155 lots. There are 91 row houses; 38 duplexes and 17 single-attached units. 9 units are up for new design. 7 lots were booked in 2018.

Coral Resort Estates is a mixed-use development located in Initao, Misamis Oriental between CDO and Iligan. It is 27 kilometers away from Laguindingan International Airport. The development includes a ₱30 million clubhouse. Phase 1 of the project will comprise 82 lots. Cluster A has 42 saleable lots while Cluste B has 40 saleable lots. 10 lots sold in 2018.

West Highlands is a residential estate located in Brgy. Bonbon, Butuan City. It is a five-kilometer drive to major establishments and service facilities in the city. Phase 1 is 289 feet above sea level which gives an exclusive view of the historic Mt. Mayapay or the cityscape. There were 56 lots were sold in 2018. West Highlands Phase 2 was launched in October 2017 with 156 lots for sale. There are 75 fairway and 81 inner lots. West Highlands Golf Club features an all-weather, 9-hole golf course and a 16-lane driving range.

Mountain View Homes is another socialized housing project of ABCI in mid-Balulang, CDO. Phase 1 opened in February 2015 with 215 house and lot units while Phase 2 opened in November 2016 with 83 units. It is accessible to churches, schools, malls and commercial establishments. It has row houses with lot area of 50 sq.m. and floor area of 26sq.m. Single detached units have a lot area of 75-143 sq.m. and floor area of 36-38 sq.m. 57 house and lot were booked as sale in 2018.

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. It has single houses sufficiently spaced from each other with its own parking space and is certified flood-free with an elevation of 157 feet above river bank. A total of 71 house and lot were booked as sale in 2018.

NEW PROJECTS IN 2018

Mangoville, the "sosyal socialized housing" project in Brgy. Agusan, features duplex house designs and with own parking space with an elevation of 169 meters above sea level overlooking Macajalar Bay. It has 235 housing units.

Xavier Estates Phase 6 – Ignatius Enclave features single-detached house and lot units and prime lots. Aimed at fostering The Happy Community concept, the modern minimalist houses introduced ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. Abundant green open spaces shall also highlight the subdivision.

Xavier Estates Phase 5B – Ventura Residences II also features single-detached house and lot units and prime lots located by the ridge. It will have the same house colors of orange and cream as the first phase.

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-density with less than 46 lots for sale.

| Agribusiness

A Brown Energy and Resources Development, Inc. (ABERDI) extracts Fresh Fruit Bunches (FFB) to Crude Palm Oil (CPO) in its plant mill in Kalabugao, Impasug-ong, Bukidnon. The company also has an oil palm nursery and plantation in Kalabugao, in Tingalan, Opol and in Tignapoloan, Misamis Oriental.

ABERDI's refinery with fractionation machine operates at full capacity of 50 MT/day. It also produces Palm Olein, Palm Stearin, and Palm Fatty Acid Distillate in bulk sales. In 2016, it began producing Golden Belle premium cooking oil. Its products are now FDA- and Halal-certified.

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

The operating performance of the company for year 2018 posted an increase in net loss from previous year's net loss of ₱26.8 million to ₱41.2 million brought about by an increase of ₱30.3 million in income tax expense from income tax benefit of ₱9.6 million to ₱20.7 million income tax provision. The gross profit increased from ₱12.5 million to ₱17.6 million while the general and administrative expenses decreased from ₱39.6 million to ₱31.1 million, with loss before income tax of ₱20.6 million after deducting other charges – net amounting to ₱7.1 million. The sales of crude palm oil increased by 158% from ₱29.1 million in 2017 to ₱75.2 million this year The quantity sold increased by 149% from a volume 982.69 MT in 2017 to 2,446.49 MT in 2018 with the average selling price per MT slightly increased by 4% from ₱29,627.52 per MT last year to ₱30,740.03 per MT this year. Sales from kernels increased by 51% or and have a lower average price of ₱13,944.67 per MT as compared to the ₱14,285.22 per MT from previous year. The quantity sold rose up by 55% or 79.6 MT more than that of last year. Sales variance for palm kernel is ₱1.06 million or 51% favorable. Sale of RBDO increased by ₱2.3 million or 55% from that of 2017. Sales of PFAD decreased by ₱2.1 million from last year. Sales from palm acid oil is 201.73 MT compared from last year of 282.85 MT. Sales Volume variance is ₱796 thousand or 29% unfavorable. The price this year is 5% higher than that of last year. Sales of Palm Olein in 2018 was 52% less than that in 2017. Sale of Palm Stearin also increased by 4% from that of 2017. Cost of sales increased by 65% from last year's ₱50.3 million to ₱82.8 million this year. General and administrative expenses decreased by ₱8.5 million or 21% due to decrease in professional fees, security and janitorial services. The net loss before income tax amounted to ₱36.5 million in 2017 as compared to the net loss of ₱20.6 million this year due to lower operating expenses. Low production for year 2017 was caused by low supply of FFB due to El Nino.

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

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 ₱3,900 per MT, lower than the "comfortable" price of ₱5,000 per MT. The inventory was high, but the demand for palm oil declined last year, causing prices to fall.

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.

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.

Operational Highlights | Energy

COAL-FIRED POWER

Palm Concepcion Power Corporation (PCPC), the 2x135MW coal-fired power plant project in Concepcion, Iloilo started commercial operations of the first unit in 2016 and is now delivering power supply to Panay, Negros, and the rest of Visayas. Ten (10) distribution utilities and electric cooperatives signed up with PCPC for their base load power capacity requirements. 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.

BUNKER-FIRED POWER

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

After signing Power Purchase and Transfer Agreements for 20MW of peaking power supply with South Cotabato II Electric Cooperative and 5MW supply with Agusan del Sur Electric Cooperative in 2013, the respective plants Peakpower Soccsargen, Inc. (PSI) and Peakpower San Francisco, Inc. (PSFI) are commercially operational, supplying the needed power capacities in their franchise areas. Expansion of these two plants are also completed and commercial operations began last September 2017 and January 2018, respectively. A third plant, Peakpower Bukidnon, Inc. (PBI) which is a 2x5.2MW peaking plant and embedded to Bukidnon II Electric Cooperative, began commercial operations in March 2018.

HYDRO POWER

Hydro Link Projects Corporation (HLPC) is pursuing the Carac-an Hydroelectric Project 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. The DOE has granted HLPC the Hydropower Service Contract for the exclusive right to explore, develop and utilize the hydropower potential of the Caracan River located in Barangay Lobo and Cabangahan, Municipality of Cantilan, Surigao del Sur. It is likewise the source of Cantilan National Irrigation System, however, the water for the irrigation system will not be affected by this hydropower development.

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

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

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

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

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

| Infrastructure

BULK WATER SUPPLY PROJECT

The company is also venturing into bulk water supply in areas where there is no adequate potable water. AB Bulk Water Company, Inc. is ABCI's corporate vehicle pursuing a bulk water supply project in Opol, Misamis Oriental in partnership with the local government.

The project will tap the water resources of Lumayagan River at Opol which aims to supply about 15 to 20 MLD of potable water to cater to the present and future requirements of the municipality. Other potential service areas include the neighboring municipalities.

PNR EAST-WEST RAIL PROJECT

The PNR East-West Rail Project is proposed by the Consortium composed of East-West Rail Transit Corporation (EWRTC) as lead, and AlloyMTD Group of Malaysia. A Brown is the lead member in this Consortium. The project is proposed as a public-private partnership via the unsolicited route and structured as a hybrid of the Build-Transfer (BT) and Build-Operate-Transfer (BOT) schemes.

