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SEC Registration Number

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

(Company's Full Name)

X A V I E R E S T A T E S U P T O W N  
A I R P O R T R O A D B A L U L A N G

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

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

Allan Ace R. Magdaluyo

Contact Person

02-8638 6832

Company Telephone Number

2020 3<sup>rd</sup> Quarter Report - Amended

1 2 3 1

Month Day  
Fiscal Year

1 7 - Q

FORM TYPE

0 6

Month Day  
Annual Meeting

Secondary License Type, if applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,090 (September 30, 2020)

Total No. of Stockholders

Php 1,136,590,694 (September 30, 2020)

Domestic

- 0 -

Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION  
CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the **3<sup>rd</sup>** quarter ended **September 30, 2020 (Amended)**
2. Commission Identification Number: 31168
3. BIR Tax identification No. 002-724-446-000
4. **A BROWN COMPANY, INCORPORATED**
5. Metro Manila, Philippines
6. Industry Classification Code: (SEC use only)
7. **Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City 9000**
8. Telephone Nos. (088) 858-8784 or (02) 8638-6832 (Liaison Office)
9. Former address in last report is: -
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares outstanding
---------------------	------------------------------

Common shares	2,466,437,911 (As of September 30, 2020)
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Amount of debt outstanding: **₱2,324,291,132**

11. Are any or all of the securities listed on a Stock Exchange?  
**Yes, all of the outstanding common securities are listed in the Philippine Stock Exchange**
- 12.a Yes, we have filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and the RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
- 12.b Yes, we have been subject to such filing requirements for the past 90 days.

## TABLE OF CONTENTS

	Page
<b>Part I. Financial Information</b>	
Item 1. Financial Statements	
• Unaudited Consolidated Financial Statements	Exhibit 1
- Consolidated Statement of Financial Position as of September 30, 2020 and December 31, 2019	
- Consolidated Statement of Income for the Three Months Ended and Year-to-Date Ended September 30, 2020 and December 31, 2019	
- Consolidated Statement of Comprehensive Income for the Three Months Ended and Year-to-Date Ended September 30, 2020 and December 31, 2019	
- Consolidated Statement of Changes in Equity as of September 30, 2020, September 30, 2019 and December 31, 2019	
- Consolidated Statement of Cash Flows for the Three Months Ended and Year-to-Date Ended September 30, 2020 and September 30, 2019	
Notes to Financial Statements	
- Aging of Receivables	Exhibit 1-A
- Segment Report	Exhibit 1-B
- ABCI Group Chart	Exhibit 1-C
Item 2. Management Discussion and Analysis of Financial Condition And Results of Operations	4-10
<b>Part II. Other Information</b>	11-29
Item 3. Financial Soundness Indicators/Performance Indicators	11
Signature	30

## PART I – Financial Information

### Item 1. Financial Statements

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit 1) for the Third (3<sup>rd</sup>) Quarter ending September 30, 2020 (Amended).

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

#### Financial Condition – Consolidated (Unaudited)

In Thousand Pesos	Unaudited September 2020	Audited December 2019	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Unaudited September 2020	Audited December 2019
			Amount	%		
Current Assets	3,547,708	3,213,597	334,111	10%	53%	53%
Noncurrent Assets	3,105,088	2,881,868	223,220	8%	47%	47%
<b>Total Assets</b>	<b>6,652,796</b>	<b>6,095,465</b>	<b>557,331</b>	<b>9%</b>	<b>100%</b>	<b>100%</b>
Current Liabilities	1,639,563	1,312,702	326,861	25%	25%	22%
Noncurrent Liabilities	684,728	806,277	(121,549)	-15%	10%	13%
Equity	4,328,505	3,976,486	352,019	9%	65%	65%
<b>Total Liabilities &amp; Equity</b>	<b>6,652,796</b>	<b>6,095,465</b>	<b>557,331</b>	<b>9%</b>	<b>100%</b>	<b>100%</b>

#### A Brown Company - CONSOLIDATED

#### Balance Sheet items – September 30, 2020 vs. December 2019

The Group’s total assets increased by **9% or ₱557.3 million**, from a balance of ₱6.10 billion as of end of the year 2019 to **₱6.65 billion** as of September 30, 2020.

**Current assets increased by 10% or ₱334.1 million as a result of the net effect of the following:**

**23% or ₱16.9M increase in Cash**– due to the net effect of cash provided by operating activities as compared to the cash used in investments and deposits and other investing and financing activities.

**27% or ₱199.6M increase in Current Receivable** due to the net effect of:

- a) **100% or ₱182.2M decrease in dividend receivable** due to collections of dividend receivable account during this current period
- b) **286% or ₱3.8M increase in Trade Receivable** – directly related from increase sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products
- c) **43% or ₱255.7M increase in installment contract receivable** due to increase in sales from the recent Projects
- d) **286% or ₱3.8M increase in advances to officers and employees** due to advances to salary and other loans granted to the employees that are collectible through salary deduction
- e) **112% or ₱108.8M increase in accounts receivable - others** - due to advances made to affiliates

**4% or ₱63.9M increase in Real estate inventories** – due to the net effect of the increase in development costs over sales of various projects

**39% or ₱60.8M decrease in Inventories** – due to materials used in development and higher inventory turn-over of crude palm oil

**43% or ₱150M increase in other current assets** – due to the increases in deposit for land, creditable withholding taxes, refundable deposits.

**56% or ₱35.6M decrease in Equity Instruments at Fair Value through Profit and Loss (EIFVPL)** – this pertains to sale of equity investments that are listed on the stock exchange

**Non-Current assets increased by 8% or ₱223.2 million** as a result of the net effect of the following:

**₱0.2M decrease in Receivable – net of current** – due to transfer to current portion

**7% or ₱106.0M increase in Investment in Associates** – due to the Group's share in the net income of the associates

**12% or ₱107.4M increase in Property and Equipment, net** - due to the movements of the following property, plant and equipment.

- a) 7% or ₱5.8k net decrease in leasehold improvements – additional depreciation
- b) 1% or ₱1.4M net decrease in RBD and fractionation machineries due to additional depreciation which off-setted an addition amounting to ₱378k
- c) 8% or ₱684k net decrease in building and improvement – additional depreciation
- d) 4% or ₱4.6M net decrease in Machineries and Equipment – net of additional machineries against the wear and tear of the existing asset
- e) 5% or ₱1.2M net increase in other fixed assets/equipment – net of additional equipment against additional depreciation and disposal of some equipment
- f) 38% or ₱1.2M net decrease in right of use asset – net of additional equipment against additional depreciation and disposal of some equipment
- g) 302% or ₱1.2M net increase in construction in progress – due to additional capital expenditures

**69% or ₱9.0M increase in Deferred Tax Assets** – directly related to the increase in the allowance in the impairment loss of property, plant and equipment of the group during the quarter.

**1% or ₱856k increase in Other Non-current Assets** – due to the additional utility deposits made during the quarter related to new real estate developments

**Current liabilities increased by 25% of ₱326.9 million** as a result of the net effect of the following:

**34% or ₱199.1M increase in Accounts payable and accrued expenses** – primarily due to the net effect of the following:

- a) 15% or ₱65.2M increase in accounts payable – increase in purchases thus increase in accounts payable
- b) 62% or ₱66.4M increase in accrued expenses – due to increase in accrued of expenses
- c) 72% or ₱3.7M increase in accrued interest payable -directly related with the increase in the loan balance due to availment
- d) 58% or ₱19.2M decrease in retention payable - due to payment of retention fee to contractors
- e) 32% or ₱2.6M increase in Statutory Payables - increase in withholding for government agencies
- f) 4730% or ₱80.4M increase in other payables - increase in other payables

**27% or ₱102.8M increase in Short term Debt** – due to the re-classification additional availment

**12% or ₱26.1M decrease in Current maturities portion of long-term debt** – pertains to the part of loan currently due against settlement of principal amount due

**37% or ₱51.1M increase in Contract liabilities** – pertains to the collection from real estate customers which have not reached the equity threshold to qualify for a revenue recognition and excess of collections over the goods and services transferred by the Parent Company based on percentage of completion.

**Non-Current liabilities decreased by 15% or ₱121.5 million** as a result of the net effect of the following:

**23% or ₱139.8M decrease in Long-term Debt - net** – due to the reclassification of the principal amount that will be due more than one year.

**12% or ₱5.4M increase in Retirement benefit obligation** - due to the increase in retirement obligation to employees

**9% or ₱12.9M increase in Deferred tax liabilities** - due to the decrease in collections pertaining to prior years' real estate sales

**Equity increased by 9% or ₱352.0 million as a result of the net effect of the following:**

**25% or ₱283.1M increase in the Retained Earnings** – due to the effect of net income earned during the year period

**24% or ₱63.2M decrease in Fair Value Reserve of EIFVOCI** – due to the decrease in market value of equity instruments at fair value through other comprehensive income

**394% or ₱4.0M increase in Cumulative translation adjustment** – related to the exchange differences in foreign currency translation

## Results of Operations – Consolidated (Unaudited)

### For the Quarter

In Thousand Pesos	For the Quarter ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 30, 2020	Unaudited September 30, 2019	Amount	%	Unaudited September 30, 2020	Unaudited September 30, 2019
Real estate sales	<b>180,432</b>	116,060	64,372	55%	<b>86%</b>	86%
Sale of agricultural goods	<b>24,679</b>	13,167	11,512	87%	<b>12%</b>	10%
Water service income	<b>5,728</b>	5,479	248	5%	<b>3%</b>	4%
<b>REVENUES</b>	<b>210,839</b>	134,706	76,132	57%	<b>100%</b>	100%
Cost of real estate sales	<b>101,333</b>	44,355	56,977	128%	<b>48%</b>	33%
Cost of agricultural goods sold	<b>18,653</b>	10,668	7,985	75%	<b>9%</b>	8%
Cost of water service income	<b>3,786</b>	3,214	572	18%	<b>2%</b>	2%
<b>COST OF SALES AND SERVICES</b>	<b>123,771</b>	58,237	65,534	113%	<b>59%</b>	43%
<b>GROSS PROFIT</b>	<b>87,067</b>	76,469	10,598	14%	<b>41%</b>	57%
<b>General, Administrative and Selling Expenses</b>	<b>65,814</b>	34,067	31,747	93%	<b>31%</b>	25%
Share in net income (loss) of associates	<b>70,764</b>	48,299	22,465	47%	<b>34%</b>	36%
Gain (loss) on sale of EIFVPL	<b>17,786</b>	15,067	2,719	18%	<b>8%</b>	11%
Gain (loss) on sale of PPE		2	(2)	-100%	<b>0%</b>	0%
Unrealized foreign exchange gain (loss)	<b>(27)</b>		(27)		<b>0%</b>	0%
Impairment loss			-			
Interest expense	<b>3,745</b>	(22,921)	26,666	-116%	<b>2%</b>	-17%
Other income (expense) -net	<b>1,314</b>	2,794	(1,480)	-53%	<b>1%</b>	2%
<b>Other Income (Expenses)</b>	<b>93,581</b>	43,241	50,340	116%	<b>44%</b>	32%
<b>Income (Loss) Before Income Tax</b>	<b>114,834</b>	85,643	29,191	34%	54%	64%
<b>Provision for (Benefit from) Income Tax</b>	<b>4,711</b>	(1,175)	5,886	-501%	2%	-1%
<b>NET INCOME (LOSS)</b>	<b>110,123</b>	86,818	23,305	27%	52%	64%
Remeasurement gain (loss) on defined benefit plan-net of tax	-	-	-			
Exchange difference in foreign currency translation	-	-	-			
Net change in fair value of EIFVOCI	<b>523</b>	-	523			
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>523</b>	-	523			
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>110,647</b>	86,818	23,828	27%		

**Year-to-Date**

In Thousand Pesos	Year-to-date ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 30, 2020	Unaudited September 30, 2019	Amount	%	Unaudited September 30, 2020	Unaudited September 30, 2019
Real estate sales	534,190	530,684	3,506	1%	89%	88%
Sale of agricultural goods	46,731	55,580	(8,849)	-16%	8%	9%
Water service income	17,517	16,559	958	6%	3%	3%
<b>REVENUES</b>	<b>598,438</b>	<b>602,824</b>	<b>(4,386)</b>	<b>-1%</b>	<b>100%</b>	<b>100%</b>
Cost of real estate sales	256,737	196,485	60,252	31%	43%	33%
Cost of agricultural goods sold	39,060	43,257	(4,197)	-10%	7%	7%
Cost of water service income	10,802	8,070	2,732	34%	2%	1%
<b>COST OF SALES AND SERVICES</b>	<b>306,599</b>	<b>247,812</b>	<b>58,787</b>	<b>24%</b>	<b>51%</b>	<b>41%</b>
<b>GROSS PROFIT</b>	<b>291,840</b>	<b>355,012</b>	<b>(63,173)</b>	<b>-18%</b>	<b>49%</b>	<b>59%</b>
<b>General, Administrative and Selling Expenses</b>	<b>163,346</b>	<b>163,640</b>	<b>(295)</b>	<b>0%</b>	<b>27%</b>	<b>27%</b>
Share in net income (loss) of associates	210,039	245,864	(35,825)	-15%	35%	41%
Gain (loss) on sale of EIFVPL	18,299	17,198	1,100	6%	3%	3%
Gain (loss) on sale of PPE	(184)	6,370	(6,555)	-103%	0%	3%
Unrealized foreign exchange gain (loss)	(27)		(27)		0%	0%
Impairment loss			-			
Interest expense	(25,863)	(62,999)	37,136	-59%	-4%	-10%
Other income (expense) -net	5,505	9,930	(4,424)	-45%	1%	2%
<b>Other Income (Expenses)</b>	<b>207,768</b>	<b>216,363</b>	<b>(8,595)</b>	<b>-4%</b>	<b>35%</b>	<b>38%</b>
<b>Income (Loss) Before Income Tax</b>	<b>336,262</b>	<b>407,735</b>	<b>(71,473)</b>	<b>-18%</b>	<b>56%</b>	<b>68%</b>
<b>Provision for (Benefit from) Income Tax</b>	<b>38,021</b>	<b>46,640</b>	<b>(8,619)</b>	<b>-18%</b>	<b>6%</b>	<b>8%</b>
<b>NET INCOME (LOSS)</b>	<b>298,240</b>	<b>361,095</b>	<b>(62,854)</b>	<b>-17%</b>	<b>50%</b>	<b>60%</b>
Remeasurement gain (loss) on defined benefit plan-net of tax	-	-	-			
Exchange difference in foreign currency translation	-	-	-			
Net change in fair value of EIFVOCI	4,332	-	4,332			
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>4,332</b>	<b>-</b>	<b>4,332</b>			
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>302,573</b>	<b>361,095</b>	<b>(58,522)</b>	<b>-16%</b>		



**A Brown Company - CONSOLIDATED  
Results of Operations  
For the 3rd Quarter ending September 30, 2020**

The consolidated financial statements for the quarter ending September 30, 2020 resulted to a net income after tax of **₱110.1 million** compared to a **₱86.8 million** net income for the same quarter last year with an increase of **27%** or **₱23.3 million** and resulted to a net income after tax of **₱298.2 million** compared to a **₱361.1 million** net income for the same year-to-date period last year with an decrease of **17%** or **₱62.9 million** due to the net effect of the following:

**57% or ₱76.1M increase in Revenue on a QTR and 1% or ₱4.4M decrease on a YTD due to:**

- a) **Increase in Real estate Sales by 55% or P64.4M on a QTR and 1% or P3.5M increase on a YTD** – due to the higher selling price of number of units sold at this quarter as compared to the lots sold for same quarter last year
- b) **Increase in Sales of agricultural goods by 87% or P11.5M on a QTR and 16% or P8.8M decrease on a YTD** – due to the higher number of quantity sold at this quarter as compared to the quantity sold for same quarter last year
- c) **Increase in Water services by 5% or P248k on a QTR and 6% or P958k increase on a YTD**