The proposed project will traverse Quezon City and Manil along the alignment of España Boulevard from Lerma straight to Quezon Avenue until the Quezon Memorial Circle, ending at the University Avenue in UP Diliman. It cover a 9.5-km mostly-elevated line, with 11 stations and interconnecting facilities with the proposed MRT7, MRT3, PNR, LRT1, and LRT2.

| Other ventures

IRRADIATION FACILITIES

A Brown signed a Memorandum of Understanding with Russia's RUSATOM International Network (RAIN) in June 2017 establishing bilateral cooperation in common areas of interest in the peaceful use of nuclear energy, exploration and/or development of infrastruture projects (i.e. hydropower, etc.) As a start, ABCI and Rusatom Healthcare, JSC signed a Framework Agreemen in September 2017 for the construction of agri-irradiation centers in the Philippines. The objective of the agreement is to affirm the commitment of the companies to move towards the execution of a viable network of irradiation centers. The network will provide commercial services of product treatment with ionizing radiation. It may also serve as a research platform for studies of irradiation technology's impact on various product properties.

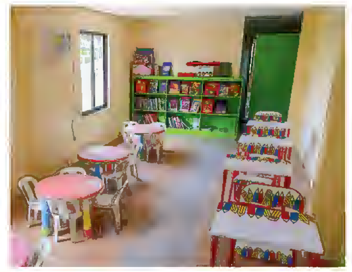
A Project Development Agreement between ABCI and Rusatom Healthcare was signed during the AtomExpo 2018 in Sochi, Russia for the conduct of Feasibility Study for the construction and operation of the facility.

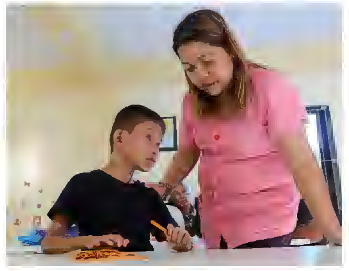
MINING

Apex Mining Company, Inc. (PSE: APX) is engaged in the business of mining and production of gold, silver, copper, lead and other precious metals. Its acquisition of Monte Oro Resources and Energy, Inc. (MORE) in 2014 expanded the mining business by taking over the mining business under MORE which includes the mineral processing plant and tenements in Jose Panganiban, in Camarines Norte and tenements in other provinces. It also includes a 30% 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 Valle]y continues to improve on its operation throughout, with 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. At the end of 2018, A Brown has 2.24% shareholdings in Apex.



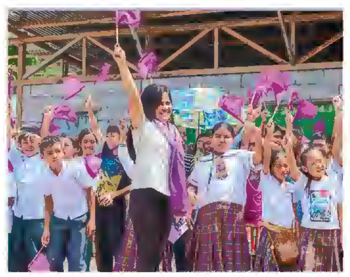






















Corporate Social Responsibility

EDUCATION

For 2018, the recipients of **ABCI Scholarship Program** are 4 college students, 2 senior high school students , 1 completed his studies in Professional Education and one graduated in BS Agriculture. Of 6 ABCI Scholars, one is in 3rd year college at Misamis Oriental State College of Agriculture and Technology taking up BS Agriculture. Two 3rd year college students are enrolled at Opol Community College taking up BS Business Administration. One is a 2nd year student in the same course. A Grade 11 and Grade 12 student are both enrolled at Opol National High School.

The **Build-and-Brighten-a-School Project** was instituted by Peakpower Soccsargen, Inc. (PSI) in its host community, in partnership with the Department of Education. PSI built a two-level classroom building with furniture and braille equipment for students with special needs in New Society Central Elementary School. PSI renovated the computer room, feeding center, guidance, administration and principal's office in GSC Elementary School for the Arts. PSI donated a multipurpose learning resource center, school furniture and airconditioner units for Lanton Elementary School. Turn-over ceremonites were held on July 5, 2018 in General Santos City.

FINANCIAL ASSISTANCE AND OUTREACH

Financial assistance serves to sustain partnership with **Indigenous People** (IPs) in Kalabugao to preserve peace and order in the community.

The Company's employees also extended financial assistance to **St. Joseph Golden Home**, a non-profit charitable foundation which serves as a home to indigent and abandoned older Filipino men and women, aged 65 years and older. The funds were collected during a gift-giving activity in January 2018 through Christmas caroling in Xavier Estates.

Similarly, PCPC held *Pamaskwa nga Halad sang PCPC* (*Pamaskong Handog ng* PCPC) on December 12, 2018. The company shared grocery packs, school supplies, and toys for 100 indigent children and their families.

ENVIRONMENT

ABCI and ABERDI, with participation of Envisage Envisage Security Agency, Interserve Management & Manpower Resources Inc. and Service Partners Inc. conducted a **Tree-Planting Activity** on October 11, 2018 at Adelaida, APR-Messina road, Ignatius Enclave & Ventura II.

PCPC, through its **Adopt-A-Mountain Program** in Mount Apitong, held tree-planting activities on June 25, 2018 in the slope protection area at the back of the power plant, and another one on October 5, 2018 with nearly 15,000 trees planted.

On March 24 and June 23, 2018, PCPC held clean up activities as part of the **Adopt-an-Estero** project in partnership with DENR, to conserve the Lilintian and Aslum Creeks located in PCPC's vicinity.

Meanwhile, a **Coastal Clean Up** activity during the yearly Tampisaw Festival in the Concepcion, Iloilo was led by PCPC on April 27, 2018. On August 17, a 100-strong group participated in PCPC's **Mangrove Planting Activity**. 500 mangrove seedlings were planted at the Greenbelt Area in front of the power plant.

HEALTH

In partnership with Philippine Red Cross, ABCI HR organized **Bloodletting Activities** in Cagayan de Oro City on April 4, August 13, and December 18, 2018 with a total of 55 bags of blood donated by 82 employees for the year. In the last nine years, this annual activity has yielded a total of 164,700 cc or almost 400 bags.

Another yearly initiative is PCPC's **Medical and Dental Mission** in partnership with Project Buligay of Concepcion LGU in Iloilo. Close to 400 patients who are residents of Nipa and Lo-ong were provided with free doctor's consultations, tooth extractions, medicines, and vitamins.

In partnership with Leads Environmental Health Products, an ***Iwas*-Dengue Awareness Program** was held on September 6-7, 2018 in Sitio Puntales, Brgy. Nipa, Concepcion, Iloilo. An orientation workshop was supported by more than fifty (50) households while close to 100 households benefited from a misting activity.

Board of Directors

DR. WALTER W. BROWN
DIRECTOR AND CHAIRMAN

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

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

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

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

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

ANNABELLE P. BROWN
DIRECTOR

Serving as Treasurer of ABCI from 1993 to 2011, 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, PRESIDENT AND CHIEF EXECUTIVE OFFICER

He was elected as President and Chief Executive Officer on December 7, 2018. Prior to his current position, he was an Executive Chairman begining September 28, 2016. He was the President of the company from August 2003 to Sept. 2016. He finished the course on Strategic Business Economic Program at University of Asia and the Pacific (Aug 2002–Aug 2003). He is the immediate past President and Member of the Board of Directors of Cagayan de Oro Chamber of Commerce and Industry.

He is also the President of ABERDI, Brown Resources Corporation, NAKEEN Corporation (February 26, 1997 to present), Xavier Sports and Country Club (1999 to present), Simple Homes Development, Inc., Bonsai Agricultural Corporation and Minpalm Agricultural Co., Inc. (2004 to present). He was the former President and now Director of Philippine Palmoil Development Council, Inc. (PPDCI). He has no directorship in other publicly- listed companies.

ROEL Z. CASTRO
*DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER

He joined the company last in May 2010 as EVP for Business Development. He finished his BS in Agricultural Business degree at UP Los Baños with Best Special Problem (Thesis) Award in 1988. He also earned his Master in Management at Asian Institute of Management with commendation from the faculty in 1997.

Prior to his resignation from A Brown Company, Inc., Mr. Castro is the President of the following companies: Palm Thermal Consolidated Holdings Corp., Palm Concepcion Power Corporation, Peakpower Energy, Inc., Peakpower Soccargen, Inc., Peakpower San Francisco, Inc., Peakpower Bukidnon, Inc., Hydro Link Projects Corp. These companies are engaged in power generation such as coal-fired, bunker-fired and development of hydro power. He is also President of Brownfield Holdings Inc., a private firm that has shares in ABCI and operates as an investment holding company. He has no directorship in other publicly-listed companies.