**133% or P65.5M increase in Cost of Sales on a QTR and 24% or P58.8M increase on a YTD due to:**

- a) **128% or P57.0M increase in cost of Real estate on a QTR and 31% or P60.3M increase on a YTD** – the increase is relatively due to increase in lots sold of economic units with higher development costs as compared to socialized housing units for the quarter
- b) **Increase in cost of sales of agricultural goods by 75% or P8.0M on a QTR and 10% or P4.2M decrease on a YTD** – the due to the lower number of quantity sold at this quarter as compared to the quantity sold for same quarter last year
- c) **Increase in Water services by 18% or P572k on a QTR and 34% or P2.7M increase on a YTD**

**93% or P31.7M increase in General, Administrative and Selling Expenses on a QTR and 0% or P295k decrease on a YTD** - due to the following net effect of:

- a) **152% or P14.9M increase in Personnel expenses on a QTR and 5% or P2.7M increase on a YTD** – due to the increase of personnel in this quarter of the current year
- b) **41% or P5.3M decrease in Marketing expenses on a QTR and 28% or P9.1M decrease on a YTD** – includes commissions and incentives on lot sales which is directly related to the decrease real estate sales during the quarter and various advertising and promotional activities which decreased this quarter
- c) **3451% or P3.5M increase in Taxes and Licenses on a QTR and 19% or P3.1M decrease on a YTD** – pertains to the increase in business taxes for the quarter
- d) **216% or P2.1M increase in Outside Services on a QTR and 31% or P2.9M increase on a YTD** – pertains to the increase in security services
- e) **120% or P4.7M increase in Depreciation and amortization on a QTR and 56% or P5.3M increase on a YTD** – due to the net effect of additional recorded depreciation expense
- f) **40% or P400k decrease in Rental expense on a QTR and 45% or P3.4M decrease on a YTD**
- g) **266% or P2.0M increase in Utilities and supplies on a QTR and 12% or P804k increase on a YTD** – due to higher consumption of utilities this quarter as compared to last year's 3<sup>rd</sup> quarter

- h) **938% or P1.2M increase in Repairs and maintenance on a QTR and 43% or P972k increase on a YTD** – due to the increase in cost of repairs and maintenance during the quarter as against the 3<sup>rd</sup> quarter of 2019
- i) **26% or P382k decrease in professional fees on a QTR and 21% or P1.5M decrease on a YTD** – directly related to the lower consultancy services incurred by the group
- j) **260% or P1.9M increase in travel and transportation on a QTR and 17% or P1.1M increase on a YTD** – directly related to the various site visitation for mill, real estate projects and plantation operations and power group operations which were increased this year's 3<sup>rd</sup> quarter
- k) **34% or P77k decrease in board meeting expenses on a QTR and 129% or P485k increase on a YTD** – due to the various materials and other expenses incurred this year's 3<sup>rd</sup> quarter relative to last year's 3<sup>rd</sup> quarter related to board meetings and annual reports
- l) **42% or P221k decrease in director fees on a QTR and 44% or P377k decrease on a YTD** – lower per diem paid to directors due to lower number of meetings this quarter as compared to last year's 3<sup>rd</sup> quarter.
- m) **482% or P109k increase in insurance expense on a QTR and 38% or P162k increase on a YTD** – includes increase payment in insurance of Company's properties
- n) **518% or P7.5M increase in others/miscellaneous expenses on a QTR and 29% or P2.7M increase on a YTD** – includes community relations expenses such as scholar's tuition and other humanitarian assistance

**60% or P104.2M decrease in Equity in net gain of an associate on a QTR and 44% or P162.5M decrease on a YTD** – this pertains to the group's 20% share on the net earnings of PCPC and PEI's operating companies and 33.33% share on the net earnings of EWRTC during the 3<sup>rd</sup> quarter of 2020

**18% or P2.7M increase in Gain on EIFVPL on a QTR and 6% or P1.1M increase on a YTD** – due to the sale of equity investments during the period.

**100% or P2k decrease in gain on sale of property and equipment on a QTR and 103% or P6.6M decrease on a YTD** transaction occurred in 2019

**53% or P1.5M decrease in Other income on a QTR and 53% or P4.4M decrease on a YTD** – due to the lower tapping fees, transfer fees, income from forfeited deposits.

**116% or P26.7M decrease in Finance costs on a QTR and 59% or P37.1M decrease on a YTD** – lower interest payment on bank loans this quarter of this year as compared from last year

**Financial Soundness Indicators/Top Key Performance Indicators**  
**(Consolidated Figures)**

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

<b>Financial Ratios</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Consolidated Figures</b>	<b>09/30/2020</b>	<b>09/30/2019</b>	<b>12/31/2019</b>
Current ratio <sup>1</sup>	2.16:1	2.46:1	2.45:1
Quick ratio <sup>2</sup>	0.72:1	0.63:1	0.76:1
Solvency ratio <sup>3</sup>	0.14:1	0.19:1	0.25:1
Total Debt to Equity ratio <sup>4</sup>	0.54:1	0.48:1	0.53:1
Asset to Equity ratio <sup>5</sup>	1.54:1	1.48:1	1.53:1
Interest coverage ratio <sup>6</sup>	8.10:x	7.62x	10.45x
Return on Equity <sup>7</sup>	7.18%	9.72%	13.26%
Return on Assets <sup>8</sup>	4.68%	6.39%	8.56%
Profit Margin ratio <sup>9</sup>	49.84%	59.90%	48.14%

<sup>1</sup>Current assets/Current liabilities

<sup>2</sup>Current assets less contract assets, inventories and prepayments/Current liabilities

<sup>3</sup>Net Income plus depreciation (YTD)/Total liabilities

<sup>4</sup>Total liabilities/Stockholders' equity

<sup>5</sup>Total assets/Stockholders' equity

<sup>6</sup>Earnings before income tax, interest, depreciation and amortization (YTD)/Total Interest Payment

<sup>7</sup>Net Income (YTD)/ Average Total stockholders' equity

<sup>8</sup>Net income (YTD)/Average Total assets

<sup>9</sup>Net income (YTD)/Total Revenue (YTD)

**Real Property Development:**

**Xavier Estates:** It is the pioneer in premier mixed-use development in Northern Mindanao. This 220-hectare development located at Fr. Masterson Avenue, Upper Balulang, and sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master-planned community which guarantees luxury, elegance, prestige, convenience and security. One (1) unit was sold for the 3<sup>rd</sup> quarter of 2020 as compared to one (1) lot for 3<sup>rd</sup> quarter of 2019.

**Phase 5-Ventura Residences** is the first venture of A Brown Company, Inc. into the middle market house-and-lot package nestled inside the Xavier Estates. Ventura Residences is 100% complete. This project has a saleable area of 5.8 hectares. There was no booked sale this quarter of the year compared to eight (8) house and lot for the same quarter of last year.

**Xavierville Homes:** It is an economic housing development project adjacent to the Xavier Estates. Phase 1 and 2 are 100% complete. No units were sold for the 3<sup>rd</sup> quarter of this year and 3<sup>rd</sup> quarter of last year.

**Teakwood Hills:** It is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This idyllic enclave has a breathtaking endless view of the mountains and the sea. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as swimming pool, billiards, darts and table tennis. Lot sizes start from a minimum cut of 250 sq. m., all with a 180-degree scenic view of the famous Macalajar bay and an elevation of 220 meters above sea level.

Percentage-of-completion for Phase 1 is at 81% while Phase 2 is 100% complete. For this year's 3<sup>rd</sup> quarter, four (4) lots were sold compared to eight (8) lots for the same quarter last year.

**St. Therese Subdivision:** The subdivision is a 1.67-hectares socialized housing project located in Balulang, Cagayan de Oro that will provide 155 house and lots of which 91 units are row houses, 38 units are duplex, and 26 units are single attached. The project is 100% complete. There were no lots sold for this year's 3<sup>rd</sup> quarter and last year.

**Valencia Estates:** It is located in Barangay Lumbo, Valencia City, Bukidnon. The amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service. The project is 100% complete. Two (2) lots were sold for the 3<sup>rd</sup> quarter of 2020 while six (6) lots for the 3<sup>rd</sup> quarter of 2019.

**Coral Resort Estates:** The project is considered as the first residential resort estates in Northern Mindanao. It is strategically located in Initao, Misamis Oriental with a total development area of 5.4 hectares. Phase 1-Cluster A and Cluster B of the project with development area of 2.5 hectares and 2.9 hectares, respectively are 100% complete. One (1) lot was sold for this quarter of the year while there was none for the same quarter of last year.

**West Highlands** is a residential estate beside a golf course community located in Brgy. Bonbon, Butuan City. The estate has a total developmental area of 25.9 hectares and is 289 feet above sea level which gives lot owners a panoramic view of historic Mt. Mayapay or the cityscape. **West Highlands Phase2** was launched last October 2017 highlighting fairway and inner fairway lots. Percentage-of-completion for Phase 1 is at 100% while Phase 2 is 96% complete on horizontal development and 46% for vertical development. There were eight (8) lots sold for this quarter of the year compared to five (5) lots sold for the same quarter last year.

**Mountain View Homes:** This project has a development area of 2.3 hectares with 216 saleable house and lots with guard house and basketball court. **Mountain View Homes Phase 2** is a new venture into the socialized and economic housing which is adjacent to the original Mountain View Homes. It is accessible to churches, schools, malls and commercial establishment. The socialized housing project has row houses with lot area of 50sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq. m. and floor area of 36-38 sq. m. Percentage-of-completion for Phase 1 and Phase 2 are 100% complete. Only one (1) sale was booked in the 3<sup>rd</sup> quarter of 2020 while two (2) house and lot were sold for the 3<sup>rd</sup> quarter of 2019.

**Adelaida Park Residences** located beside Mountain View Homes is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-110 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood-free with an elevation of 157 feet above river bank. The horizontal development is 100% complete while the vertical development is at 89%. There were four (4) house and lots sold for the 3<sup>rd</sup> quarter of this year while six (6) house and lot for the same quarter last year.

## **New Projects in 2018:**

**Mangoville** is a socialized housing which was launched on Feb 10, 2018. It is located in Barangay Agusan, Cagayan de Oro, just 1.8 kilometers away from the highway. Mangoville boasts of duplex design houses with its own parking space in a lot area of 67.5 sq.m. with floor area of 22 sq.m. It has a 10 meter-wide main road and 8-meter wide inner roads, with perimeter fence and guardhouse. Mangoville homeowners will enjoy a view of the Macajalar Bay in its elevation of 169 meters above sea level. In 5.5 hours, all 235 units were reserved. The horizontal development is 91% complete while the vertical development is at 81%. No units were recorded as booked sale for the 3<sup>rd</sup> quarter of this year and 3<sup>rd</sup> quarter of last year.

**Xavier Estates Phase 6 - Ignatius Enclave** was launched in June 2018. It is located in Upper Balulang, Cagayan de Oro City, a 3-kilometer drive to Mastersons Avenue where major commercial establishments are located. There are also churches, grade schools, high schools and educational centers nearby. It features house and lot units and prime lots. Aimed at fostering a Happy Community concept, the single modern home design introduces ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. The horizontal development is 100% complete while the vertical development is at 93%. There were ten (10) house and lots sold for the 3<sup>rd</sup> quarter of this year while three (3) house and lot for the same quarter last year.

**Xavier Estates Phase 5B – Ventura Residences II** was launched in June 2018. It features house and lot units and prime lots. Located at the back of **Ventura Residences**, this second phase shall have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge. The horizontal development is 100% complete while the vertical development is at 88%. Six (6) units were sold for this quarter this year while two (2) unit was sold for the same quarter last year.

**The Terraces in Xavier Estates** was launched last September 2018. This prime property is highlighted by prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 50 lots for sale. The horizontal development is 52% complete. No units were recorded as booked sale for this quarter this year and for the same quarter last year.

## **Oil Palm Plantation:**

For the Quarter Ending September 30, 2020

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				-
Phase II				-
Phase III				-
Phase IV				-
Phase V				-
Impasug-ong	4.14	4.14	4.14	80
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	-
<b>TOTAL</b>	<b>3,742.82</b>	<b>2,696.36</b>	<b>1,591.70</b>	<b>80</b>

\*Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.

\*\*Total area that can be planted in Opol is net of 60.03 has. It was discovered that it's not suitable for planting due to soil texture (rocky with limestone outcroppings).

For the Quarter Ending September 30, 2019

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				-
Phase II				-
Phase III				-
Phase IV				-
Phase V				-
Impasug-ong	4.14	4.14	4.14	496
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	782
<b>TOTAL</b>	<b>3,742.82</b>	<b>2,696.36</b>	<b>1,591.70</b>	<b>1,278</b>

\*Total area planted in Kalabugao is net of 55 has. of trees that were uprooted due to severe diseases.

\*\*Total area that can be planted in Opol is net of 60.03 has. It was discovered that it's not suitable for planting due to soil texture (rocky with limestone outcroppings).

The following are the status of the plantation areas as of September 30, 2020:

Location	Flowering	Vegetative
Kalabugao		
Phase I	100%;100%	0%;0%
Phase II	100%;100%	0%;0%
Phase III	100%;70%;100%	0%;30%;0%
Phase IV	20%;0%	80%;100%
Phase V	20%	80%
Impasug-ong	100%	0%
Opol		
Phase I a	100%	0%
Phase I b	100%	0%
Phase I c	100%	0%
Phase II a	100%	0%
Phase II b	100%	0%
Phase II c	100%	0%
Phase III a	100%	0%
Phase III b	80%	20%
Phase IV a	50%	50%
Phase V a	0%	100%
XE Plantation		
Phase I	100%	0%
Phase II	100%	0%

The following are the status of the plantation areas as of September 30, 2019:

Location	Flowering	Vegetative
Kalabugao		
Phase I	100%;100%	0%;0%
Phase II	100%;100%	0%;0%
Phase III	100%;70%;100%	0%;30%;0%
Phase IV	20%;0%	80%;100%
Phase V	20%	80%
Impasug-ong	100%	0%
Opol		
Phase I a	100%	0%
Phase I b	100%	0%
Phase I c	100%	0%
Phase II a	100%	0%
Phase II b	100%	0%
Phase II c	100%	0%
Phase III a	100%	0%
Phase III b	80%	20%
Phase IV a	50%	50%
Phase V a	0%	100%
XE Plantation		
Phase I	100%	0%
Phase II	100%	0%

## **Palm Oil Mill**

A total of 2,225.58 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed for the 3<sup>rd</sup> Quarter of 2020, compared to 1,548 metric tons in the same period of last year. This is an average of 741.86 metric tons of fresh fruit bunch processed per month as against 516 metric tons of the same period last year. The yield for the 3<sup>rd</sup> quarter of this year was 381 metric tons of crude palm oil with an average oil extraction rate of 17.13% as compared to 301.12 metric tons having an average extraction rate of 19.45% for the same period last year.

The kernels that were produced totaled to 10 metric tons as compared to 12.75 metric tons of last year.

## **Refined Bleached Deodorized Oil (RBDO) Plant**

For the 3<sup>rd</sup> quarter of 2020, the refinery produced RBDO 83.34 metric tons compared to 201.91 metric tons of the same period last year.

In addition, only 6.32 metric tons of Palm Fatty Acid Distillate was produced in the 3<sup>rd</sup> quarter of this year as compared to 4.0 metric tons for the same period of last year. This by-product is generated during production of RBDO.

## **Fractionation Plant**

The production of Palm Olein and Palm Stearin started in June 2015. Crude Palm Oil produced is further processed into Refined Bleached and Deodorized Oil, the raw material of Palm Olein and Palm Stearin. In the 3<sup>rd</sup> quarter of 2020, there were 52.83 metric tons of Palm Olein compared to 40.88 metric tons for the same period last year and 6.52 metric tons of Palm Stearin compared to zero metric tons for the 3<sup>rd</sup> quarter of last year that were produced. The quantity sold during the 3<sup>rd</sup> quarter was 110.63 metric tons of Palm Olein compared to 121.715 metric tons for 3<sup>rd</sup> quarter last year.

## **Power Generation**

### **Coal-Fired Power Project**

#### **Palm Concepcion Power Corp. (PCPC) – 20% owned by PTCHC**

Palm Thermal Consolidated Holdings Corp. (PTCHC) is 100% owned by A Brown Company Inc. which currently has 20% equity interest in Palm Concepcion Power Corporation (PCPC). PCPC is the project company for the 2 x 135-megawatt coal-fired power plant in Concepcion, Iloilo.

In July 2013, the lending banks signed the term loan financing totaling to Php 10B to partially finance the Engineering, Procurement and Construction (EPC) and finance costs of the project. These were China Banking Corporation (Php 3.5B); Asian United Bank (Php 2.5B) and BDO Unibank, Inc. (Php 4B). BDO Capital & Investment Corporation acted as the Lead Arranger and Sole Bookrunner for the term loan facilities.

The power plant project is located in Concepcion, Iloilo. It is a base load plant that uses Circulating Fluidized Bed Combustion (CFBC) technology that is highly efficient and low-pollution. The first 135MW unit was designed to address the power supply requirements of the Visayas grid and provide a steady flow of power to the growing businesses and economic development in the islands of Panay, Negros, Cebu and even Leyte.

PCPC started construction of the first 135MW in 2013 and was able to complete the project after 37 months and 22 days. Its commercial operations commenced on August 16, 2016. Ten (10) electric cooperatives have signed up offtake agreements with PCPC's first



135MW unit for their base load power capacity requirements. The project site is designed to operate and support two units of 135MW.

The new Environmental Compliance Certificate (ECC-OC-1911-0033) was released by the Environmental Management Bureau of DENR last October 8, 2020 which now covers both Units 1 and 2 of the 2 x 135-MW CFBC Coal-Fired Power Plant Project of PCPC.

At present, PCPC still takes pride in its environmental performance in which its emission levels are way below the standards set by DENR. On the average, as per YTD, Sulphur Oxides (SO<sub>x</sub>) is at 383.16mg/Nm<sup>3</sup> compared to the standard value of 700mg/Nm<sup>3</sup>; nitrogen oxides (NO<sub>x</sub>) is at 191.60mg/Nm<sup>3</sup> versus the limit of 1000mg/Nm<sup>3</sup>; carbon oxide (CO) is 11.39mg/Nm<sup>3</sup> versus the DENR set value at 150mg/Nm<sup>3</sup>; while the particulate matter is at 0.77mg/Nm<sup>3</sup> compared to the 150mg/Nm<sup>3</sup> standards.

PCPC Power Plant's Gross Generation for the period December 2019-October 2020 is at 626,019.91MWh.

## **Bunker-Fired Power Project**

### **Peakpower Energy Inc. (PEI) – 20% owned by ABCI**

Peakpower Energy, Inc. was formed in 2013 to construct diesel/bunker-fired power plant projects designed to generate peaking energy in various A+/Green-rated electric cooperatives in Mindanao. These projects are Build-Operate-Maintain and Transfer (BOMT) agreements for brand new engines, which will last for 15 years through its subsidiaries as operating units: Peakpower Soccsargen, Inc., Peakpower San Francisco, Inc. and Peakpower Bukidnon, Inc.

### **Peakpower Soccsargen Inc. (PSI) – 100% owned by PEI**

Peakpower Soccsargen Inc. (PSI) is a 34.8MW diesel/bunker-fired power plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (Socoteco 2).

The Energy Regulatory Commission (ERC) issued the Certificate of Compliance (COC) for PSI's first 20.9MW (3 units of 6.97MW) capacity last December 1, 2014. Commercial operations started on January 27, 2015.

The 13.9MW (2 units of 6.97MW) Power Plant expansion declared commercial operations last September 12, 2017. ERC granted the COC of the expansion on February 20, 2018.

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

### **Peakpower San Francisco Inc. (PSFI) – 100% owned by PEI**

Peakpower San Francisco Inc. (PSFI) is a 10.4MW diesel/bunker-fired power plant located in San Francisco, Agusan del Sur. It has a 15-year BOMT agreement with the Agusan del Sur Electric Cooperative Inc. (ASELCO).

ERC issued the Certificate of Compliance (COC) for the first 5.2MW capacity on March 23, 2015. Commercial operations started on January 26, 2018.

The 5.2MW power plant expansion was granted its Provisional Certificate of Compliance on September 27, 2017, which was extended on February 20, 2018. The expansion plant started commercial operations on January 26, 2018.

Aselco's franchise area includes the municipalities of San Francisco, Prosperidad, Rosario, Trento, Bunawan, Veruela, Sta. Josefa, Loreto, Sibagat, Esperanza, Talacogon, La Paz, San Luis and Bayugan City.

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

Peakpower Bukidnon Inc. (PBI) is a 10.4MW diesel/bunker-fired power plant located in Barangay Alae, Manolo Fortich, Bukidnon. It has a 15-year BOMT agreement with the Bukidnon Second Electric Cooperative Inc. (Buseco).

ERC issued a Provisional Certificate of Compliance for the 10.4MW (2 units of 5.2MW) on November 21, 2017, which was extended on February 20, 2018. PBI commenced commercial operation on March 26, 2018.

Buseco's franchise area includes the municipalities of Libona, Manolo Fortich, Sumilao, Baungon, Malitbog, Talakag, Impasug-ong, Malaybalay, Lantapan and Cabanglasan, all in the Province of Bukidnon.

## **Outlook for the Year and Onwards**

### **Real Estate Business:**

Recent information on the property sector posts significant highs in demand and supply this year despite the challenges from increasing interest rates and inflation.

Reports say that rising interest rates could dampen low to mid-income residential demand over the next 12 to 24 months. Apart from the rising interest rates, inflation became a challenge for the property sector since it curtails consumer spending.

There are also issues on construction delays due to shortage of skilled workers and the increasing cost of construction supplies.

Despite this, A Brown Company Inc. is robust in its outlook for the real estate sector particularly in Cagayan de Oro and Butuan Cities.

First off, Mangoville, the socialized housing located in Barangay Agusan, Cagayan de Oro City which was sold out in 5 hours on launching date is well on its way to completing the construction of houses by year-end.

With the introduction of a new model house with bigger floor area, stretched pricing scheme and attractive incentive packages for brokers, reservation sales for Xavier Estates

Phase 5B Ventura Residences and Xavier Estates Phase 6 Ignatius Enclave house and lot units were posted at 96% and 100% by the third quarter 2019.

Seventy-five per cent (75%) of the current profile of buyers are local businessmen, professionals, and officers of private corporations while 25% are Overseas Filipino Workers particularly nurses, seafarers and engineers with families residing in Cagayan de Oro City.

West Highlands in Butuan City, the property located inside a golf course community, have steadily increased sales for the quarter with fairway lots as the choice area.

### **COVID-19 Global Health Crisis**

However, health crisis that became pandemic will certainly have tremendous impact on the economy.

After the spread of COVID-19 led to the lockdown of the entire island of Luzon, which accounts for 73 percent of the country's GDP, economic managers were not so optimistic. The Asian Development Bank said Philippine GDP could expand by 2 percent this year. Former Socioeconomic Planning Secretary Ernesto Pernia meanwhile said that depending on how long the crisis would last, GDP could contract by 0.6 percent or grow by 4.3 percent. Finance Secretary Carlos Dominguez said GDP could shrink 1 percent this year, or post zero growth.

#### **Impact on Real Estate Sales**

There is a continued rise in the demand for real estate in Northern Mindanao and Caraga shown in the current sales reservations for the 3<sup>rd</sup> quarter of 2020. The Company made an unprecedented move to immediately shift to the digital platform. These include regular online presence through Facebook and direct messaging to the brokers. These are also online facilities implemented to ensure continuity in equity payments and sales reservation. A challenge was posted by buyers who had difficulty transitioning from their traditional banking style to online payments but these were being responded to. There were reduced foot traffic at the onset of COVID-19 to sites. However, this has gradually increased as the Company implemented safety protocols on site. Website upgrade is ongoing.

#### **Supply Chain Risks**

There is a potential risk of shortage of construction materials and supplies because of supply issues from sources in COVID-19 affected countries. Shortage of imported construction materials might lead to an increase in development costs.

To mitigate the impact of potential shortages, we have implemented contingency strategies such as increased inventory and advanced procurement of construction materials.

With the recommended social distancing and adoption of flexible work arrangements, our personnel and brokers' efficiency in handling administrative work (e.g. processing of sale documents; processing of government permits and license; etc.) may be impaired.

We have also instituted increased health awareness in all our offices and project sites. Constant disinfecting and sanitation of the offices and model houses in the all project sites is done. Constant hand-washing is promoted and health and temperature monitoring is conducted with the use of thermal scanners.

## **Palm Oil Business:**

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

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

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

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

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

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

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Province of Bukidnon and Misamis Oriental areas through growership program. As of the end of the second quarter of 2020, about 3,743 (gross area) hectares were already acquired for development, of which almost 1,592 hectares were planted while about 1,105 hectares are prepared to be available for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested for its expansion program aggregating to 2,000 hectares. And to boost its mill operational capacity, the company has been tapping external growers to supply additional fresh fruit bunches (FFB).

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

The company's Go to Market (GTM) strategy is divided into two (2) service packages - in 18-kg carbuoys and 150-ml roll type packaging (RTP). First service package is direct serve outlets which will cover industrial or food processing companies, supermarkets, hyper-marts, wholesalers, groceries, catering services, hotels and restaurants around Mindanao region. Second service package will be indirect serve outlets like sari-sari stores, traditional food outlets, mini marts, direct household consumptions or specials events markets will be served by our potential Trade Execution Partners (TEP). This Dealership System has good functional discounts plus variable incentive scheme. This will provide customers and consumers excellent service and good margin to the best quality products.

## **PROSPECTS OF POWER GENERATION:**

### **Vision**

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

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

### **Demand and Forecast**

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

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

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

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

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

### **Solutions**

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

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

## **Coal Power Generation**

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

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

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

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

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

## **Plan of Action**

### **Coal-Fired Power Project:**

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

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

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

The new Environmental Compliance Certificate (ECC-OC-1911-033) was released by the Environmental Management Bureau of DENR last October 8, 2020 which now covers both Units 1 and 2 of the 2 x 135-MW CFBC Coal-Fired Power Plant Project of PCPC.

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

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

### **Bunker-Fired Power Project:**

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

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

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

Recently, PEI officially appointed Wartsila Philippines Inc., a leading supplier of power solutions in the country, to operate the mobilization and maintain the facilities of PEI's three diesel power plants in Mindanao. On October 11, 2019, PEI and Wartsila Philippines Inc. signed an operations and maintenance contract agreement for all its three power plants.

### **Hydro Power Project:**

#### **Hydro Link Projects Corporation (HLPC) - 100% owned by ABCI**

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

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

The DOE has granted HLPC the Hydropower Service Contract for the exclusive right to explore, develop and utilize the hydropower potential of the Caracan River located in

Barangay Lobo and Cabangahan, Municipality of Cantilan, Surigao del Sur. It is the water source of Cantilan National Irrigation System. The water for the irrigation system will not be affected by this hydropower development.

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

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

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

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

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

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

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

## **Bulk Water Project**

### **AB Bulk Water Company, Inc. (ABWCI) - 100% owned by ABCI**

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

ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project which will tap the water resources of Lumayagan River aims to supply about 15 to 20 million liters per day (MLD) of potable water, with potential expansion up to 25 MLD, to cater the present and future requirements of the



municipality. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on the study, these are potential growth areas.

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

### **East West Railway Project:**

#### **Blaze Capital Limited – 100% owned by ABCI**

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

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

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

Currently, the project is under evaluation by the National Economic and Development Authority (NEDA).

### **Natural Gas Project:**

#### **Vires Energy Corporation – 99.995% owned by ABCI**

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

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

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

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

### **Impact of Economic/Political Uncertainties:**

The Company's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company. Good governance will definitely lead to better economy and better business environment and vice-versa. Political stability encourages people to work better and spend more and the investors to infuse funds for additional investment. Given the other positive economic indicators like recovery in exports, sustained rise in remittances and growing liquidity in the domestic financial market, the monetary officials agree that the government's projected growth targets is attainable.

The annual average headline inflation of the country for the year 2019 slowed down to 2.5% from 5.2 % in 2018 was within the government's 2 to 4 percent target band and way lower than the 2.9% of 2017 (using the 2012-base price). The 2018 rate was also the highest since 2008's 8.2 percent year-on-year increase in prices, making it a 10-year high, Philippine Statistics Authority (PSA) data showed.

The Development Budget and Coordination Committee (DBCC), an inter-agency economic planning body together with the BSP sets to keep the current inflation target at 3.0 percent  $\pm$  1.0 percentage point for 2020 – 2022. The 3.0 percent  $\pm$  1.0 percentage point inflation target for 2020 – 2022 continues to be an appropriate quantitative representation of the BSP's medium-term price stability goal that is conducive to the balanced and sustainable growth of the Philippine economy.

With government's thrust on "Build Build Build" Program, it continues to exert all efforts to bring inflation within the government's target range of 2 to 4 percent and ensure price stability all year round. The rate of price increases has to be manageable to give the country adequate elbow room to sustain its economic growth and reach its development goals. While faster inflation will affect many disadvantaged sectors, the government has to take swift and decisive measures to tame inflation. Given the signs of easing price pressures, the government needs to continually vigilant of possible risks.

Government agencies as well are asked to fast-track the implementation of the mitigating measures scheduled to fast under the Tax Reform for Acceleration and Inclusion law, particularly unconditional cash transfer and fuel vouchers. This could fend off possible second-round effects which may arise from further demand for wage and fare increases. Other private group has raised concern about the government's insistence on the implementation of additional fuel excise taxes under the second tranche of the TRAIN law which will only add inflationary pressure. It has said that government should not be too quick to take credit for the lower year-end inflation adding that the biggest factor easing inflation is rather the falling global oil prices. The private group added that the citizens will continue to be burdened by high prices of basic commodities if the government does not take genuine measures to curb inflation and arrest a faltering economy.

The socioeconomic planning office sees inflation over the near-term to remain stable despite pressures that may be brought about by TRAIN program, weather patterns and uncertainties in international oil markets. NEDA also said supply conditions, particularly of

major agricultural commodities appears favorable within the near term. To relieve the inflationary effects of TRAIN, the government needs to prioritize amending domestic laws that will end quantitative restrictions on rice and replace them with tariffs. This measure will remove the policy uncertainty in rice trade and thus encourage more investments in production and post-production innovation. The revenues from the tariff can be used to fund or subsidize such innovations. Efforts must be made to strengthen the resiliency of farmers from extreme weather conditions to maintain the stability of food prices. One is by shifting to climate change-ready rice varieties.

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

In early 2020, the Philippine Statistics Authority said that the government missed its growth target in 2019 which settled at 5.9% with a target of between 6% to 6.5%. Months later, it revised its GDP growth rate at 6% using on its calculations 2018 as the base year instead of 2000. Despite the revision, the growth posted last year was still the lowest in 8 years. For the whole year of 2019, services posted growth of 7.1%, while industry and agriculture registered growth rates of 4.9% and 1.5%, respectively. Meanwhile, per capita GDP for 2019 stood at 4.6%. Growth was much slower than expected during the first half of the year due to the delayed passage of the 2019 budget over alleged pork barrel or illegal funds. The reenactment of the budget meant government underspending of over P1 billion per day for 4 months and stalled infrastructure projects.

The implementation of the “Build, Build, Build” infrastructure program and the focus on improving the performance of services exports would boost economic growth in 2020 targeting to hit 6.5% to 7.5% until 2022. Under the ambitious “Build, Build, Build,” the government plans to roll out flagship, “game-changing” projects, with about half targeted to be finished within President Duterte’s term, alongside plans to spend up to P9 trillion on infrastructure until 2022 to usher in “the golden age of infrastructure.” With the government’s political will, it has been able to institute policy reforms like liberalizing some areas from farm restriction.

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

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

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

## **Jumpstarting the Economy from the Impact of COVID-19**

The government's flagship "Build, Build, Build" infrastructure project will help "jumpstart" the economy from the impact of the coronavirus disease 2019 (Covid-19) crisis. However, the government has yet to determine which infrastructure projects already appropriated under Build, Build, Build would be discontinued to prioritize the government response to Covid-19.