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

**Mr. Roel Z. Castro resigned as President and Chief Executive Officer and Director effective November 30, 2018 and December 31, 2018, respectively.*

ENGR. ELPIDIO M. PARAS
INDEPENDENT DIRECTOR

President and CEO: Parasat Cable TV, Inc., UC-1 Corporation, Arriba Telecontact, Inc. Trustee: Promote Northern Mindanao Foundation, Inc., Tourism Congress of the Philippines, Maria Reyna-Xavier University Hospital, Inc. Independent Director: Southbank. Founding member of Philippine Society for Orphan Disorders. (PSOD) Member: Philippine Association of Amusement Parks & Attractions. Director: Philippine Cable TV Association Mindanao. Former associations as President, Chairman or Member of the Board: CDO Chamber, Xavier University, CDO International Trade & Convention Center Foundation, Inc., Philippine Cable TV Association (currently Board Member for the Mindanao area). Currently a Trustee of the Tourism Congress of the Philippines. BS Mechanical Engineering from De La Salle University (DLSU).

He has no directorship in other publicly-listed companies.

DR. THOMAS G. AQUINO
INDEPENDENT DIRECTOR

Senior Fellow: Center for Research and Communication of UA&P. Chairman: NOW Corporation (PSE: NOW), REID Foundation. Independent Director: Alsons Consolidated Resources Inc. (PSE: ACR). Former Senior Undersecretary of the Department of Trade and Industry and lead negotiator for the Philippines-Japan Economic Partnership Agreement, the first bilateral free trade agreement for the Philippines. Recipient of the Presidential Service Award for extraordinary contribution of national impact on public interest, security and patrimony, and the Gawad Mabini Award with the rank of Grand Cross (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.

Dr. Aquino's professional expertise in several fields include: business strategy, trade, investments and technology promotions, industrial policy, international trade negotiations, economic policy related to reinvigorating manufacturing for regional and global competition. A.B. in Economics from UP. MS Industrial Economics from UA&P. Ph.D. in Management from IESE Business School, University of Navarre, Spain.

ATTY. ANTONIO S. SORIANO
DIRECTOR

Chairman, Xavier Sports and Country Club. Senior Managing Partner: Soriano, Saarenas & Llido Law Office. Corporate Secretary: RISE Foundation, Inc., ICS Development Corp., PACEMAN General Services, Kagayhaan-Davao Resources Management Corp., Kagayhaan-CDO Resources Management Corp. Chairman: Roadside Shops, Inc., Cagayan de Oro Medical Centre, Philippine National Red Cross, First Industrial Plastic Ventures, Inc. Active in civic and professional organizations like Integrated Bar of the Phils. – Misamis Oriental Chapter, Rotary Club of CDO, Philippine Association of Voluntary Arbitrators, Court of Appeals Mediation-Mindanao Station. Former Vice Mayor of Cagayan De Oro (1992-1995) where he was able to pass several ordinances and resolutions that contributed to the development of the City. Bachelor of Laws from University of the East (UE).

He has no directorship in other publicly-listed companies.

JOSELITO H. SIBAYAN
DIRECTOR

Independent Director: Apex (PSE: APX). SM Prime Holdings, Inc. (PSE: SMPH). President and CEO: Mabuhay Capital. He 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.

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. BS Chemical Engineering from DLSU. MBA from the University of California in Los Angeles.

RENATO N. MIGRIÑO
DIRECTOR AND TREASURER

Currently the Treasurer of Apex Mining Co., Inc. Independent Director: Mabuhay Vinyl Corporation (PSE: MVC). Director and Treasurer: Monte Oro Resources & Energy, Inc. and MORE Electric & Power Corporation. Prior to his joining A Brown, Mr. Migriño was Treasurer, Chief Financial Officer, Senior Vice President for Finance, and Compliance Officer of Philex Mining Corporation, Director and Chief Financial Officer of Philex Gold Inc., and Director of FEC Resources Inc., Silangan Mindanao Mining Co., Inc., Brixton Energy & Mining Corporation and Lascogon Mining Corporation. He was also formerly Senior Vice President & Controller of Benguet Corporation. He was formerly the Treasurer (from September 1, 2015 to March 28, 2017) and Director (from September 28, 2016 to March 28, 2017) of A Brown Company, Inc.

Mr. Renato N. Migriño assumed the position as Director and Treasurer on January 2, 2019.

JOEL A. BAÑARES
*DIRECTOR AND TREASURER

Appointed Treasurer of ABCI on May 4, 2017 and elected as Director on October 25, 2017. Fellow: Institute of Corporate Directors (ICD). Financial advisor to various power and infrastructure-related projects. Former associations as CFO, President, or VP. NGCP, National Steel Corp., Philippine National Bank, First Peninsula Securities Corp., Wincorp Securities. Former Independent Director of Marcventures Holdings Corp. (PSE: MARC). Former Undersecretary of Finance, in charge of International Finance and Privatization from 1998 to 2001. BS Business Economics from UP. MBA from the Wharton School of the University of Pennsylvania.

**Mr. Joel A. Bañares resigned as Director and Treasurer effective December 31, 2018.*

Company Officers

ATTY. MARIE ANTONETTE U. QUINITO, CPA
FROM VICE-PRESIDENT – COMPTROLLER TO CHIEF FINANCE OFFICER

She joined the A Brown Group as Comptroller in 2013. Former Chief Finance Officer from September 2015 to December 2017 as well as a Director. Became Vice President-Comptroller effective January 1, 2018. Assumed the CFO position effective March 1, 2019 upon the resignation of Ignacio A. Manipula. Former Staff Auditor of Sycip, Gorres Velayo and Co., CPAs (1997). former Finance and Admin Manager at SM Group of Companies. BS in Accountancy, Cum Laude at University of San Carlos. Master in Business Administration at Southwestern University. Bachelor in Laws from Xavier University – Ateneo de Cagayan. Finished 24 units in Doctor in Education Planning and Supervision at COC Phinma as well as courses with AIM and American Management Association.

IGNACIO A. MANIPULA
*SENIOR VICE PRESIDENT - CHIEF FINANCIAL OFFICER

Has 37 years of experience in banking, insurance and financial services: loans, finance and investments, deposits and cash management, trade finance and international operations, branch management, marketing & advertising, retail and institutional sales channel management, product development, corporate banking and relationship management, human resources management. Held key positions in various financial institutions: Sumitomo Mitsui Banking Corporation, Manila Branch (SMBC-Manila), Philippine Veterans Bank, Sun Life of Canada, Bank of the Philippine Islands (BPI) and has had extensive trainings and seminars for working professionals in these companies. BS Commerce Major in Marketing Management from DLSU. Masters in Management from AIM.

**Mr. Manipula resigned as the Sr. Vice President-Chief Finance Officer effective February 28, 2019.*

ENGR. JOHN L. BATAC
VICE-PRESIDENT – CONSTRUCTION AND DEVELOPMENT & CHIEF OPERATING OFFICER

Former Project Development Manager (1995-2000) and AVP (2008-14) of ABCI. Member: Philippine Institute of Civil Engineers, Philippine Society of Sanitary Engineers, Geodetic Engineers of the Philippines. Former Technical Consultant: Green Square Properties Corp. Former Instructor: International Training Center for Surveyors. BS Civil Engineering and Sanitary Engineering from UE. BS Geodetic Engineering at University of Northeastern Philippines.

Engr. Batac was elected concurrently as Chief Operating Officer starting January 1, 2019.

PAUL FRANCIS B. JUAT
VICE PRESIDENT

Mr. Juat 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 (PSE: AB) 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.