Although the Bayanihan to Heal as One Act (Republic Act 11469) has provision that allows the "direct discontinuance" of appropriated programs, projects or activities of any agency of the Executive Department in the 2019 and 2020 national budget to use savings to augment Covid-19 response allocation, the government is still trying to determine other sources of funds to augment the current PHP275-billion budget for Covid-19 response. The government needs more funds for relief efforts as the country continues to deal with the Covid-19 pandemic.

The Build, Build, Build program, which has helped generate thousands of jobs, would also be crucial in helping the economy recover. Under the Build, Build, Build program, the government has improved the country's key infrastructures -- bridges, roads, railways, urban mass transport, railways, airports, seaports, and new and better cities. The Department of Public Works and Highways (DPWH) was able to construct and rehabilitate about 9,845 km. of roads, 2,709 bridges, 4,536 flood mitigation structures, and 71,803 classrooms. The program also generated 4,199,288 jobs and helped reduce the unemployment rate to 4.5 percent, the lowest rate since 2005.

*Source: NEDA Reports, Various News Articles*

### **Impact on Real Estate Sales**

There is a continued rise in the demand for real estate in Northern Mindanao and Caraga shown in the current sales reservations for the 3<sup>rd</sup> quarter of 2020. The Company made an unprecedented move to immediately shift to the digital platform. These include regular online presence through Facebook and direct messaging to the brokers. These are also online facilities implemented to ensure continuity in equity payments and sales reservation. A challenge was posted by buyers who had difficulty transitioning from their traditional banking style to online payments but these were being responded to. There were reduced foot traffic at the onset of COVID-19 to sites. However, this has gradually increased as the Company implemented safety protocols on site. Website upgrade is ongoing.

### **Supply Chain Risks**

There is a potential risk of shortage of construction materials and supplies because of supply issues from sources in COVID-19 affected countries. Shortage of imported construction materials might lead to an increase in development costs.

To mitigate the impact of potential shortages, we have implemented contingency strategies such as increased inventory and advanced procurement of construction materials.

With the recommended social distancing and adoption of flexible work arrangements, our personnel and brokers' efficiency in handling administrative work (e.g. processing of sale documents; processing of government permits and license; etc.) may be impaired.

We have also instituted increased health awareness in all our offices and project sites. Constant disinfecting and sanitation of the offices and model houses in the all project sites is done. Constant hand-washing is promoted and health and temperature monitoring is conducted with the use of thermal scanners.

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

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

**Material Event/s and Uncertainties:**

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

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

The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C (if any).

SIGNATURES:

Pursuant to the requirements of the Securities Regulations Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **A BROWN COMPANY, INC.**



**ROBERTINO E. PIZARRO**  
President & Chief Executive Officer



**MARIE ANTONETTE U. QUNITO**  
Chief Finance Officer

Date: November 16, 2020

**EXHIBIT 1****A BROWN COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	₱91,915,834	₱74,999,881
Receivables (Note 5)	946,085,986	746,447,264
Contract assets (Notes 14 and 26)	128,936,113	128,936,113
Receivables from related parties (Note 15)	114,385,359	114,385,359
Real estate inventories (Note 6)	1,644,875,534	1,580,964,264
Inventories (Note 7)	93,838,952	154,605,096
Equity instruments at fair value through profit or loss (EIFVPL) (Note 9)	27,857,889	63,484,441
Other current assets (Note 8)	499,812,545	349,774,970
<b>Total Current Assets</b>	<b>3,547,708,213</b>	<b>3,213,597,388</b>
<b>Noncurrent Assets</b>		
Receivables - net of current portion (Note 5)	146,032,472	146,248,831
Contract assets - net of current portion (Notes 14 and 2)	6,294,565	6,294,565
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9)	167,647,323	167,561,453
Investments in associates (Note 10)	1,536,440,776	1,430,401,980
Investment properties (Note 11)	97,133,941	97,133,941
Property, plant and equipment (Note 12)	987,781,094	880,355,966
Deferred tax assets (Note 20)	22,044,071	13,013,537
Other noncurrent assets (Note 8)	141,713,335	140,857,610
<b>Total Noncurrent Assets</b>	<b>3,105,087,576</b>	<b>2,881,867,883</b>
<b>TOTAL ASSETS</b>	<b>6,652,795,789</b>	<b>6,095,465,271</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Note 13)	781,796,610	582,695,156
Short-term debt (Note 16)	480,871,200	378,100,000
Current portion of long-term debt (Note 16)	186,277,230	212,402,746
Contract liabilities (Notes 14 and 26)	190,618,016	139,504,435
<b>Total Current Liabilities</b>	<b>1,639,563,056</b>	<b>1,312,702,337</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 16)	469,442,264	609,287,221
Retirement benefit obligation	51,773,793	46,378,752
Deferred tax liabilities - net (Note 19)	163,512,019	150,611,365
<b>Total Noncurrent Liabilities</b>	<b>684,728,076</b>	<b>806,277,338</b>
<b>Total Liabilities</b>	<b>₱2,324,291,132</b>	<b>₱2,118,979,675</b>

*(Forward)*

	September 30, 2020 (Unaudited)	December 01, 1931 (Audited)
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 17)	<b>₱2,477,668,925</b>	2,477,668,925
Additional paid-in capital (Note 17)	<b>637,968,859</b>	637,968,859
Retained earnings (Note 17)	<b>1,426,205,644</b>	1,143,092,830
Fair value reserve of EIFVOCI (Note 9)	<b>(203,330,989)</b>	(266,509,340)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	<b>(20,084,934)</b>	(20,084,934)
Cumulative translation adjustment	<b>4,976,142</b>	1,006,585
	<b>4,323,403,647</b>	3,973,142,925
<b>Noncontrolling Interests</b> (Note 17)	<b>5,101,010</b>	3,342,671
<b>Total Equity</b>	<b>4,328,504,657</b>	3,976,485,596
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,652,795,789</b>	6,095,465,271

*See accompanying Notes to Consolidated Financial Statements.*



**A BROWN COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Quarter Ended Sept. 30		Year-To-Date Ended Sept. 30	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>REVENUES</b>				
Real estate sales (Note 26)	<b>₱180,432,295</b>	₱116,060,178	<b>₱534,190,214</b>	₱530,684,299
Sale of agricultural goods (Note 26)	<b>24,678,683</b>	13,166,524	<b>46,731,139</b>	55,580,465
Water service (Note 26)	<b>5,727,594</b>	5,479,483	<b>17,517,055</b>	16,559,287
	<b>210,838,572</b>	<b>134,706,184</b>	<b>598,438,408</b>	<b>602,824,051</b>
<b>COST AND EXPENSES</b>				
Cost of real estate sold (Note 6)	<b>101,332,706</b>	44,355,403	<b>256,737,071</b>	196,484,720
Cost of agricultural goods sold (Note 7)	<b>18,652,623</b>	10,667,893	<b>39,059,730</b>	43,256,935
Cost of water service income	<b>3,785,818</b>	3,213,656	<b>10,801,963</b>	8,070,230
	<b>123,771,147</b>	<b>58,236,952</b>	<b>306,598,764</b>	<b>247,811,885</b>
<b>GROSS PROFIT</b>	<b>87,067,424</b>	76,469,233	<b>291,839,644</b>	355,012,167
<b>GENERAL, ADMINISTRATIVE AND SELLING</b>	<b>65,813,968</b>	34,067,430	<b>163,345,655</b>	163,640,239
<b>OTHER INCOME (EXPENSES)</b>				
Share in net income of associates (Note 10)	<b>70,763,635</b>	48,298,817	<b>210,038,796</b>	245,863,956
Unrealized gain (loss) on EIFVPL (Note 9)				
Gain (loss) on sale of EIFVPL (Note 9)	<b>17,785,922</b>	15,067,123	<b>18,298,507</b>	17,198,093
Interest expense (Note 16)	<b>3,744,965</b>	(22,920,854)	<b>(25,863,331)</b>	(62,999,241)
Impairment loss (Notes 8 and 12)	-			
Gain on sale of Property Plant & Equipment	-	2,000	<b>(184,474)</b>	6,370,146
Unrealized foreign exchange gain (loss)	<b>(27,211)</b>		<b>(27,211)</b>	
Other income	<b>1,313,537</b>	2,794,021	<b>5,505,361</b>	9,929,621
	<b>93,580,849</b>	43,241,106	<b>207,767,648</b>	216,362,575
<b>INCOME BEFORE INCOME TAX</b>	<b>114,834,305</b>	85,642,909	<b>336,261,637</b>	407,734,503
<b>PROVISION FOR (BENEFIT FROM)</b>				
<b>INCOME TAX</b> (Note 20)				
Current	<b>10,297,692</b>	6,664,832	<b>38,025,273</b>	38,799,643
Deferred	<b>(5,586,785)</b>	(7,840,110)	<b>(4,102)</b>	7,840,110
	<b>4,710,907</b>	(1,175,278)	<b>38,021,171</b>	46,639,752
<b>NET INCOME</b>	<b>₱110,123,398</b>	₱86,818,187	<b>₱298,240,465</b>	₱361,094,751
<b>Remeasurement (gain) loss on fair value of EIFVOCI - net of tax</b>	<b>(523,268)</b>		<b>(4,332,431)</b>	
<b>Remeasurement loss on retirement fund payable - net of tax</b>				
<b>OTHER COMPREHENSIVE GAIN</b>	<b>(523,268)</b>	-	<b>(4,332,431)</b>	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱110,646,667</b>	<b>₱86,818,187</b>	<b>₱302,572,897</b>	<b>₱361,094,751</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	<b>₱110,123,582</b>	₱86,820,689	<b>₱298,248,546</b>	₱361,117,192
Non-controlling interests	<b>(184)</b>	(2,502)	<b>(8,080)</b>	(22,441)
	<b>₱110,123,398</b>	₱86,818,187	<b>₱298,240,465</b>	₱361,094,751
<b>OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	<b>₱110,646,851</b>	₱86,820,689	<b>₱302,580,977</b>	₱361,117,192
Non-controlling interests	<b>(184)</b>	(2,502)	<b>(8,080)</b>	(22,441)
	<b>₱110,646,667</b>	₱86,818,187	<b>₱302,572,897</b>	₱361,094,751
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	<b>0.045</b>	<b>0.035</b>	<b>0.120</b>	<b>0.146</b>

See accompanying Notes to Consolidated Financial Statements.

**A BROWN COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND DECEMBER 31, 2019**

	Total Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Stock Dividend Distributable	Remeasurement Loss on Retirement Obligation	Cumulative Translation Adjustment	Total	Noncontrolling Interests	Total
<b>At January 1, 2020</b>	<b>₱2,477,668,925</b>	<b>₱637,968,859</b>	<b>₱1,143,092,830</b>	<b>-₱266,509,340</b>	<b>₱0</b>	<b>-₱20,084,934</b>	<b>-₱3,104,652</b>	<b>₱3,969,031,688</b>	<b>₱3,495,179</b>	<b>₱3,972,526,867</b>
Net income	-	-	302,572,897	-	-	-	-	302,572,897	1,605,831	304,178,728
Adjustment	-	-	19,460,083	-	-	-	-	(19,460,083)	-	(19,460,083)
Other comprehensive income (loss)	-	-	-	63,178,351	-	-	8,080,794	71,259,145	-	71,259,145
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>283,112,814</b>	<b>63,178,351</b>	<b>-</b>	<b>-</b>	<b>8,080,794</b>	<b>354,371,959</b>	<b>1,605,831</b>	<b>355,977,790</b>
<b>At September 30, 2020 (Unaudited)</b>	<b>2,477,668,925</b>	<b>637,968,859</b>	<b>1,426,205,644</b>	<b>(203,330,989)</b>	<b>-</b>	<b>(20,084,934)</b>	<b>4,976,142</b>	<b>4,323,403,647</b>	<b>5,101,010</b>	<b>4,328,504,657</b>
<b>At January 1, 2019</b>	<b>2,477,668,925</b>	<b>637,968,859</b>	<b>648,147,097</b>	<b>(265,423,108)</b>	<b>-</b>	<b>(10,036,442)</b>	<b>(3,104,652)</b>	<b>3,485,220,679</b>	<b>3,495,179</b>	<b>3,488,715,858</b>
Net income	-	-	494,945,733	-	-	-	-	494,945,733	(152,508)	494,793,225
Other comprehensive income (loss)	-	-	-	(1,086,232)	-	(10,048,492)	4,111,237	(7,023,487)	-	(7,023,487)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>494,945,733</b>	<b>(1,086,232)</b>	<b>-</b>	<b>(10,048,492)</b>	<b>4,111,237</b>	<b>487,922,246</b>	<b>(152,508)</b>	<b>487,769,738</b>
<b>At December 31, 2019 (Audited)</b>	<b>₱2,477,668,925</b>	<b>₱637,968,859</b>	<b>₱1,143,092,830</b>	<b>-₱266,509,340</b>	<b>₱0</b>	<b>-₱20,084,934</b>	<b>₱1,006,585</b>	<b>₱3,973,142,925</b>	<b>₱3,342,671</b>	<b>₱3,976,485,596</b>

	Total Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Other Equity Matters	Remeasurement Loss on Retirement Obligation	Cumulative Translation Adjustment	Total	Noncontrolling Interests	Total
<b>At January 1, 2019</b>	<b>₱2,477,668,925</b>	<b>₱637,968,859</b>	<b>₱648,147,097</b>	<b>-₱265,423,108</b>	<b>-</b>	<b>-₱10,036,442</b>	<b>-₱3,104,652</b>	<b>₱3,485,220,679</b>	<b>₱3,495,179</b>	<b>₱3,488,715,858</b>
Net income	-	-	361,094,751	-	-	-	-	361,094,751	1,605,831	362,700,582
Adjustment	-	-	46,365,260	115,975,337	(89,104,561)	-	13,141,094	86,377,130	-	86,377,130
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>407,460,011</b>	<b>115,975,337</b>	<b>(89,104,561)</b>	<b>-</b>	<b>13,141,094</b>	<b>447,471,881</b>	<b>1,605,831</b>	<b>449,077,712</b>
<b>At September 30, 2019 (Unaudited)</b>	<b>2,477,668,925</b>	<b>637,968,859</b>	<b>1,055,607,108</b>	<b>(149,447,771)</b>	<b>(89,104,561)</b>	<b>(10,036,442)</b>	<b>10,036,442</b>	<b>3,932,692,560</b>	<b>5,101,010</b>	<b>3,937,793,570</b>

See accompanying Notes to Consolidated Financial Statements.