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

ATTY. JASON C. NALUPTA
CORPORATE SECRETARY

Corporate Secretary or Assistant Corporate Secretary of listed firms: Asia United Bank (AUB), Belle Corp. (BEL), Crown Asia Chemicals Corp. (CROWN), Pacific Online Systems Corp. (LOTO). 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 Corp., Metropolitan Leisure & Tourism Corpo., Sagesoft Solutions, Inc., Radenta Technologies, Inc., Xirrus, Inc., Glypthstudios, Inc., Loto Pacific Leisure Corp., Sta. Clara International Corp. Partner at Tan Venturanza Valdez specializing on corporate, securities, and business lawsv. BS Legal Management from Ateneo de Manila University. Juris Doctor from Ateneo Law School.

ATTY. DANIEL WINSTON C. TAN-CHI
ASSISTANT CORPORATE SECRETARY

Partner at Picazo Buyco Tan Fider & Santos. Corporate Secretary of, PTCHC, HLPC, Masinloc Consolidated Power, Inc., ABWCI, and 26 non-listed companies. 14 years of experience in the legal services industry: project and debt financing, mergers and acquisitions, joint ventures, labor disputes, real estate.

ALLAN ACE R. MAGDALUYO, CPA
COMPLIANCE OFFICER

Former Investor Relations Officer (2010) and Senior Finance Manager (2012) of ABCI. Licensed Real Estate Broker (2011) and Appraiser (2013). Former Accountant II: Department of Education – Division of Agusan Del Sur. Former Internal Auditor for an I.T. software company and former college instructor. BS Accountancy, Magna Cum Laude and College Leadership Award recipient from Mindanao State University – Marawi. Masters in Public Administration (CAR) from Bukidnon State University - San Francisco External Studies. MS Finance from UP Diliman.

Audit Committee Report

12 April 2019

The Board of Directors
A Brown Company, Inc.

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

Further to our compliance with applicable corporate governance laws and rules, we confirm for 2018 that:

- The Audit Committee is chaired by an independent director as determined by the Board of Directors;

- In the best interest of the Corporation, as well as the shareholders, that 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, upon the recommendation of the Audit Committee, with the approval of the stockholders of A Brown Company, Inc. has appointed Sycip Gorres Velayo & Co., CPAs (SGV) 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;

- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of A Brown Company, Inc. and Subsidiaries, or ABCI Group, as of and for the year ended December 31, 2018 with ABCI Group's management, which has the primary responsibility for the financial statements, and with Sycip Gorres Velayo & Co., CPAs (SGV), the ABCI Group's independent auditor, which is responsible for expressing an opinion on the conformity of the ABCI Group's audited financial statements with financial reporting standards;

- We have discussed with Sycip Gorres Velayo and Co., CPAs (SGV) the matters required to be discussed by the applicable regulatory requirements, which includes their independence from the ABCI Group and the ABCI Group's management. Sycip Gorres Velayo and Co., CPAs (SGV) has confirmed its independence and compliance with the requirements provided by the Code of Ethics for Professional Accountants in the Philippines;

- We have discussed with the ABCI Group's internal audit group and Sycip Gorres Velayo and Co., CPAs (SGV) the overall scope and plans for their respective audits. We also met with the ABCI Group's internal audit group and representatives from Sycip Gorres Velayo and Co., CPAs (SGV) to discuss the results of their examinations, their evaluations of the ABCI Group's internal controls and the overall quality of the ABCI Group's financial reporting;

Based on the reviews and discussions referred to above, in reliance on the ABCI Group's management with Sycip Gorres Velayo and Co., CPAs (SGV) and subject to the limitations of our role, we recommend to the Board of Directors and the Board has approved the inclusion of the ABCI Group's audited financial statements as of and for the year ended December 31, 2018 in the ABCI Group's Annual Report to the Stockholders and to the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission on SEC Form 17-A.

ELPIDIO M. PARAS
Chairman
Independent Director

ANTONIO S. SORIANO
Member
Director

APR 2 2 2019

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

Names	Passport No.	Date of Issue	Place of Issue
Elpidio M. Paras	P7154412A	May 12, 2018	DFA – Cagayan de Oro
Antonio S. Soriano	P6300499A	March 17, 2018	DFA – Cagayan de Oro

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

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Statement of Management's Responsibility

12 April 2019

The Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

The management of A Brown Company, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

APR 2 2 2019

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

Names	Passport No.	Date of Issue	Place of Issue
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

Attorney's Roll No.

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Independent Auditors' Report

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

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

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of A Brown Company Inc. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Matter

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adoption of PFRS 15, Revenue from Contracts with Customers

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

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

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

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

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

Audit Response

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

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

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

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

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

Adoption of PFRS 9, Financial Instruments

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

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

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

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

Audit Response

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

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

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

Independent Auditors' Report

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

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

Impairment of Property, Plant and Equipment

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

Audit Response

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

Accounting for the investments in significant associates

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

Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of the associates. We also obtained an understanding of the business transactions, the revenue recognition process, and reviewed material items and other accounts that may have a material effect on the Group's share in the 2018 earnings of the associates. We obtained the financial information of the associates for the year and recomputed its share in the 2018 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, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

John T. Villa

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

April 12, 2019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
APR 25 2019
RECEIVED

Consolidated Statements of Financial Position

AS DECEMBER 31, 2018 (WITH COMPARATIVE FIGURES AS OF DECEMBER 31, 2017 AND JANUARY 1, 2017)

	2018	2017 (As restated see Note 2)
ASSETS		
Current Assets		
Cash (Note 4)	**₱75,730,032**	₱93,812,552
Current portion of receivables and contract assets - net (Note 5)	**383,394,767**	280,159,775
Real estate held for sale (Note 6)	**1,664,578,771**	1,415,900,121
Inventories (Note 7)	**79,564,205**	84,943,191
Advances to a related party (Note 15)	**86,896,516**	163,156,701
Equity instruments at fair value through profit or loss (EIFVPL) (Note 9)	**233,170,738**	–
Prepayments and other current assets (Note 8)	**228,099,874**	281,566,237
Total Current Assets	**2,751,434,903**	2,319,538,577
Noncurrent Assets		
Noncurrent portion of receivables and contract assets - net (Note 5)	**180,140,939**	139,171,066
Available-for-sale (AFS) investments (Note 9)	**–**	457,014,387
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9)	**168,647,685**	–
Investments in associates (Note 10)	**1,232,298,149**	1,073,210,253
Investment properties - net (Note 11)	**115,269,635**	181,433,958
Property, plant and equipment - net (Note 12)	**892,143,269**	913,920,940
Deferred tax assets - net (Note 20)	**12,532,479**	38,430,497
Other noncurrent assets (Note 21)	**113,759,222**	68,279,309
Total Noncurrent Assets	**2,714,791,378**	2,871,460,410
TOTAL ASSETS	**₱5,466,226,281**	₱5,190,998,987
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱532,694,397**	₱417,670,221
Short-term debt (Note 16)	**687,048,719**	544,500,000
Current portion of long-term debt (Note 16)	**325,725,830**	395,541,029
Deposit from customers and contract liabilities (Note 14)	**68,365,034**	57,188,217
Total Current Liabilities	**1,613,833,980**	1,414,899,467
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**272,121,907**	497,158,008
Retirement benefit obligation (Note 19)	**33,721,642**	26,809,512
Deferred tax liabilities - net (Note 20)	**57,832,894**	74,109,199
Total Noncurrent Liabilities	**363,676,443**	598,076,719
Total Liabilities	**1,977,510,423**	2,012,976,185
Equity		
Capital stock (Note 17	**₱2,477,668,925**	₱2,477,668,925
Additional paid-in capital (Note 17)	**637,968,859**	637,968,859
Retained earnings (Note 17)	**648,147,097**	259,592,539
Cumulative unrealized loss on AFS investments and EIFVOCI	**(265,423,108)**	(189,358,490)
Other components of equity	**(13,141,094)**	(11,362,702)
Total Equity Attributable to Equity Holders of the Parent Company	**3,485,220,679**	3,174,509,131
Non-controlling Interest (Note 17)	**3,495,179**	3,513,671
Total Equity	**3,488,715,858**	3,178,022,802
TOTAL LIABILITIES AND EQUITY	**₱5,466,226,281**	₱5,190,998,987

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE FIGURES FOR 2017 AND 2016)

	2018	2017	2016
REVENUES			
Real estate sales	**₱705,185,689**	₱470,335,294	₱352,538,122
Sale of agricultural goods	**100,440,355**	62,844,831	113,739,928
Water service income	**20,441,816**	18,244,766	17,791,359
	826,067,860	551,424,891	484,069,409
COST AND EXPENSES			
Cost of real estate sales (Note 6)	**293,665,861**	235,023,561	168,539,126
Cost of agricultural goods sold (Notes 7)	**82,826,053**	50,886,827	90,550,558
Cost of water service income	**9,625,079**	7,642,510	5,430,799
	386,116,993	293,552,898	264,520,483
GROSS PROFIT	**439,950,867**	257,871,993	219,548,926
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**318,401,128**	253,653,513	178,596,216
OTHER INCOME (EXPENSES)			
Share in net income (loss) of associates (Note 10)	**252,093,316**	92,018,263	(85,626,953)
Gain on sale AFS investments (Note 9)	**–**	265,837,561	–
Gain on sale of EIFVPL (Note 9)	**50,039,440**	–	–
Unrealized foreign exchange gain (loss)	**14,704,981**	347,371	(70,965)
Impairment loss (Note 12)	**(17,559,508)**	–	–
Interest expense (Note 16)	**(84,031,327)**	(85,542,204)	(102,196,839)
Other income - net (expense) (Note 22)	**12,033,085**	18,906,045	104,846,725
	272,279,987	291,567,036	(83,048,032)
INCOME (LOSS) BEFORE INCOME TAX	**348,829,726**	295,785,516	(42,095,322)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	**40,240,501**	7,678,114	33,009,366
Deferred	**19,833,120**	(11,474,487)	1,702,228
	60,073,621	(3,796,373)	34,711,594
NET INCOME (LOSS)	**288,756,105**	299,581,889	(76,806,916)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan - net of tax effect	**4,806,470**	(1,212,499)	9,669,005
Exchange differences in foreign currency translation	**(6,584,862)**	3,480,210	–
Net change in fair value of AFS investments and EIFVOCI	**28,900,000**	(613,817,909)	273,457,893
	27,121,608	(611,550,198)	283,126,898
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱315,877,713**	(₱311,968,309)	₱206,319,982
Net income (loss) attributable to:			
Equity holders of the Parent Company (Note 17)	**₱288,774,597**	₱299,590,438	(₱76,963,204)
Non-controlling interests (Note 17)	**(18,492)**	(8,549)	156,288
	₱288,756,105	₱299,581,889	(₱76,806,916)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company (Note 17)	**₱315,896,205**	₱311,976,858	₱206,163,694
Non-controlling interests (Note 17)	**(18,492)**	(8,549)	156,288
	₱315,877,713	(₱311,968,309)	₱206,319,982
Basic earnings (loss) per share (Note 17)	**₱0.12**	₱0.14	₱0.04

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE FIGURES FOR 2017 AND 2016)

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE FIGURES FOR 2017 AND 2016)

	2018	2017 (As restated - see Note 2)	2016 (As restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before income tax and noncontrolling interest	**₱348,829,726**	₱295,785,516	(₱42,095,322)
Adjustments for:			
Loss (gain) on sale of:			
AFS investments and EIFVPL (Note 9)	**(50,039,440)**	(265,837,561)	–
Investment property (Notes 11 and 22)	**–**	–	(72,350,527)
Property, plant and equipment (Notes 12 and 22)	**(2,966,668)**	29,673	(1,461,023)
Share in net loss (income) of an associate (Note 10)	**(252,093,316)**	(92,018,263)	85,626,953
Interest expense (Note 16)	**84,031,327**	85,542,204	102,196,839
Depreciation (Note 12)	**16,442,595**	11,739,258	12,226,093
Unrealized gain on EIFVPL (Note 9)	**23,267,632**	–	–
Impairment loss (Note 12)	**17,559,508**	–	–
Interest income (Notes 4, 5 and 22)	**(2,281,599)**	(6,411,751)	(10,503,310)
Retirement benefit expense (Note 19)	**8,676,690**	5,245,687	4,691,139
Unrealized foreign exchange loss (gain)	**(14,704,981)**	347,371	(70,965)
Operating income before working capital changes:	**176,721,473**	34,422,134	78,259,877
Decrease (increase) in:			
Receivables and contract asset	**(112,001,504)**	(92,596,769)	95,320,884
Inventories	**7,955,089**	9,339,568	(2,026,778)
Prepayments and other current assets	**(3,780,812)**	11,196,872	(2,096,314)
Real estate held for sale	**(144,031,131)**	(21,987,866)	27,827,673
Increase (decrease) in:			
Accounts and other payables	**112,132,964**	218,217,514	9,623,976
Deposits from customers and contract liabilities	**11,176,817**	13,588,616	3,094,673
Net cash from operations	**48,172,896**	172,126,069	210,003,991
Income tax paid	**(40,240,501)**	(33,999,991)	(17,168,849)
Interest received (Notes 4, 5 and 22)	**2,281,599**	6,411,751	10,503,310
Contributions to plan assets	–	1,000,000	(129,317)
Net cash from operating activities	**10,213,994**	145,591,829	203,209,135
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
EIFVPL (Note 9)	**122,755,440**		
Property, plant and equipment (Note 12)	**3,908,516**	478,699	2,272,467
AFS investments (Note 9)	–	387,541,250	–
Investment properties (Note 11)	–	–	107,109,676
Dividends received from associates (Note 5)	**13,005,420**	–	–
Acquisition of associate	**–**	(74,884,999)	–
Proceeds from (additions to)			
Property and equipment (Note 12)	**(22,145,941)**	(29,252,620)	(51,725,642)
Noncurrent assets	**3,242,445**	470,948	–
Investment properties	**–**	(175,874)	(150,575)
Collection of advances to a related party	**76,260,185**	225,874	(5,000,000)
Net cash from investing activities	**197,026,065**	284,403,278	52,505,926

(Forward)

(Carryforward)

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

Notes to Consolidated Financial Statements

1. Corporate Information

A Brown Company Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc to primarily engage in the business of property development and to invest in shares of stocks of listed companies.

On October 1, 1992, ABCI amended its articles of incorporation to change its registered name to EPIC Holdings Corporation, which was further amended on July 1, 1993 to its current registered name. On February 9, 1994, ABCI was listed in the Philippine Stock Exchange. ABCI is owned by various individual stockholders.

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

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

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements have been prepared using the historical cost basis, except for EIFVPL and EIFVOCI that are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional currency of the Group. All amounts are rounded off to the nearest ₱, except when otherwise indicated.

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

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

	Effective Percentage of Ownership		
	2018	2017	2016
A Brown Energy and Resource Development Inc. (ABERDI)	**100**	100	100
Nakeen Corporation (NC)	**100**	100	100
Bonsai Agri Corporation (BAC)*	**100**	100	100
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
Blaze Capital Limited (BCL)*	**100**	100	–
Simple Homes Development Inc. (SHDI)*	**100**	100	100
Masinloc Consolidated Power Inc.**	**49**	49	49

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

Investment in BCL
On May 22, 2017, the Parent Company acquired 100% stockholdings of BCL, a company incorporated in the British Virgin Islands on August 8, 2011. BCL has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The Group does not have any share-based transactions. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

Consolidated statement of financial position

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

Consolidated statement of comprehensive income

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

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

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

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

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. Subsequently on October 25, 2018, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 (the Memorandum) which provides relief to the real estate industry by deferring the application of the following provisions of the PIC Q&A No. 2018-12 (Q&A) for a period of three years until December 31, 2020:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.
d. Accounting for Cancellation of Real Estate Sales in PIC Q&A No. 2018-14.