**A BROWN COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Quarter Ended September 30 Year-to-date Ended September 30

	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax and non-controlling inte	<b>₱38,157,100</b>	<b>₱85,642,910</b>	<b>₱336,261,637</b>	<b>₱407,734,503</b>
Adjustments for:				
Gain on sale of available for sale investment	<b>(18,298,507)</b>	(10,829,947)	<b>(18,298,507)</b>	(6,370,146)
Gain on sale of Property and equipment	<b>184,474</b>	(4,239,176)	<b>184,474</b>	(17,198,093)
Equity in net profit of an associate	<b>(152,296,338)</b>	(48,298,817)	<b>(210,038,796)</b>	(245,863,956)
Finance costs	<b>20,287,937</b>	22,920,854	<b>49,896,233</b>	62,999,241
Depreciation and amortization	<b>5,806,871</b>	5,037,771	<b>14,899,554</b>	11,844,629
Financial income	-	711,023	-	(2,256,304)
Cumulative foreign translation	<b>968,831</b>	(322,618)	<b>(4,976,142)</b>	(4,643,006)
Unrealized foreign exchange loss	-	1,181	-	-
Amortization of leasehold rights	-	(67,864)	<b>33,932</b>	-
Operating income before working capital changes	<b>(105,189,632)</b>	50,555,317	<b>167,962,386</b>	206,246,868
Decrease (increase) in:				
Accounts receivable	<b>(122,190,433)</b>	(64,739,237)	-	(214,649,665)
Inventories	<b>(107,802,526)</b>	2,254,467	<b>(60,766,144)</b>	(14,626,612)
Prepayments and other current assets	<b>(105,651,789)</b>	(103,392,530)	<b>(90,161,653)</b>	(180,127,239)
Real estate held for sale	<b>384,784,532</b>	(30,874,461)	<b>193,456,688</b>	(39,602,377)
Increase (decrease) in:				
Accounts payable and accrued expenses	<b>90,782,823</b>	(170,608,035)	-	(26,330,065)
Deposit from customers	<b>(139,058,569)</b>	(95,139,810)	<b>(127,471,432)</b>	(59,429,158)
Cash provided by operations	<b>(104,325,594)</b>	(411,944,289)	<b>83,019,844</b>	(328,518,248)
Interest received	<b>(18,639,133)</b>	6,811	<b>(18,604,335)</b>	1,462,173
Income tax paid	-	-	-	25,152,903
Net cash provided by operating activities	<b>-₱122,964,727</b>	-₱411,937,478	<b>₱64,415,509</b>	-₱301,903,172
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of:				
Dividends Receivable	<b>(29,500,000)</b>	-	<b>₱104,000,000</b>	-
Additions (deductions) to:				
Property and equipment	<b>15,308,319</b>	(20,835,777)	<b>9,245,921</b>	(7,305,812)
Land & Land Improvements	-	168,501,572	-	180,127,239
Refundable deposits	<b>(35,561,312)</b>	-	-	-
Investment Properties	<b>82,831,000</b>	-	-	-
Proceeds from sale of Available for Sale Invesmer	<b>62,023,806</b>	23,335,218	<b>62,023,806</b>	85,076,093
Advances made to related parties	-	125,481,992	-	125,556,813
Proceeds from sale of property and equipment	-	(4,097,824)	-	6,370,146
Net cash provided by (used in) investing activities	<b>95,101,813</b>	292,385,181	<b>175,269,726</b>	389,824,479
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Long-term debt	<b>27,044,610</b>	(114,369,614)	<b>(177,849,192)</b>	(312,962,441)
Short-term debt	-	(100,000,000)	-	(105,291,200)
Proceeds from:				
Short-term debt	-	150,000,000	-	150,000,000
Long-term debt	-	129,047,483	-	210,565,783
Finance costs paid	<b>(20,287,937)</b>	(22,920,854)	<b>(49,896,233)</b>	(62,999,241)
Net cash used in financing activities	<b>6,756,673</b>	41,757,015	<b>(227,745,425)</b>	(120,687,099)
EFFECT OF EXCHANGE RATE TRANSLATION GAIN/LOSS	<b>4,976,142</b>	322,618	<b>4,976,142</b>	4,643,006
<b>NET INCREASE IN CASH</b>	<b>(16,130,098)</b>	(77,472,664)	<b>16,915,953</b>	(28,122,786)
<b>CASH AT BEGINNING OF YEAR</b>	<b>108,045,932</b>	125,079,911	<b>74,999,881</b>	75,730,032
<b>CASH AT END OF PERIOD/YEAR</b>	<b>₱91,915,834</b>	₱47,607,247	<b>₱91,915,834</b>	₱47,607,246

See accompanying Notes to Consolidated Financial Statements.

**A BROWN COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On December 28, 2012, upon amendment of Article IV of the Articles of Incorporation, approved among others that "That the term for which the Parent Company is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on December 20, 2016".

The Parent Company is engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental, Cainta, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

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

The Subsidiaries

The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The following are the subsidiaries of the Parent Company:

*A Brown Energy and Resources Development, Inc. (ABERDI)*

ABERDI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.

*Palm Thermal Consolidated Holdings, Corp. (PTCHC)*

PTCHC is a 100% owned subsidiary of the Parent Company registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of

its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

*Blaze Capital Limited (BCL)*

BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company in August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges.

*Hydro Link Projects Corp. (HLPC)*

HLPC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. The Company's primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment.

*AB Bulk Water Company, Inc. (ABBWCI)*

ABBWCI is a 100% owned subsidiary of the Parent Company registered with the SEC on March 31, 2015. The Company was organized primarily to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol and related activities.

*Masinloc Consolidated Power, Inc. (MCPI)*

MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. The Company was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. The Company is registered under the Foreign Investments Act of 1991 on July 6, 2007.

*Simple Homes Development, Inc. (SHDI)*

SHDI is a 100% owned subsidiary of the Parent Company registered with the SEC on February 26, 1997. The Company was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities.

*Nakeen Corporation (NC)*

NC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company's primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

*Bonsai Agri Corporation (BAC)*

BAC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. The Company was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle,

both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets.

*Vires Energy Corporation (VEC)*

VEC is a 99.995% owned subsidiary of the Parent Company which was acquired on June 18, 2020 and registered with the SEC on March 11, 2015. The Company was organized primarily to operate, engage in, conduct and carry on the business of exploring, developing, converting, producing, processing and refining of power energy, fuel and/or any other source of power energy. The Company is the proponent for the Integrated Floating LNG Storage and Regasification Terminal and the 506MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. It has registered the project with the Board of Investments to avail of incentives.

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

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

The consolidated financial statements provide comparative information in respect of the previous period.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for the following implementation issues of PFRS 15 affecting the real estate industry:

- a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Adoption of PIC Q&A No. 2018-14: PFRS 15 – *Accounting for Cancellation of Real Estate Sales*
- d. Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2020 and December 31, 2019.

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

	Effective Percentage of Ownership (%)	
	2020	2019
A Brown Energy and Resource Development Inc. (ABERDI)	100	100
Nakeen Corporation (NC)	100	100
Bonsai Agri Corporation (BAC)*	100	100
Palm Thermal Consolidated Holdings Corp. (PTCHC)	100	100
Hydro Link Projects Corp. (HLPC)*	100	100
AB Bulk Water Company, Inc. (ABWCI)*	100	100
BCL*	100	100
Simple Homes Development, Inc. (SHDI)*	100	100
Masinloc Consolidated Power, Inc. (MCPI)**	49	49
Vires Energy Corporation (VEC)*	99.995	-

\* pre-operating subsidiaries

\*\* non-operating subsidiary

#### Noncontrolling Interests

Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

As at September 30, 2020 and December 31, 2019, percentage of noncontrolling interests pertaining to MCPI amounted to 51%. The voting rights held by the noncontrolling interests are in proportion of their ownership interest.

#### Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating*



*Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Group recognized right-of-use asset based on its carrying amount as if PFRS 16 had always been applied while the lease liability is recognized at date of adoption, January 1, 2019.

The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

On August 2006, the Group entered into Development Contracts (DCs) with *Kapunungan Sa Mga Mag-uuma sa Kaanibungan* (KASAMAKA) and *Kahugpong sa mga Mag-Uuma sa Barangay Tingalan* (KMBT) identified as contracts containing leases scoped in under PFRS 16. The contracts provide the Group for the rights to use the parcels of land from various landowners for the establishment of palm oil plantations. The Group paid advance rentals for the rights to use parcels of land and there are no future lease payments related to these lease contracts.

The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	<u>Increase (Decrease)</u>
<b>Assets</b>	
Property, plant and equipment:	
Right-of-use asset	P30,535,735
Other noncurrent assets	
Prepaid land rights	(30,535,735)

Based on the above, as at January 1, 2019:

- Property, plant and equipment was recognized amounting to P30.5 million representing the amount of right-of-use assets set up on transition date.
- Prepaid land rights under "Other noncurrent assets" of P30.5 million were derecognized.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have a significant impact on the consolidated financial statements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

These amendments are not expected to have any impact on the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

the plan and the plan assets after that event.

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

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

The amendments had no impact on the Group's consolidated financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

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

These amendments are not expected to have any impact on the Group.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

#### Standards Issued but Not Yet Effective

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

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

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

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

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

This standard is not expected to have any impact on the Group.

*Deferred effectivity*

- Deferment of Application of the Provisions of the PIC Q&A No. 2018-12 for the Real Estate Industry

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

- a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E

- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.
- d. Accounting for Cancellation of Real Estate Sales in PIC Q&A No. 2018-14.

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

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

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

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

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

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

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

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2019 as well as a decrease in the revenue from real estate sales in 2019. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (CTS) would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate (EIR) method and this would have impacted retained earnings as at January 1, 2019 and the revenue from real estate sales in 2019. Currently, any significant financing component arising from the mismatch discussed above is not

considered for revenue recognition purposes.

- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2019 and gain from repossession in 2019. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.
- Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020 providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the consolidated financial statements had the IFRIC agenda decision been adopted.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

#### Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

### Fair Value Measurement

The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether or not transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

### Cash

Cash includes cash on hand and in banks.



Financial Instruments - Initial recognition and subsequent measurement effective January 1, 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial assets

**(i) Initial recognition and measurement**

Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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

*Contractual cash flows characteristics.* If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

*Business model.* The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

**(ii) Subsequent measurement**

The Group subsequently classifies its financial assets into the following measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

*Financial assets at amortized cost (debt instruments).* The Group measures financial assets at amortized cost if both of the following conditions are met:

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the consolidated statements of comprehensive income.

The Group's financial assets at amortized cost include cash, receivables, receivables from related parties and refundable deposits included under "Other assets" in the consolidated statements of financial position (see Notes 4, 5, 8 and 15).

*Financial assets at FVOCI (debt instruments).* The Group measures debt instruments at FVOCI if both of the following conditions are met:

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

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the consolidated statements of comprehensive income and computed in the same

manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at September 30, 2020 and December 31, 2019, the Group's does not have debt instruments at FVOCI.

*Financial assets designated at FVOCI (equity instruments).* At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combination* applies. The classification is determined on an instrument-by-instrument basis.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss. Dividends are recognized in the consolidated statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company includes equity instruments not HFT in this category. The Group made irrevocable election to present in OCI subsequent changes in the fair value of all the Group's investments in golf shares and unlisted shares of stock.

*Financial assets at FVPL.* Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVPL include listed equity securities (see Note 9).

***(iii) Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from The Group's consolidated statements of financial position) when:

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

When the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***(iv) Impairment of financial assets***

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

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

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit

exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

The Group applies a simplified approach in calculating ECLs for receivables. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Group has established a provision matrix that is based on its historical credit loss experience.

For installment contracts receivable (ICR) and contract assets, the Group uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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

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

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

#### *Determining the stage for impairment*

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

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed

significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

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

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

### Financial liabilities

#### **(i) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### **(ii) Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

*Financial liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the consolidated statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

*Financial liabilities measured at amortized cost.* This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest in the consolidated statements of comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2019 includes the following (see Notes 13 and 16):

- Short-term debt
- Long-term debt
- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as "Interest expense" in the consolidated statements of comprehensive income on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

### ***(iii) Derecognition***

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

### **Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

### **Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9 in 2018)**

#### ***Date of recognition***

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame

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

#### *Initial recognition*

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

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

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

#### *"Day 1" difference*

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

#### *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL. This accounting policy pertains to the Group's cash, receivables, receivables from related parties and refundable deposits included under "Other current assets" in the consolidated statements of financial position.

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

#### *AFS investments*



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

#### *Other financial liabilities*

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

This accounting policy applies primarily to the Group's short-term and long-term debts and accounts and other payables (excluding statutory payables).

#### *Impairment of financial assets*

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

#### *Loans and receivables*

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

Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

### Real Estate Inventories

Real estate inventories consists of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

### Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale while the asset, which includes real estate held for sale and property, plant and equipment, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

#### Inventories

Inventories pertain to agricultural produce and the related finished goods and construction materials which are measured at the lower of cost and net realizable value (NRV). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss. Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged, and obsolete inventories.

#### *Agricultural produce*

Agricultural produce is the harvested product of the Group's bearer plants. A harvest occurs when agricultural produce is either detached from the bearer plant or when a bearer plant's life processes cease. The Group's agricultural produce (e.g. fresh fruit bunches, under inventories) are measured at fair value less estimated costs to sell at the time of harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

#### *Finished goods*

Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor, and indirect production and overhead costs. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### *Construction materials*

Construction materials are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

#### Deposits for Purchased Land

This represents deposits made to land owners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Group normally makes deposits before a contract to sell (CTS) is executed between the Group and the land owner. These are recognized at cost. The sales contracts are expected to be executed within 12 months after the reporting date.

#### Prepayments

Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statements of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the consolidated statements of

financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

#### Investments in Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statements of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of comprehensive income outside operating profit. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share to the extent of the interest in associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statements of comprehensive income.

#### Investment Property

Investment property consists of land and building which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

The carrying value of the asset, if reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the consolidated statements of comprehensive income.

The investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the asset is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

#### Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Effective January 1, 2019, it is the Group's policy to classify ROU assets as part of property, plant and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statements of financial position. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements and right-of-use assets, which are amortized over their estimated lives or term of the lease, whichever is shorter, and bearer plants, which are depreciated using units-of-production (UOP) method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	21
Building and improvements	10 - 20
Leasehold improvements	2 - 5
Machineries and equipment	2 - 10
Right-of-use assets	17
Other equipment	2 - 10

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

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Group shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Construction in progress represents property, plant and equipment under construction or development and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts while any resulting gain or loss is included in the consolidated statements of comprehensive income.

*Bearer plants*

Bearer plants pertain to the Group's palm oil trees used in the production or supply of fresh fruit bunches (FFB) as its agricultural produce and are expected to bear produce for more than

twelve months and have a remote likelihood of being sold as a plant or harvested as agricultural produce, (except for incidental scrap sales).

Bearer plants are measured at cost less accumulated depreciation. Bearer plants are presented as part of property, plant and equipment. Costs to grow include purchase cost of various chemicals and fertilizers, land preparation expenses and other direct costs necessary to cultivate such plants before they are brought in to the location and condition necessary to be capable of operating in the manner intended by management.

UOP method is used for depreciating the bearer plants. Depreciation is charged according to units of FFB harvested over the estimated units of FFB to be harvested during the life of the bearer plants or remaining contract period, whichever is shorter. The Group estimates its total units of FFB to be harvested based on the average yield over which the bearer plants are expected to be available for use. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. Changes in the estimated total units of FFB to be harvested may impact the depreciation of bearer plants.

#### Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's investments in associates, investment properties, property plant, and equipment and other assets excluding refundable deposits (see Notes 8, 10, 11 and 12).

The Group assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.

## Equity

### *Capital stock and additional paid-in capital*

Capital stock consists of common shares which are measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

### *Stock dividends distributable*

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

### *Retained earnings*

Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

## Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are charged to expense and included in operating expenses in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at costs being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling-interests and any previous interest



held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statements of comprehensive income.

After initial recognition, goodwill is measured at costs less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within 12 months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

#### Revenue and Cost Recognition effective January 1, 2018

##### *Revenue from contracts with customers*

The Group is primarily engaged in real estate development, production and sale of agricultural goods, and water services. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Group has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these revenue arrangements.

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

*Real estate sales.* The Group derives its real estate revenue from sale of lots and developed residential house and lots. Revenue from the sale of these real estate projects under pre-

completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

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

Buyer's equity represents the percentage of collection over the total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Revenue recognition commences when the required buyer's equity is met.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under "Contract assets" in the assets section of the consolidated statements of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under "Contract liabilities" account in the liabilities section of the consolidated statements of financial position.

#### *Cost of real estate sales*

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

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

In addition, the Group recognizes cost as an asset that gives rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

*Sale of agricultural goods.* Revenue from sale of agricultural goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and acceptance by the buyer.

*Cost of agricultural goods sold.* Costs of sales include direct material costs, manufacturing expenses and monetary value of inventory adjustments. This is recognized upon delivery of goods or upon transfer of risks and rewards of ownership and when the cost is incurred, or the expense arises.

*Water service.* Revenue is recognized when services are rendered.

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

*Dividend income.* Dividend income is recognized when the Group's right to receive payment is established which is generally when shareholders approve the dividend.

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

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

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

### Contract Balances

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

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

For the Group's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to ICR. It is recognized under "Receivables and contract assets" in the consolidated statements of financial position.

A receivable (e.g., ICR), represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due).

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

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

*Amortization, derecognition and impairment of capitalized costs to obtain a contract.* The Group amortizes capitalized costs to obtain a contract as marketing expense under "General, administrative expenses and selling expenses" account in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

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

At each reporting date, the Group determines whether there is an indication that costs to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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

payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

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

Revenue and Cost Recognition prior to January 1, 2018

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

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

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

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statements of financial position as "Real estate inventories" and the related liability as deposits under "Deposits from customers".