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

The Memorandum also provided the mandatory disclosure requirements should the real estate company decided to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A
- Qualitative discussion of the impact to the financial statements had the concerned application guideline in the PIC Q&A has been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

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

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

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

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

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

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

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

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

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

Consolidated statement of financial position

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

Consolidated statement of comprehensive income

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

- The Group has determined that there is only one performance obligation in the contract to sell. The Group has determined that each of its contracts to sell covering subdivision land and residential house units has a single performance obligation together with the services to transfer the title of real estate property upon full payment of the buyer. Output method was used for the measure of progress.
- PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*
  On March 14, 2018 the PIC issued PIC Q&A 2018-11 which provides guidance on the correct classification of land owned by a real estate developer in accordance with PAS 2, *Inventories*, PAS 40, *Investment Property or* PAS 16, *Property Plant and Equipment*.
  The Group adopted PIC Q&A 2018-11 and complied with the classification requirement of its land in accordance with the interpretation in the Group's consolidated financial statements and correspondingly, the Group reclassified its land held and improvements amounting to ₱648.75 million to real estate held for sale as of December 31, 2017. The Group no longer presented a third balance sheet because it does not have a significant impact on the financial statements.

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

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

Consolidated statement of cash flows

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

Consolidated statement of cash flows

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

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

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

  Since the Group's current practice is in line with the clarifications issued, the amendment does not have a significant effect on the Group's consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

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

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

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

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

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

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

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

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

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

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

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

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

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

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

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

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

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Cash
Cash includes cash on hand and in banks.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

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

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

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

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

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

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

AFS investments
AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported under "Net change in fair value of AFS investments" account in other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is recognized in statement of comprehensive income.

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

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

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

Notes to Consolidated Financial Statements

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

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

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

Financial Instruments - Initial Recognition, Subsequent Measurement and Reclassification (upon adoption of PFRS 9)
Initial recognition
The Group classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

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

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

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets designated at fair value through OCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Financial assets at FVOCI
Debt instruments. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the

financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

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

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

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

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

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

This accounting policy applies to the Group's quoted equity instruments.

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

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

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

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Real Estate Held for Sale
Real estate held for sale are initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the development and improvement of the properties. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

Borrowing Cost
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes real estate held for sale and property, plant and equipment, is being constructed are capitalized as part of the cost of that asset. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and
(ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

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

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

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

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

Investments in Associates
Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for under the equity method. Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition. Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. The carrying value is also decreased for any cash or property dividends received.

Investment Properties
Investment properties consist of properties held to earn rental income, for capital appreciation or both. These are initially recorded at cost, including transaction cost. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation for depreciable investment properties is computed on a straight-line method over estimated useful lives ranging from 10 to 20 years. The useful lives and depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from the use of the properties for lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Input VAT
Deferred input VAT represents portion of input VAT incurred and paid in connection with purchase of capital assets in excess of ₱1.00 million per month. As provided by Republic Act No. 9337 which is implemented by Revenue Regulation 4-2007, said portion of the input VAT shall be deferred and depreciated over the shorter of the expected useful lives of said capital asset or five years, whichever is shorter. Deferred Input VAT is stated at its realizable value.

Creditable Withholding Tax (CWT)
CWTs, which are included under "Prepayments and other current assets" account in the consolidated statements of financial position, is recognized for income taxes withheld by customers. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

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

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

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

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

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

Revenue Recognition (Upon adoption of PFRS 15)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group
expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost and Expense Recognition (prior to and upon adoption of PFRS 15)
Costs of goods sold are recognized when goods are sold upon delivery to buyers. Cost of service, operating and other expenses which include expenses related to administering and operating the business and are expensed upon utilization of the service or at the date they are incurred.

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

Income from forfeited deposits
Income from forfeited collections recorded under "Other income" is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

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

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

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

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

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

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

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

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

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

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

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

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

- *Quantitative criteria*

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

- *Qualitative criteria*

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

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

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

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

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

Evaluation of impairment of financial assets under PAS 39
Recoverability of specific receivables including amounts due from related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible. In the case of refundable utility deposits, the Group considers the utility service companies' ability to continuously provide the services. Any increase in impairment on financial assets would increase operating expenses and decrease the related accounts.

The Group's allowance for doubtful accounts amounted to ₱474,380 as of December 31, 2017 (see Note 5).

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

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

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

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

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

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

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

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

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

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (e.g. property and equipment and investment in associates) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

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

The carrying values of the nonfinancial assets follow:

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

**Excluding refundable deposits*

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

Estimating total units of output for bearer plants
The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the bearer plants. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. The carrying amount of bearer plants, amounted to ₱332.77 million and ₱350.89 million as of December 31, 2018 and 2017, respectively (see Note 12).

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

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

4. Cash

This account consists of:

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

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

5. Receivables and contract assets - net

This account consists of:

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

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

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

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

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

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

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

6. Real Estate Held for Sale

This account consists of:

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

The roll forward of this account follows:

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

In 2018, the Group had no general or specific borrowing attributable to its on-going constructions.

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

7. Inventories

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

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

8. Prepayments and Other Current Assets

This account consists of:

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

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

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

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

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

9. EIFVPL, EIFVOCI and AFS Investments

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

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

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

The rollforward analysis of investments in EIFVOCI and EIFVPL follows:

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

The rollforward analysis of AFS investments follows:

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

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

10. Investment in Associates

The Group's investments in associates are shown below:

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

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

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

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

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

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

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

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

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

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

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

Investment in EWRTC
The Group has 33.33% investment in EWRTC through BCL. The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in Manila. On July 12, 2017, a new investor was given the option to participate in the PNR East West Railway Project as an additional consortium member subject to certain conditions and approval of the PNR.

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

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

11. Investment Properties - net

The Group's investment properties are classified as follows:

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

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

Land held for capital appreciation are as follows:

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

Land held for lease are as follows:

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

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

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

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

12. Property, Plant and Equipment - net

The composition and movements of this account are as follows:

2018

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

2017

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

There are no contractual commitments to purchase property and equipment.

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

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

In 2018, management assessed that the carrying amount of bearer plants may not be fully recoverable due to the three-year consecutive operating losses of the Group's agricultural segment. Accordingly, the Group preformed and impairment test review and recognized an allowance for impairment loss on it bearer plants amounting to ₱17.56 million in 2018. The recoverable amount is the value in use computed by discounting the future cash flows using a discount rate of 7.07%.

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

13. Accounts and Other Payables

This account consists of:

	2018	2017
Trade accounts payable	₱405,047,650	₱344,932,701
Accrued expenses	43,638,421	20,069,216
Output VAT	32,290,658	9,303,014
Construction bond and retention payable	24,100,743	21,239,596
Statutory payables	11,748,227	8,058,673
Accrued interest payable	9,964,349	7,073,136
Other payables	5,904,349	6,993,885
	₱532,694,397	₱417,670,221

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

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

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

14. Deposits from Customers and Contract Liabilities

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

15. Related Party Transactions

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

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

a. Short-term debt

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

b. Advances made to an associate

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

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

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

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

16. Loans Payable

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

Short-term debt consists of:

2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱90,000,000	₱100,000,000	(₱90,000,000)	₱100,000,000	6.75% to 8.50%	Payable 90 days to 1 year, secured by real estate mortgage
UCPB	50,000,000	10,000,000	(9,604,800)	50,395,200	6.00% to 7.50%	
CBC	390,000,000	10,000,000	(300,000,000)	100,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
DBP	–	59,680,000	–	59,680,000	4.75% to 6.27%	
Shareholders	14,500,000	368,973,519	(6,500,00)	376,973,519		Due upon demand
	₱544,500,000	₱548,653,519	(₱406,104,800)	₱687,048,719		