*Cost of real estate sales.* This is consistent with the revenue recognition method applied. Cost of subdivision land and residential house and lot units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's project engineers.

### Cost and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used, or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

### Post-employment Benefits

Pension benefits are provided to employees through a defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

The following comprise the defined benefit costs:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a

discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,
- (d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

*As Lessor.* Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### *Effective January 1, 2019 (Upon Adoption of PFRS 16)*

*As Lessee.* Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. Since there are no future lease payments on the Group's lease in scope, the Group derecognized the related prepaid land rights under "Other noncurrent assets" in the consolidated statements of financial position and recognized right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets.* The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

Right-of-use assets are presented under "Property, plant and equipment" in the consolidated statements of financial position and are subject to impairment.

*Short-term leases.* The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and transportation equipment that have a lease term of 12 months or

less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

*Effective before January 1, 2019 (Prior to Adoption of PFRS 16)*

*As Lessee.* Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

### Taxes

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax.* Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be



available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

*Creditable withholding taxes (CWT).* CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

*VAT.* Revenues, expenses and assets are recognized net of amount of VAT, if applicable.

For its VAT-registered activities (i.e., services related to the conditional cash transfer), when VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under "Accounts and other payables" in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under "Other current assets" in the consolidated statements of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

*Deferred input VAT.* Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. Deferred Input VAT is stated at its realizable value.

#### Foreign Currencies

The Group's consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

*Transactions and balances.* Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

*Group companies.* The functional currency of BCL is the US Dollar. On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso (₱) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized under "Exchange differences in foreign currency translation" in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

#### Segment Reporting

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

#### Basic and Diluted Earnings Per Share (EPS)

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

As of September 30, 2020 and December 31, 2019, the Group has no potentially dilutive common shares.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### Contingencies

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

#### Events After the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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### 3. **Significant Accounting Judgments and Estimates**

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

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

### Judgments

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

#### *Real estate revenue recognition effective January 1, 2018 (upon adoption of PFRS 15)*

*Revenue from contracts with customers.* The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations.* The Group is primarily engaged in real estate sales and development, sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels, and water services. The Group accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.
- *Determining the timing of satisfaction of sale of goods and services.* The Group concluded that the revenue for sale of palm oil and other palm products and water services is to be recognized when the goods are delivered or as services are performed and it has a present right to payment for the services rendered.
- *Existence of a contract.* The Group's primary document for a contract with a customer is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a customer under PFRS 15.

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

- *Revenue recognition method and measure of progress.* The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make

payments to the developer up to the performance completed to date.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

In 2019, the Group considered that the initial and continuing investments by the buyer of about 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The reassessment of buyer's equity to 10% was based on the management's evaluation of the historical cancellations and back-outs and consideration of various factors such as collection history with the buyers, age of receivables and pricing of the property. The change in the buyer's equity resulted to the recognition of additional real estate sales amounting to P207.6 million in 2020 and P225.2 million in 2019. The Group accounted this change prospectively as a change in an accounting estimate.

*Revenue recognition - sales of agricultural goods effective January 1, 2018 (upon adoption of PFRS 15)*

- *Real estate revenue recognition prior to January 1, 2018 (prior to adoption of PFRS 15).* Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments about the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project. The buyers' commitment is evaluated based on collections, credit standing and historical collection from buyers.

In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer reaching a level of collection would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

*Contractual cash flows assessment.* For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the

Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

As at September 30, 2020 and December 31, 2019, the aggregate carrying values of the financial assets amounted to ₱1.329 billion and ₱1.123 billion, respectively.

*Evaluation of business model in managing financial instruments.* The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and,
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*Definition of default and credit-impaired financial assets.* The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when a borrower is more than 90 days past due on its contractual obligations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate the Group's expected loss.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

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

- *Quantitative criteria*  
The customer is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.
- *Qualitative criteria*  
The customer meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent
  - The borrower is in breach of financial covenant(s)
  - An active market for that financial assets has disappeared because of financial difficulties
  - Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty
  - It is becoming probable that the borrower will enter Bankruptcy or other financial reorganization

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

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

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

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

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

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

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

*Determining taxable profit, tax bases and tax rates.* Upon adoption of the Philippine Interpretation IFRIC 23, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

*Distinction of land between real estate inventories and investment properties.* The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

*Significant influence on PCPC, PEI and EWRTC.* In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence. The Group considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

*Evaluation and reassessment of control in MCPI.* The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and,
- c. the ability to use its power over the investee to affect the amount of the investor's returns.

Ownership interest in MCPI represent 49%. The Group has the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations of the investee are occupied by the representatives of the Group.



### Management's Use of Estimates and Assumptions

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

*Revenue recognition on real estate projects.* The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment.

The Group's revenue from real estate is recognized based on the POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the management's specialists (project engineers). The Group also includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended September 30, 2020 and September 30, 2019, the real estate sales recognized over time amounted to P534 million and P531 million, respectively, while the related cost of real estate sales amounted to P257 million and P196 million, respectively.

*Collectability of the sales price.* In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 10% and 25% in 2020 and 2019, respectively, would demonstrate the buyer's commitment to pay.

In 2019, the Group considered that the initial and continuing investments by the buyer of about 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The reassessment of buyer's equity to 10% was based on the management's evaluation of the historical cancellations and back-outs and consideration of various factors such as collection history with the buyers, age of receivables and pricing of the property. The change in the buyer's equity resulted to the recognition of additional real estate sales amounting to P244 million in 2020.

*Provision for expected credit losses of receivables effective January 1, 2018.* The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The Group uses vintage analysis approach to calculate ECLs for ICRs. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time

intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The Group considers an ICR and contract asset in default when the Group forfeits and repossesses the property from the customer through cancellation. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero loss given default, thus resulting to no recognized impairment loss.

In 2020 and 2019, no additional ECL was recognized in the consolidated statements of comprehensive income. As at September 30, 2020 and December 31, 2019, the allowance for ECL recognized in the consolidated statements of financial position amounted to ₱0.4 million (see Note 5).

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

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

The carrying values of real estate inventories amounted to ₱1,644 billion and ₱1,581.0 billion as of September 30, 2020 and December 31, 2019, respectively (see Note 6).

*Determining depreciation method of crushing equipment and RBD and fractionation machineries.* The Group uses the depreciation method for its property, plant and equipment that best reflects the expected pattern of consumption of the future economic benefits

embodied in the assets. The depreciation method used is reviewed periodically, and if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate.

In 2019, the Group changed the depreciation method of its crushing equipment included in machinery and equipment and RBD and fractionation machineries from units-of-production method to straight-line method. The Group assessed that the straight-line method would better reflect the pattern of expected benefits obtained from the use of the assets. This resulted to the accelerated recognition of depreciation expense amounting to ₱9.6 million in 2019. The Group expects salvage value of 10% of the original cost for the crushing equipment and RBD and fractionation machineries.

*Estimating useful lives of property, plant and equipment.* The Group estimates the useful lives of property, plant and equipment and investment properties, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment and investment properties is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of September 30, 2020 and December 31, 2019, the aggregate carrying value of depreciable property, plant and equipment and investment properties amounted to ₱975 million and ₱477 million, respectively (see Notes 11 and 12).

*Estimating fair values of financial assets and liabilities.* When the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*Impairment of nonfinancial assets.* The Group assesses impairment on its nonfinancial assets (e.g. investments in associates, investment properties, property, plant and equipment and other assets excluding refundable deposits) and considers the following important indicators:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or,
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the remaining contract period or useful lives, if practicable, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying values of the nonfinancial assets follow:

\* *Excluding refundable deposits*

	<b>September 30 2020</b>	December 31, 2019
Investments in associates	<b>₱1,640,440,776</b>	₱1,430,401,980
Other current assets*	<b>499,812,545</b>	349,774,970
Property, plant and equipment	<b>987,781,094</b>	880,355,966
Investment properties	<b>97,133,941</b>	97,133,941
Other noncurrent assets	<b>141,713,335</b>	140,857,610

*Estimating total units of output for bearer plants.* The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the bearer plants, and in consideration of the lease term under the contracts providing the Group for the rights to use parcels of land. In addition, the estimate is based on collective assessment of internal technical evaluation and experience. The carrying amount of bearer plants, amounted to ₱317 million and ₱317.2 million as of September 30, 2020 and December 31, 2019 (see Note 12).

*Post-employment defined benefit plan.* The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined

benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of September 30, 2020 and December 31, 2019, the Group's retirement obligation amounted to ₱51.8 million.

*Estimating realizability of deferred tax assets.* The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

As at September 30, 2020 and December 31, 2019, deferred tax assets amounting to ₱22.04 million and ₱13.01 million, respectively, were not recognized in the consolidated statements of financial position since it is not probable that sufficient taxable income may be available in the future against which the deferred tax assets can be utilized. As at September 30, 2020 and December 31, 2019, the carrying values of deferred tax assets amounted to ₱22 million and ₱13 million, respectively (see Note 20).

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#### 4. Cash

	<b>As of 09/30/2020 (Unaudited)</b>	<b>As of 12/31/2019 (Audited)</b>
Cash on hand	<b>₱1,430,589</b>	₱1,165,527
Cash in banks	<b>90,485,244</b>	73,834,354
	<b>₱91,915,834</b>	₱74,999,881

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱0.004 million and ₱0.4 million in 2020 and 2019, respectively.

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#### 5. Receivables

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
ICR	<b>₱854,341,546</b>	₱598,655,904
Trade receivables	<b>26,905,513</b>	13,524,501
Dividend receivable	-	182,200,000
Advances to officers and employees	<b>5,093,067</b>	1,318,906
Other receivables	<b>206,252,713</b>	97,471,164
	<b>1,092,592,838</b>	893,170,475
Less allowance for impairment	<b>474,380</b>	474,380
	<b>1,092,118,458</b>	892,696,095
Less noncurrent portion	<b>146,032,472</b>	146,248,831
	<b>₱946,085,986</b>	₱746,447,264

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers. Interest earned from contract assets and ICR amounted to ₱1.7 million and ₱.9 million in 2020 and 2019, respectively.

Trade receivables include receivables from water service and sale of palm oil and other palm products which are noninterest-bearing and are normally collected within seven (7) to sixty (60) days.

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one year.

Other receivables pertain to receivables for the sale of equity. These receivables are noninterest-bearing and are normally on 30-day terms.

## 6. Real Estate Inventories

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Land for sale and development	<b>₱270,234,986</b>	₱291,091,721
Construction and development costs	<b>1,374,640,549</b>	1,289,872,543
	<b>₱1,644,875,534</b>	₱1,580,964,264

The rollforward of this account follows:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Balance at beginning of the year	<b>₱1,580,964,264</b>	₱1,596,802,518
Construction costs incurred	<b>292,396,132</b>	284,133,119
Borrowing costs capitalized (Note 16)	<b>23,995,396</b>	35,651,325
Depreciation expense capitalized (Note 12)	<b>4,256,813</b>	5,454,280
Purchase of raw land		4,555,160
Transfers from investment properties (Note 11)		9,600,000
Transfer from deposits for purchased land		-
Cost of real estate sold	<b>(256,737,071)</b>	(355,232,138)
	<b>₱1,644,875,534</b>	₱1,580,964,264

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2020 and 2019.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, capitalized borrowing costs and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories in September 30, 2020 and December 31, 2019 amounted to ₱ 24 million and ₱ 35.7 million (Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.92%. In 2018, the Group had no borrowings attributable to its on-going constructions.

In 2018, the Parent Company transferred deposits for purchased land to real estate inventories since the related CTS or sales contracts have already been executed.

#### Collateralized properties

Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 16). As at September 30, 2020 and December 31, 2019, the carrying values of the collateralized real estate inventories amounted to ₱ 387 million and ₱322.8 million.

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## 7. Inventories – at cost

The cost of inventories recognized under cost of goods sold in the consolidated statements of comprehensive income are as follows:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Finished agricultural goods	<b>₱92,215,644</b>	₱91,464,783
Construction materials	-	60,279,616
Materials and other supplies	<b>1,623,308</b>	2,860,697
	<b>₱93,838,952</b>	₱154,605,096

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Fresh fruit bunches at the beginning of year	-	-
Purchase and harvest of fresh fruit bunches	<b>₱29,325,945</b>	₱28,001,011
Crude palm oil purchased during the year	-	16,814,433
Fresh fruit bunches at the end of year	<b>1,112,152</b>	-
Fresh fruit branches used in production	<b>28,213,792</b>	44,815,444
Direct labor	<b>2,191,700</b>	3,845,652
Manufacturing overhead	<b>9,405,099</b>	12,924,105
Total manufacturing cost	<b>39,810,591</b>	61,585,201
Finished goods at beginning of year	<b>91,464,783</b>	79,564,205
Finished goods at end of year	<b>(92,215,644)</b>	(91,464,783)
Total cost of goods sold	<b>₱39,059,730</b>	₱49,684,623

Depreciation capitalized to inventories amounted to ₱ 1.4 million and ₱2.5 million in 2020 and 2019 (see Note 12).

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Materials and other supplies pertain to fertilizers, fuel and oil and other consumables.

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**8. Other Assets**



	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Current:		
Deposits for purchased land	<b>₱274,358,107</b>	₱160,780,887
Creditable withholding taxes	<b>111,047,961</b>	98,227,792
Prepaid expenses	<b>85,211,740</b>	66,777,985
Costs to obtain contracts	<b>18,366,059</b>	16,355,255
Refundable deposits	<b>8,887,456</b>	7,296,467
Miscellaneous	<b>1,941,223</b>	336,584
	<b>₱499,812,545</b>	₱349,774,970

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Noncurrent:		
Advances to third party	<b>₱102,719,000</b>	₱102,719,000
Refundable deposits - net of current portion	<b>36,965,742</b>	36,067,010
Deferred input VAT	<b>1,985,586</b>	2,028,593
Goodwill	<b>43,007</b>	43,007
	<b>₱141,713,335</b>	₱140,857,610

Deposits for purchased land pertain to installment payments made by the Group to the sellers of land where sales contracts have yet to be executed. The land is intended to be held for sale in the future.

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Prepaid expenses consist mainly of prepaid supplies, employee benefits, rent, insurance and taxes and licenses which are applicable in the future period.

Advances to third party pertain to advances made by the Group in connection with its engagement of a third party for potential joint venture partners for acceptable business projects. The advances are to be applied to the cost of the business project.

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are charged to expense as "Marketing" under "General, administrative and selling expenses" in the consolidated statements of comprehensive income as the related revenue is recognized (see Note 18).

Deferred input VAT pertains to the input VAT from the purchase of a capital good whose acquisition cost exceeds ₱1.0 million. Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this

provision is applicable only until December 31, 2021. In 2019, input VAT written-off amounting to P5.0 million was recognized under “Impairment loss” in the consolidated statements of comprehensive income.

Miscellaneous pertains to advances to suppliers and contractors.

## 9. Investments in Equity Instruments

### *Quoted and unquoted equity securities*

The Group’s EIFVPL consists of quoted equity securities that are listed and traded in the Philippine Stock Exchange. The fair value of these securities has been determined directly by reference to published prices in an active market using Level 1 fair value hierarchy. The changes in the fair value of the quoted equity securities are recognized under “Unrealized loss on EIFVPL” in the consolidated statements of comprehensive income.

The Group’s EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). Moreover, the Group’s unlisted shares of stock are measured at cost since it represents the best estimate of fair value within the range of possible fair value measurements which are under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under “Net change in fair value of EIFVOCI” in other comprehensive income.

The rollforward analysis of investments in EIFVOCI and EIFVPL in September 30, 2020 and Decemebr 31, 2019 follows:

	As of 09/30/20 (Unaudited)	
	FVPL	FVOCI
Cost:		
At January 1	<b>₱64,125,698</b>	<b>₱434,070,793</b>
Disposal	<b>(58,257,491)</b>	-
At September 30	<b>5,868,207</b>	<b>434,070,793</b>
Cumulative unrealized gain (loss):		
At January 1	<b>(641,257)</b>	<b>(266,509,340)</b>
Disposal	<b>18,298,507</b>	-
Fair value adjustment	<b>4,332,431</b>	<b>85,870</b>
At September 30	<b>21,989,682</b>	<b>(266,423,470)</b>
Carrying values	<b>₱27,857,889</b>	<b>₱167,647,323</b>

	As of 12/31/19 (Audited)	
	FVPL	FVOCI
Cost:		
At January 1	₱139,742,698	₱434,070,793
Disposal	(75,617,000)	-
At December 31	64,125,698	434,070,793
Cumulative unrealized gain (loss):		
At January 1	93,428,040	(265,423,108)
Disposal	(50,555,401)	-
Fair value adjustment	(43,513,896)	(1,086,232)
At December 31	(641,257)	(266,509,340)
Carrying values	₱63,484,441	₱167,561,453

In 2019, the Group sold its 75,617,000 shares of Apex Mining Corporation (AMC) for ₱94.1 million and ₱122.8 million resulting in a loss of ₱32.1 million.

The Group's investments in golf club shares and unlisted shares of stock were irrevocably designated at FVOCI as the Group considers these instruments to be held for the foreseeable future. Prior to adoption of PFRS 9, these were categorized as AFS investments. Cumulative unrealized loss for these investments amounted to ₱294.3 million as of January 1, 2018.

## 10. Investments in Associates

	As of 09/30/20 (Unaudited)	As of 12/31/19 (Audited)
Palm Concepcion Power Corporation (PCPC)	₱1,171,740,062	₱1,081,884,039
Peakpower Energy, Inc. (PEI)	311,026,595	294,768,295
East West Rail Transit Corporation (EWRTC)	53,674,119	53,749,646
	<b>₱1,536,440,776</b>	<b>₱1,430,401,980</b>
	As of 09/30/20 (Unaudited)	As of 12/31/19 (Audited)
Acquisition cost, beginning and end of year	₱1,105,595,917	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of year	324,806,063	126,702,232
Share in net income	210,038,796	380,303,831
Dividends	(104,000,000)	(182,200,000)
	<b>430,844,859</b>	<b>324,806,063</b>
	<b>₱1,536,440,776</b>	<b>₱1,430,401,980</b>

In 2019 and 2018, PEI declared cash dividend to the Group amounting to ₱72.2 million and ₱13.0 million, respectively, while PCPC declared cash dividend to the Group amounting to

₱110.0 million and ₱80.0 million, respectively. The Group collected the dividends on January 2020 and April 2019, respectively.

The Group's share in net income (loss) of its associates are shown below:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Palm Concepcion Power Corporation (PCP)	<b>₱120,258,300</b>	₱260,684,547
Peakpower Energy, Inc. (PEI)	<b>89,856,023</b>	119,749,941
East West Rail Transit Corporation (EWRT)	<b>(75,527)</b>	(130,657)
	<b>₱210,038,796</b>	₱380,303,831

*Investment in PCPC*

The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC. The following table sets out the summarized financial information of PCPC as of September 30, 2020 and December 31, 2019:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
<b>Assets</b>		
Current assets	<b>₱3,333,808,662</b>	₱3,683,808,510
Noncurrent assets	<b>9,922,532,089</b>	10,311,897,819
<b>Less liabilities</b>		
Current liabilities	<b>845,568,648</b>	2,088,588,083
Noncurrent liabilities	<b>6,681,230,480</b>	6,778,868,122
<b>Equity</b>	<b>5,729,541,623</b>	5,128,250,124
Group's carrying amount of the investment	<b>₱1,171,740,062</b>	₱1,081,884,039

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Revenue	<b>₱3,346,993,657</b>	₱5,326,855,110
Costs and expenses	<b>2,745,702,158</b>	4,023,432,382
Net income	<b>₱601,291,499</b>	₱1,303,422,728

*Investment in PEI*

The Group has 20% investment in PEI. PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and

property of energy companies. Through its subsidiaries, PEI's focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region.

The following table sets out the summarized financial information of PEI as of September 30, 2020 and December 31, 2019:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
<b>Assets</b>		
Current assets	<b>₱579,564,151</b>	₱874,862,507
Noncurrent assets	<b>2,169,388,468</b>	2,363,246,269
<b>Less liabilities</b>		
Current liabilities	<b>127,028,852</b>	1,230,763,795
Noncurrent liabilities	<b>959,092,096</b>	588,211,988
<b>Equity</b>	<b>1,662,831,670</b>	1,419,132,993
<b>Group's carrying amount of the Investment</b>	<b>₱311,026,595</b>	₱294,768,295

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Revenue	<b>₱739,223,319</b>	₱1,042,302,657
Costs and expenses	<b>289,943,203</b>	443,552,945
Net income	<b>₱449,280,116</b>	₱598,749,712

*Investment in EWRTC*

The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in Manila. As of December 31, 2019, the Project is under evaluation for approval by the National Economic and Development Authority and the Public-Private Partnership Center.

On July 12, 2017, a new investor was given the option to participate in the PNR East West Railway Project as an additional consortium member subject to certain conditions and approval of the PNR.

The following table sets out the summarized financial information of EWRTC as of September 30, 2020 and December 31, 2019:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
<b>Assets</b>		
Current assets	<b>₱37,064,264</b>	₱38,810,865
Noncurrent assets		-
<b>Less liabilities</b>		
Current liabilities	<b>426,268,944</b>	446,128,619
<b>Capital deficiency</b>	<b>(389,204,680)</b>	(407,317,754)
<b>Group's carrying amount of the investment</b>	<b>₱53,674,119</b>	₱53,749,646

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#### 11. Investment Properties

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Land held for capital appreciation	<b>₱95,523,877</b>	₱95,523,877
Land and building held for lease	<b>1,610,064</b>	1,610,064
	<b>₱97,133,941</b>	₱97,133,941

The fair values of land as of December 31, 2019 and 2018 as determined by an independent appraiser based on International Valuation Standards (IVS) in 2018, amounted to ₱398.4 million in both years. The Group classifies the fair values of land under Level 3 fair value hierarchy.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at September 30, 2020 and December 31, 2019. The significant unobservable input to the valuation is the price per square meter.

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The details of land held for capital appreciation are as follows:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
<b>Cost:</b>		
Balances at beginning of year	<b>₱95,523,877</b>	₱113,659,571
Transfers to real estate inventories (Note 6)		(9,600,000)
Disposal		(8,535,694)
<b>Net carrying value</b>	<b>₱95,523,877</b>	<b>₱95,523,877</b>

Land and building held for lease for 2020 and 2019 are as follows:

	<b>Land</b>	<b>Building</b>	<b>Total</b>
<b>Cost:</b>			
Balances at beginning and end of year	<b>₱1,610,064</b>	<b>₱7,142,747</b>	<b>₱8,752,811</b>
<b>Accumulated depreciation:</b>			
Balances at beginning and end of year	-	<b>7,142,747</b>	<b>7,142,747</b>
	<b>₱1,610,064</b>	<b>₱0</b>	<b>₱1,610,064</b>

In 2019, the Group has sold a land with a net book value of ₱8.5 million and recognized a gain of ₱5.1 million presented as gain on sale of investment property under "Other income" in the consolidated statements of comprehensive income. Proceeds from the sale amounted to ₱13.7 million.

## 12. Property, Plant and Equipment

2020	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
<b>Cost</b>										
At January 1, as restated	P12,967,297	P91,181,109	P361,731,276	P253,060,820	P57,076,567	P303,518,953	P146,356,450	P19,423,000	P43,011,570	P1,288,327,042
Additions	-	374,659		378,357		4,955,051	3,984,282		129,789,360	139,481,709
Disposals	-					(446,429)				(446,429)
At September 30	12,967,297	91,555,768	361,731,276	253,439,177	57,076,567	308,027,575	150,340,732	19,423,000	172,800,930	1,427,362,322
<b>Accumulated depreciation</b>										
At January 1	-	13,922,587	10,004,173	12,769,798	48,307,864	177,428,290	120,936,140	1,237,695	-	384,606,547
Depreciation	-	6,128,582	-	1,760,174	684,009	9,151,255	2,896,958	-	-	20,620,979
Disposals	-						(123,562)		-	(123,562)
At September 30	-	20,051,169	10,004,173	14,529,972	48,991,873	186,579,545	123,709,537	1,237,695	-	405,103,965
<b>Allowance for impairment</b>										
At January 1	-	-	34,477,264	-	-	-	-	-	-	34,477,264
Addition	-	-								-
At September 30	-	-	34,477,264	-	-	-	-	-	-	34,477,264
<b>Net Book Value</b>	<b>P12,967,297</b>	<b>P71,504,599</b>	<b>P317,249,839</b>	<b>P238,909,205</b>	<b>P8,084,694</b>	<b>P121,448,030</b>	<b>P26,631,195</b>	<b>P18,185,305</b>	<b>P172,800,930</b>	<b>P987,781,094</b>



2019	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
<b>Cost</b>										
At January 1, <i>as previously reported</i>	₱12,967,297	₱91,157,334	₱360,657,235	₱253,042,963	₱56,966,567	₱305,070,381	₱143,844,375	₱0	₱43,011,570	₱1,266,717,722
Effect of adoption of PFRS 16	-	-	-	-	-	-	-	30,535,735	-	30,535,735
At January 1, <i>as restated</i>	12,967,297	91,157,334	360,657,235	253,042,963	56,966,567	305,070,381	143,844,375	30,535,735	43,011,570	1,297,253,457
Additions	-	23,775	1,074,041	17,857	110,000	446,429	9,045,200	-	-	10,717,302
Disposals	-	-	-	-	-	(1,997,857)	(6,533,125)	-	-	(8,530,982)
At December 31	12,967,297	91,181,109	361,731,276	253,060,820	57,076,567	303,518,953	146,356,450	30,535,735	43,011,570	1,299,439,777
<b>Accumulated depreciation</b>										
At January 1	-	7,383,030	9,255,959	2,671,375	47,435,044	174,531,388	115,738,149	-	-	357,014,945
Depreciation	-	6,539,557	748,214	10,098,423	872,820	4,582,338	9,915,406	1,237,695	-	33,994,453
Disposals	-	-	-	-	-	(1,685,436)	(4,717,415)	-	-	(6,402,851)
At December 31	-	13,922,587	10,004,173	12,769,798	48,307,864	177,428,290	120,936,140	1,237,695	-	384,606,547
<b>Allowance for impairment</b>										
At January 1	-	-	17,559,508	-	-	-	-	-	-	17,559,508
Addition	-	-	16,917,756	-	-	-	-	-	-	16,917,756
At December 31	-	-	34,477,264	-	-	-	-	-	-	34,477,264
<b>Net Book Value</b>	<b>₱12,967,297</b>	<b>₱77,258,522</b>	<b>₱317,249,839</b>	<b>₱240,291,022</b>	<b>₱8,768,703</b>	<b>₱126,090,663</b>	<b>₱25,420,310</b>	<b>₱29,298,040</b>	<b>₱43,011,570</b>	<b>₱880,355,966</b>

There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2020 and 2019 are recognized as:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
General, administrative and selling	<b>₱14,899,554</b>	₱25,015,142
Real estate inventories (Note 6)	<b>4,256,813</b>	5,454,280
Inventories (Note 7)	<b>1,464,612</b>	2,450,990
Bearer plants		1,074,041
	<b>₱20,620,979</b>	<b>₱33,994,453</b>

### 13. Accounts and Other Payables

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Trade payables	<b>₱492,748,123</b>	₱427,571,661
Accrued expenses	<b>173,705,977</b>	107,291,740
Retention payable	<b>13,787,906</b>	32,964,356
Statutory payables	<b>10,595,195</b>	7,998,026
Accrued interest payable	<b>8,870,713</b>	5,169,768
Other payables	<b>82,088,696</b>	1,699,605
	<b>₱781,796,610</b>	<b>₱582,695,156</b>

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

Accrued expenses pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor's billings to be settled upon completion of the relevant contracts within the year.

The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

Other payables include customers' deposits. These are noninterest-bearing and are normally settled within one year.

### 14. Contract Assets and Liabilities

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The

movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Contract assets are collectible in equal monthly installments over a period of 5 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

The Group requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the consolidated statements of comprehensive income.

When the buyer's equity is reached by the buyer, revenue is recognized, and these deposits and down payments are applied against the related ICR. The excess of collections over the recognized revenue is applied against the receivables in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in POC.

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## 15. Related Party Transactions

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

The Group, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Loans received by the Group from shareholder (see Note 16).

### *Shareholder Loan - A*

As of December 31, 2018, the Parent Company has outstanding loan from shareholder, which is classified under "Short-term debt" in the current liabilities amounting to ₱369.0 million, being on demand and noninterest-bearing.

On January 13, 2019, the Group signed into an agreement with the shareholder for the remaining balance of its short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The remaining balance of the loan bears a fixed annual interest rate of 6.00%.

*Shareholder Loan - B*

As of December 31, 2019 and 2018, ABERDI has outstanding loan from shareholder, which is classified under “Short-term debt” in the current liabilities amounting to ₱8.0 million, being on demand and noninterest-bearing.

- Noninterest-bearing cash advances to Group’s associates, PEI and EWRTC.
- In 2018, the Group received management fees from EWRTC in relation to its agreement to manage the business operations and administer the associate’s affairs.

The consolidated statements of financial position include the following amounts resulting from the above transactions with related parties:

As of 09/30/20 (Unaudited)				
Category	Amount	Receivable (Payable)	Terms	Conditions
<b>Shareholder</b>				
<b>Short-term debt (see Note 16):</b>				
<i>Shareholder Loan - B</i>	-	-₱8,000,000	interest bearing	no collateral
<b>Long-term debt (see Note 16):</b>				
<i>Shareholder Loan - A:</i>				
Reclassification from short-term debt	-₱317,645,013	-	7-year, 6.00%	Unsecured;
Principal payments	-	-	interest bearing	no collateral
Current	-	(17,645,013)		
Noncurrent	-	(300,000,000)		
<b>Associates</b>				
<b>Advances to*:</b>				
PEI		80,543,761	On demand; non-	Unsecured;
EWRTC		33,841,598	interest bearing	no impairment

\* Presented as “Receivables from related parties” in the consolidated statements of financial position.

2019				
Category	Amount	Receivable (Payable)	Terms	Conditions
<b>Shareholder</b>				
<b>Short-term debt (see Note 16):</b>				
<i>Shareholder Loan - A:</i>				
Reclassification to long-term debt	368,973,519	-	On demand; non-	Unsecured;
<i>Shareholder Loan - B</i>	-	(8,000,000)	interest bearing	no collateral
<b>Long-term debt (see Note 16):</b>				
<i>Shareholder Loan - A:</i>				
Reclassification from short-term debt	(368,973,519)	-	12-year, 6.00%	Unsecured;
Principal payments	51,328,505	-	interest bearing	no collateral
Current	-	(6,018,818)		
Noncurrent	-	(311,626,196)		
<b>Associates</b>				
<b>Advances to*:</b>				
PEI	(6,352,755)	80,543,761	On demand; non-	Unsecured;
EWRTC	33,841,598	33,841,598	interest bearing	no impairment

\* Presented as "Receivables from related parties" in the consolidated statements of financial position.

#### Terms and Conditions of Transactions with Related Parties

The outstanding accounts with related parties, except for the advances to key management personnel, shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Group has approval process and established limits when entering into material related party transactions.

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### 16. Loans Payable

Loans payable represents various secured and unsecured loans obtained from local banks and shareholders to finance the Group's real estate development projects, working capital requirements and for general corporate purposes.

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

#### *Short-term debt*

Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 4.5% to 9.0% in 2019 and 4.5% to 8.5% in 2018, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

	<b>As of 09/30/20</b> <b>(Unaudited)</b>	As of 12/31/19 (Audited)
UBP	<b>₱100,000,000</b>	₱100,000,000
CBC	<b>100,000,000</b>	100,000,000
UCPB	<b>84,194,200</b>	95,104,000
DBP	<b>188,677,000</b>	74,996,000
Shareholder Loan - B (Note 15)	<b>8,000,000</b>	8,000,000
	<b>₱480,871,200</b>	<b>₱378,100,000</b>

Interest expense arising from these loans amounts to ₱29.6 million and ₱21.1 million in 2020 and 2019, respectively.