2017

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

Long-term debt consists of:

2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱176,512,949	₱100,000,000	(₱112,125,768)	₱164,387,181	5.56% to 9.10%	
AUB	169,968,825	-	(103,749,333)	66,219,491	5.50%	Payable in
BPIC	28,800,000	-	(16,800,000)	12,000,000	5.23%	installment from 1
UCPB	276,835,788	-	(96,616,980)	180,218,808	5.25%	to 4 years; secured
MBI	13,333,333	-	(13,333,333)	-	5.50% to 6.38%	by real estate
DBP	30,773,360	-	(6,562,500)	24,210,860	5%	mortgage
PBCOM	86,914,595	-	(24,242,377)	62,672,218	8.00% to 8.5%	
CBC	1,489,801	8,815,298	(1,700,475)	8,604,626	8.08% to 10%	
BPIF	108,070,385	-	(28,535,831)	79,534,554	5.5%	Payable within 1 - 4 years
Total	892,699,036	108,815,298	(403,666,597)	597,847,737		
Current	395,541,029	-	-	325,725,830		
Noncurrent	₱497,158,007	₱–	₱–	₱272,121,907		

2017

Bank	Beginning Balance	Availments	Repayments	Outstanding Balance	Interest per annum	Terms
UBP	₱257,735,858	₱–	(₱81,222,910)	₱176,512,949	5.56% to 5.78%	
AUB	218,910,325	–	(48,941,500)	169,968,825	5.00% to 5.50%	Payable in
BPIC	45,600,000	–	(16,800,000)	28,800,000	5.23%	installment from 1
UCPB	379,583,364	–	(102,747,576)	276,835,788	5.25%	to 4 years; secured
MBI	33,333,333	–	(20,000,000)	13,333,333	5.5% to 6.38%	by real estate
DBP	35,000,000	–	(4,226,640)	30,773,360	5.0%	mortgage
PBCOM	–	94,242,601	(7,328,006)	86,914,595	8.0% to 8.5%	
CBC	1,089,032	900,000	(499,231)	1,489,801	8.08% to 10%	
BPIF	144,220,027	900,000	(499,231)	1,489,801	5.5%	Payable within 1-4 years
Total	1,115,471,940	95,142,601	(317,915,504)	892,699,036		
Less: Current	490,807,654	–	–	395,541,029		
Noncurrent	₱624,664,286	₱–	₱–	₱497,158,008		

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

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

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

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

17. Equity

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

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

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

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

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

As of December 31, 2018 and 2017, the Group has 3,300 million shares of authorized common stock with par value of ₱1.00 each. As of December 31, 2018 and 2017, 2,478.67 million of these shares with a total par value of ₱2,477.67 million were issued and outstanding.

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities: SEC-BED Order No. 1179 issued on December 17, 1993 amounting to ₱200.0 million; SEC-BED Order No. 847 issued on August 15, 1994 amounting to ₱230.0 million and SEC-CFD Order No. 64 issued on March 12, 1996 totaling ₱530.0 million. Common shares are the only equity securities registed and issued by the Group.

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

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

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

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

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

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks. The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

Debt consists of short-term and long-term debts. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding other components of equity and cumulative unrealized loss on AFS investments and EIFVOCI amounting to ₱3,763.17 million and ₱3,375.23 as of December 31, 2018 and 2017, respectively.

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

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

The share price closed at ₱0.79 on December 29, 2018 and ₱1.00 on December 29, 2017.

18. General, Administrative and Selling Expenses

This account consists of:

	2018	2017	2016
Personnel cost	**₱93,887,224**	₱68,217,305	₱48,447,350
Marketing	**55,929,765**	43,141,610	33,319,862
Taxes and licenses	**32,606,761**	34,278,530	20,256,885
Outside services	**26,179,208**	17,857,217	11,388,296
Depreciation	**16,442,595**	11,739,258	12,226,093
Rental	**17,255,578**	7,624,645	5,835,795
Professional fees	**17,505,787**	23,720,898	6,460,279
Transportation and travel	**9,867,474**	9,561,038	5,792,897
Utilities and supplies	**11,275,592**	8,646,046	7,091,852
Retirement benefits (Note 19)	**9,676,690**	5,245,687	4,691,139
Repairs and maintenance	**4,921,622**	4,609,578	5,044,302
Insurance	**2,115,412**	1,716,128	878,792
Board meetings	**1,354,227**	817,445	1,152,846
Directors fee	**1,349,500**	2,270,500	1,119,821
Subscription and dues	**896,266**	694,547	1,954,960
Entertainment, amusement and recreation	**872,869**	644,114	989,410
Trainings and seminars	**870,346**	610,996	240,865
Bank charges	**74,265**	57,459	153,309
Bad debts	**–**	21,155	–
Others	**16,319,947**	12,179,357	11,551,463
	₱318,401,128	₱253,653,513	₱178,596,216

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

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

19. Retirement Benefit Obligation

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

Actuarial valuations are made with sufficient regularity at least every one or two years. The last actuarial valuation dated April 3, 2018 was made for the retirement liability and expense as of and for the year ended December 31, 2017.

Responsibilities of Trustee

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

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

Plan Amendments, Curtailments, or Settlements

There were no plan amendments or curtailments in 2018, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

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

20. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

	2018	2017	2016
Provision for income tax computed at statutory rate	₱104,648,918	₱88,735,655	(₱12,628,597)
Adjustments for:			
Nontaxable income	(91,542,523)	(107,356,747)	25,688,086
Nondeductible expenses	8,753,122	12,061,536	7,970,969
Change in unrecognized deferred tax assets	35,714,597	1,419,283	2,077,431
Expired NOLCO	1,415,977	309,895	11,483,341
Interest income subjected to final tax	(6,162)	(56,504)	(4,413)
Expired MCIT	1,090,692	1,090,509	124,777
	₱60,073,621	(₱3,796,373)	₱34,711,594

21. Operating Lease Agreements

Operating lease - Group as a Lessor
The Group leased its various properties under operating leases. The term of the lease agreements is for three (3) to ten (10) years and is renewable upon mutual agreement of both parties. The lease agreements that are existing as of December 31, 2018 and 2017 will expire in various dates in 2019. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

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

Operating lease - Group as a Lessee
The Group entered into operating lease agreements with related and non-related parties for its warehouse and offices in Cagayan de Oro City and Metro Manila. The terms of the lease agreements are for one year and renewable upon the agreement of both parties.

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

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

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

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

22. Other Income - net

This account consists of:

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

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

23. Financial Instruments

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

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

Cash, receivables, refundable deposits, accounts and other payables and short term-debt
The fair values approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Equity instruments at fair value through profit and loss
The carrying value is equivalent to its fair value. The fair values have been determined directly by reference to published prices in an active market (Level 1 input).

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

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

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

Financial Risk Management Policies and Objectives
The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, receivables, investments in equity securities, and short and long-term debt. The main purpose of short-term and long-term debt is to finance the Group's operations. The Group has various other financial assets and liabilities such as advances to a related party, refundable deposits, trade and other payables, which arise directly from operations. The Group's policies and guidelines cover credit risk, liquidity risk and market risks. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

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

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

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

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

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

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets.

The table below shows the credit quality and aging analysis of the Group's financial assets:

December 31, 2018

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

December 31, 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24. Segment Information

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm seedlings and sale of crude palm oil;
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of December 31, 2018;
- Holding companies - Holding of properties of every kind and description

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

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

	For the year ended December 31, 2018					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holdings**	**Eliminations**	**Consolidated**
Revenue	**₱725,628**	**₱103,940**	**₱–**	**₱–**	**(₱3,500)**	**₱826,068**
Costs and expenses	**(355,558)**	**(29,793)**	**(3,267)**	**(999)**	**3,500**	**(386,117)**
Gross profit (loss)	**370,070**	**74,147**	**(3,267)**	**(999)**	**–**	**439,951**
General, administrative and selling expenses	**(253,193)**	**(31,840)**	**(4)**	**(33,364)**	**–**	**(318,401)**
Other income (expenses)	**34,956**	**(59,530)**	**–**	**252,093**	**–**	**227,519**
Income before income tax	**151,833**	**(17,223)**	**(3,271)**	**217,730**	**–**	**349,069**
Provision for income tax	**41,023**	**19,050**	**–**	**–**	**–**	**60,073**
Net income	**₱110,810**	**(₱36,273)**	**(₱3,271)**	**₱217,730**	**–**	**₱288,996**
Net income attributable to:						
Owners of the Parent Company	**₱110,810**	**(₱36,273)**	**(₱3,252)**	**₱217,730**	**₱–**	**₱289,015**
Non-controlling interests	**–**	**–**	**(19)**	**–**	**–**	**(19)**
	₱110,810	**(₱36,273)**	**(₱3,271)**	**₱217,730**	**₱–**	**₱288,996**

	As of December 31, 2018					
	Real Estate Development	**Agricultural**	**Power and Utilities**	**Holdings**	**Eliminations**	**Consolidated**
Other information						
Segment assets	**₱5,318,536**	**₱1,285,270**	**₱47,487**	**₱1,115,954**	**(₱2,308,286)**	**₱5,458,961**
Deferred tax assets	**–**	**6,963**	**148**	**154**	**–**	**7,265**
Total Assets	**₱5,318,536**	**₱1,292,223**	**₱47,635**	**1,116,108**	**(₱2,308,286)**	**₱5,466,226**
Segment liabilities	**₱1,710,364**	**₱1,048,984**	**₱41,246**	**₱890,705**	**(₱1,771,622)**	**₱1,919,677**
Deferred tax liabilities	**57,831**	**–**	**2**	**–**	**–**	**57,833**
Total Liabilities	**₱1,768,195**	**₱1,048,984**	**₱41,248**	**₱890,705**	**(₱1,771,622)**	**₱1,977,510**

	For the year ended December 31, 2017					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Revenue	₱472,495	₱82,430	₱–	₱–	(₱3,500)	₱551,425
Costs and expenses	(255,147)	(37,398)	(4,333)	(175)	3,500	(293,553)
Gross profit (loss)	217,348	45,032	(4,333)	(175)	–	257,872
General, administrative and selling expenses	(178,133)	(47,760)	(11,840)	(15,920)	–	(253,653)
Other income (expenses)	223,414	(23,865)	–	92,018	–	291,567
Income before income tax	262,629	(26,593)	(16,173)	75,923	–	295,786
Provision for income tax	(3,796)	–	–	–	–	(3,796)
Net income	₱266,425	(₱26,593)	(₱16,173)	₱75,923	₱–	₱299,582
Net income attributable to:						
Owners of the Parent Company	₱266,425	(₱26,593)	(₱16,164)	₱75,923	₱–	₱299,591
Non-controlling interests	–	–	(9)	–	–	(9)
	₱266,425	(₱26,593)	(₱16,173)	₱75,923	₱–	₱299,582

	As of December 31, 2017					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Other information						
Segment assets	₱5,438,692	₱1,155,057	₱47,487	₱967,786	(₱2,456,453)	5,152,569
Deferred tax assets	20,735	17,393	148	154	–	38,430
Total Assets	₱5,459,427	₱1,172,450	₱47,635	967,940	(₱2,456,453)	5,190,999
Segment liabilities	₱2,080,139	₱825,425	₱28,851	₱688,400	(₱1,683,948)	1,938,867
Deferred tax liabilities	74,107	–	2	–	–	74,109
Total Liabilities	₱2,154,246	₱825,425	₱28,853	₱688,400	(₱1,683,948)	2,012,976

	For the year ended December 31, 2016					
	Real Estate Development	Agricultural	Power and Utilities	Holdings	Eliminations	Consolidated
Revenue	₱414,434	₱73,135	₱–	₱–	(₱3,500)	₱484,069
Costs and expenses	(227,817)	(40,203)	–	–	3,500	(264,520)
Gross profit (loss)	186,617	32,932	–	–	–	219,549
General, administrative and selling expenses	(133,947)	(17,860)	(8,929)	(17,860)	–	(178,596)
Other income (expenses)	(60,591)	(22,457)	–	–	–	(83,048)
Loss before income tax	(7,921)	(7,385)	(8,929)	(17,860)	–	(42,095)
Provision for income tax	29,505	5,207	–	–	–	34,712
Net loss	(₱37,426)	(₱12,592)	(₱8,929)	(₱17,860)	₱–	(₱76,807)
Net loss attributable to:						
Owners of the Parent Company	(₱37,426)	(₱12,592)	(₱9,085)	(₱17,860)	₱–	(₱76,963)
Non-controlling interests	–	–	156	–	–	156
	(₱37,426)	(₱12,592)	(₱8,929)	(₱17,860)	₱–	(₱76,807)

25. Notes to Consolidated Statements of Cash Flows

Below are the noncash transactions in 2018, 2017 and 2016:

a. Borrowing costs capitalized in real estate held for sale amounting to ₱26.75 million in 2017 (see Note 6 and 16). Borrowing costs capitalized in property, plant and equipment amounting to ₱82.64 million in 2017 (see Note 12 and 16)
b. Dividends receivable amounting to ₱80.00 million as of December 31, 2018 (see Note 5).
c. Depreciation of property, plant and equipment capitalized in cost of in inventories amounting to ₱2.58 million, ₱2.01 million, ₱4.16 million in 2018, 2017 and 2016, respectively (see Note 6 and 12).
d. Depreciation of property, plant and equipment capitalized in real estate held for sale amounting to ₱6.40 million, ₱5.35 million, ₱8.66 million in 2018, 2017 and 2016, respectively (see Notes 6 and 12)
e. Transfers from deposits for land acquisition to real estate held for sale amounting to ₱8.52 million in 2018 (see Notes 6 and 8).
f. Transfer of investment property to real estate held for sale amounting to ₱66.16 million in 2018 (see Note 6 and 11).
g. Accrual of interest payable amounting to ₱2.89 million (see Note 13).

Changes in liabilities arising from financing activities

2018

	Beginning Balance	**Availments/Accruals**	**Payments**	**Ending Balance**
Short-term debt	**₱544,500,000**	**₱548,653,519**	**(₱406,104,800)**	**₱687,048,719**
Long-term debt	**892,699,037**	**108,815,298**	**(403,666,597)**	**597,847,737**
Finance costs	**–**	**84,031,327**	**(81,140,117)**	**2,891,210**
	₱1,437,199,037	**₱741,500,144**	**(₱890,911,514)**	**₱1,287,787,666**

2017

	Beginning Balance	Availments/Accruals	Payments	Ending Balance
Short-term debt	₱623,471,605	₱162,278,000	(₱241,249,605)	₱544,500,000
Long-term debt	1,115,471,941	95,142,601	(317,915,505)	892,699,037
Finance costs	–	85,542,204	(85,542,204)	–
	₱1,738,943,546	₱342,962,805	(₱644,707,314)	₱1,437,199,037

26. Performance Obligation

Information about the Group's significant performance obligation is summarized below:

Real estate revenue
The Group entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10%-30% of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 amounted to ₱47.29 million.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Group's real estate projects. The Group's real estate projects are completed within 6 months to 12 months, from start of construction.

27. Other Matter

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

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

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

The responsibilities of KASAMAKA with regards to the project follow:
- To provide the land area of 894 hectares within CBFMA area for oil palm plantation.
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

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

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

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

The roles and responsibilities of KMBT under the Development Contract are as follows:
- To provide the land area within the CBFMA for oil plantation
- To provide manpower needs of NC in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

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

Amendment of Articles of Incorporation

On December 28, 2012, amendment of Article IV of the Articles of Incorporation, "That the term for which the Corporation is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on 20 December 2016."

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