#### *Long-term debt*

The long-term debt represents various loans obtained from local banks and shareholders to finance the Parent Company's real estate projects and for general corporate purposes.

	As of 09/30/20 (Unaudited)	As of 12/31/19 (Audited)
UBP	P163,888,889	P211,388,889
UCPB	50,245,000	80,578,108
PBCOM	44,745,790	67,494,993
MBI	46,666,667	66,666,667
BPIF	37,067,074	54,048,121
DBP	6,011,484	12,573,984
CBC	11,919,284	11,294,192
Shareholder Loan - A (Note 15)	295,175,307	317,645,013
	<b>655,719,494</b>	<b>821,689,967</b>
Less current portion	<b>186,277,230</b>	<b>212,402,746</b>
	<b>P469,442,264</b>	<b>P609,287,221</b>

#### Loans from UBP

Loans from UBP are comprised of loans subject to fixed and variable interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 5.78% to 9.10% payable for 2 to 5 years. Variable-rate loans are subject to variable interest rates based on Philippine Dealing System Treasury Reference Rate 2 (PDST-R2) plus 1.5% subject to a floor rate of 5.5% payable for 7 years.

#### Loans from UCPB

These loans are payable in quarterly installments for 8 years secured by real estate mortgage which are subject to variable interest rates ranging from 8.00% to 8.20% and 5.25% to 8.20% in 2019 and 2018, respectively, based on 3-month Philippine Dealing System Treasury Fixing (PDST-F) rate obtaining at the time of availment, plus a spread of 2% inclusive of gross receipts tax (GRT) or floor rate of 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting.

#### Loans from PBCOM

These loans are payable in monthly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rate of 11.50% payable for 5 years. Variable-rate loan is subject to variable interest rates ranging from 8.00% to 10.75% payable for 4 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

#### Loan from MBI

This loan is payable in quarterly installments for 3 years secured by real estate mortgage which is subject to a fixed annual interest rate of 8.00%.

#### Loans from BPIF

These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from DBP

This loan is payable in quarterly installments for 4 years secured by real estate mortgage which is subject to a fixed annual interest rate of 5.25%.

Loans from CBC

These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 8.76% to 9.89%.

Loans from AUB

These loans are payable in monthly installments for 5 years secured by real estate mortgage which are subject to variable interest rates ranging from 5.95% to 7.55% and 5.50% to 6.55% in 2019 and 2018, respectively, based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from BPIC

This loan is payable in monthly installments for 3 years secured by real estate mortgage which is subject to variable interest rates based on prevailing market interest rate for the same or similar type of loans as determined by the bank. In 2019, interest rates used were 5.23% to 7.75% and 5.23% was used in 2018 with no changes during the year.

Security and Debt Covenants

Real estate inventories with carrying amounts of ₱387 million and ₱322.8 million as of September 30, 2020 and December 31, 2019, respectively, are collateralized for its loans payable (see Note 6). In 2018, investment properties with a carrying amount of ₱35.7 million were collateralized in favor of the bank to secure the Parent Company's long-term debt (see Note 11).

The Group is not subject to any financial or negative covenants from its short-term and long-term debts.

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**17. Equity**

*Common stock*

As of September 30, 2020 and December 31, 2019, the group's common stock consists of:

	Authorized Capital Stock	Outstanding	
		As of 06/30/20	(Audited)
Subscribed and issued common shares*, 1 par value	3,300,000,000	<b>2,477,668,925</b>	2,477,668,925
Less treasury shares		<b>11,231,014</b>	1,014
		<b>2,466,437,911</b>	2,477,667,911

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

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

On May 19, 2016, the Group declared stock dividends amounting to 346,573,104 shares for the stockholders of record as of February 10, 2017 and distributed 346,572,301 shares net of 803 fractional shares to the stockholders.

These stock transactions resulted to an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively.

#### Record of Registration of Securities with the SEC

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares. Common shares are the only equity securities registered and issued by the Group.

There were 2,090 and 2,092 stockholders as of September 30, 2020 and December 31, 2019, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI). The share price closed at ₱0.79 on September 30, 2020 and ₱0.71 on December 27, 2019.

#### *Additional paid-in capital (APIC)*

There are no movements in APIC in 2019 and 2018. APIC amounted to ₱638.0 million (net of treasury shares amounting to ₱1,014) as of December 31, 2019 and 2018.

#### *Treasury shares*

In 2016, the Group has acquired all of the unissued fractional shares arising from the stock dividend declaration in 2013, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value of ₱1. On August 17, 2020, the Board of Directors has approved the implementation of a share buyback program of up to Fifty Million Pesos (₱50,000,000.00) worth of the Company's common shares in the open market through trading facilities of the Philippine Stock Exchange. The program will be effective for a period of One (1) year from commencement or upon utilization of the approved amount, or as may otherwise be approved by the Board of Directors. These shares are not entitled for dividends.

#### *Retained earnings*

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱1,593 million and ₱1,143.1 million as of September 30, 2020 and December 31, 2019, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

#### *Non-controlling interests*

The Group's non-controlling interest recognized is the proportionate interests of the Parent Company in MCPI. Non-controlling interest amounted to ₱3.3 million as of September 30, 2020 and December 31, 2019.

The summarized financial information of MCPI are provided below.



	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Assets	<b>₱6,844,530</b>	₱6,839,725
Liabilities	<b>80,653</b>	59,359
Equity	<b>6,763,876</b>	6,780,366
Net loss	<b>(16,490)</b>	75,481

As of September 30, 2020 and December 31, 2019, the accumulated balances of and net income attributable to noncontrolling interests follows:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Accumulated balances:		
Noncontrolling interest share in equity	<b>₱3,359,161</b>	₱3,342,671
Net loss attributable to NCI	<b>(16,490)</b>	152,508
Other comprehensive loss attributable to NCI	<b>(16,490)</b>	152,508

#### *Capital management*

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

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

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

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

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2019 and 2018.

The table below pertains to the account balances the Group considers as its core economic capital:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Short-term debt	<b>₱480,871,200</b>	₱378,100,000
Long-term debt	<b>655,719,494</b>	821,689,967
Capital stock	<b>2,477,668,925</b>	2,477,668,925
Additional paid-in capital	<b>637,968,859</b>	637,968,859
Retained earnings	<b>1,702,670,676</b>	1,143,092,830
	<b>₱5,458,520,581</b>	₱5,458,520,581

*Earnings per share*

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

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Net income attributable to the owners of the Par	<b>₱302,580,977</b>	₱494,945,733
Weighted average number of outstanding share	<b>2,476,073,467</b>	2,477,667,911
Basic earnings per share	<b>₱0.12</b>	₱0.20

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

**18. General, Administrative and Selling Expenses**

	<b>For three months ended 09/30/20 (Unaudited)</b>	<b>For three months ended 09/30/19 (Unaudited)</b>
Personnel cost	<b>₱24,773,723</b>	₱9,841,216
Marketing	<b>7,583,293</b>	12,856,975
Taxes and licenses	<b>3,621,543</b>	101,975
Depreciation	<b>8,682,792</b>	3,948,210
Outside services	<b>3,078,756</b>	973,108
Professional fees	<b>1,106,788</b>	1,488,949
Rental	<b>592,359</b>	993,108
Utilities and supplies	<b>2,800,716</b>	765,983
Transportation and travel	<b>2,679,858</b>	743,431
Repairs and maintenance	<b>1,350,288</b>	130,046
Directors fee	<b>308,000</b>	528,858
Board meetings	<b>147,079</b>	223,643
Insurance	<b>131,866</b>	22,658
Others	<b>8,956,907</b>	1,449,270
	<b>₱65,813,968</b>	₱34,067,430

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Group.

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

## 19. Income Taxes

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

	As of 09/30/20 (Unaudited)	As of 09/30/19 (Audited)
RCIT	₱38,025,273	₱46,569,779
MCIT	-4,102	7,770,137
	<b>₱38,021,171</b>	<b>₱54,339,916</b>

The components of net deferred tax liabilities as of September 30, 2020 and December 31, 2019:

	As of 09/30/20 (Unaudited)	As of 12/31/19 (Audited)
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	₱159,338,106	₱142,620,975
Prepaid commission	(5,509,818)	(4,906,578)
Unrealized foreign exchange gain	-	-
	<b>153,828,288</b>	<b>137,714,397</b>
Deferred tax assets on:		
Retirement benefit liability	6,428,486	6,428,486
Unamortized past service costs	213,517	213,517
Allowance for expected credit losses	126,439	126,439
Unrealized foreign exchange loss	4,227	3,281
	<b>6,772,669</b>	<b>6,771,723</b>
In equity:		
Remeasurement loss on retirement benefit	7,887,204	7,887,204
Cumulative translation adjustment	(4,976,142)	(1,761,959)
	<b>2,911,062</b>	<b>6,125,245</b>
Deferred tax liabilities - net	<b>₱163,512,019</b>	<b>₱150,611,365</b>

The components of net deferred tax assets as of September 30, 2020 and December 31, 2019:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	<b>₱17,308,806</b>	₱11,854,952
Retirement benefit obligation	<b>407,859</b>	407,859
Allowance for impairment on receivables	<b>15,875</b>	15,875
ROU asset	<b>11,282</b>	11,282
Unamortized past service cost	<b>2,645</b>	2,645
Unrealized forex loss	<b>300</b>	300
Other items	<b>3,576,680</b>	
In equity:	<b>21,323,447</b>	12,292,913
Remeasurement loss on retirement benefit plan	<b>720,624</b>	720,624
<b>Deferred tax assets</b>	<b>₱22,044,071</b>	<b>₱13,013,537</b>

## 20. Lease Agreements

### *Group as a Lessor*

The Group leased its various properties under operating leases. The term of the lease agreements is for one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

### *Group as a Lessee*

In 2019 and 2018, the Group entered into lease agreements with related and non-related parties for its office spaces in Cagayan de Oro City and Metro Manila and on certain transportation equipment which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Parent Company applies the 'short-term lease' recognition exemption for these leases.

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

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations under the Group's DCs with KASAMAKA and KMBT identified as contracts containing leases scoped in under PFRS 16. There are no future lease payments related to these lease contracts.

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## 21. Other Income

	For three months ended 09/30/20 (Unaudited)	For three months ended 09/30/19 (Audited)
Surcharge Income	₱419,082	₱1,444,176
Income from forfeited deposits	419,643	17,998
Miscellaneous Income	474,813	1,331,847
	<b>₱1,313,537</b>	<b>₱2,794,021</b>

Income from forfeited collections pertains to deposits from potential buyers deemed nonrefundable due to prescription of the period for entering into a contracted sale and/or payment from defaulting buyers upon prescription of the period for payment of the required amortizations subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*.

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## 22. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables, advances to a related party, EIFVPL, EIFVOCI and refundable deposits included under "Other assets". This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group's business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group's overall risk management strategies and for approval of risk strategies and policies under the direction of the Group's BOD.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

There were no changes in the Group's financial risk management objectives and policies in 2020 and 2019.

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

### *Credit Risk*

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

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Group's debt financial assets are not subject to collateral and other credit enhancement except for real estate receivables. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

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

The Group's maximum exposure to credit risk is equal to the carrying values of its debt financial assets except for real estate receivables as discussed above. The table below shows the credit quality and aging analysis of the Group's financial assets:

	<b>As of 09/30/20 (Unaudited)</b>	As of 12/31/19 (Audited)
Financial assets:		
Cash in banks*	<b>₱90,698,564</b>	₱73,834,354
Receivables**	<b>1,087,499,772</b>	891,377,189
Receivables from related parties	<b>114,385,359</b>	114,385,359
Refundable deposits	<b>36,965,742</b>	43,363,477
	<b>₱1,329,549,436</b>	₱1,122,960,379

\* Excluding cash on hand amounting ₱1,430,589 and ₱1,165,527 in 2020 and 2019, respectively.

\*\* Excluding advances to officers and employees amounting to ₱4,097,865 and ₱1,318,906 in 2019 and 2018, respectively.

The aging analysis of debt financial assets as of September 30, 2020 and December 31, 2019 are as follows:

	As of 09/30/20 (Unaudited)						
	Total	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired
			Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	
Financial assets:							
Cash in banks*	P90,698,564	P90,698,564	-	-	-	-	-
Receivables**	1,087,499,772	1,064,294,401	P3,148,363	P5,096,436	P3,702,031	P10,784,160	P474,380
Receivables from related parties	114,385,359	114,385,359	-	-	-	-	-
Refundable deposits	36,965,742	36,965,742	-	-	-	-	-
	<b>P1,329,549,436</b>	<b>P1,306,344,066</b>	<b>P3,148,363</b>	<b>P5,096,436</b>	<b>P3,702,031</b>	<b>P10,784,160</b>	<b>P474,380</b>

	As of 12/31/19 (Audited)						
	Total	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired
			Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	
Financial assets:							
Cash in banks*	P73,834,354	P73,834,354	-	-	-	-	-
Receivables**	891,851,569	281,775,681	P219,471,516	P170,136,017	P83,424,011	P136,569,964	P474,380
Receivables from related parties	114,385,359	114,385,359	-	-	-	-	-
Refundable deposits	43,363,477	43,363,477	-	-	-	-	-
	<b>P1,123,434,759</b>	<b>P513,358,871</b>	<b>P219,471,516</b>	<b>P170,136,017</b>	<b>P83,424,011</b>	<b>P136,569,964</b>	<b>P474,380</b>

\* Excluding cash on hand amounting P1,165,527.

\*\* Excluding advances to officers and employees amounting to P1,318,906.

Credit quality per class of the Group's financial assets are as follows:

	As of 09/30/20 (Unaudited)					
	Neither Past Due nor Impaired			Past Due but Not Impaired	Overdue and Impaired	Total
	High	Medium	Low			
Financial assets:						
Cash in banks*	P90,698,564	-	-	-	-	P90,698,564
Receivables**	1,067,442,764	-	-	P19,582,627	P474,380	1,087,499,772
Receivables from related parties	114,385,359	-	-	-	-	114,385,359
Refundable deposits	36,965,742	-	-	-	-	36,965,742
	<b>P1,309,492,429</b>	<b>-</b>	<b>-</b>	<b>P19,582,627</b>	<b>P474,380</b>	<b>P1,329,549,436</b>

	As of 12/31/19 (Audited)					
	Neither Past Due nor Impaired			Past Due but Overdue and		Total
	High	Medium	Low	Not Impaired	Impaired	
Financial assets:						
Cash in banks*	P73,834,354	-	-	-	-	P73,834,354
Receivables**	281,775,681	-	-	P609,601,508	P474,380	891,851,569
Receivables from related parties	114,385,359	-	-	-	-	114,385,359
Refundable deposits	43,363,477	-	-	-	-	43,363,477
	<b>P513,358,871</b>	<b>P0</b>	<b>P0</b>	<b>P609,601,508</b>	<b>P474,380</b>	<b>P1,123,434,759</b>

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

- High quality financial assets include cash and cash equivalents, which include Cash in banks, refundable deposits, EIFVPL and EIFVOCI which are entered into with highly reputable counterparties. This also includes receivables with no default in payments.
- Medium quality financial assets are accounts which are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group's EIFVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.
- Low quality financial assets are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. This includes receivables with up to 3 defaults in payment.

#### *Liquidity risk*

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

#### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

*Equity Price Risk.* The Group's equity investments listed in the PSE and golf and club shares are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group is exposed to equity price risk with respect to EIFVOCI.

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## 23. **Segment Information**

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of September 30, 2020;
- Holding - Holding of properties of every kind and description.



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

For the years ended September 30, 2020 and December 31, 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

As of 09/30/20 (Unaudited)						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	P551,707	P46,731				P598,438
Costs and expenses	267,539	39,060	-	-	-	306,599
Gross profit	284,168	7,671	-	-	-	291,840
General, administrative and selling expenses	123,737	40,164	P92	P1,395	-P2,042	163,346
Other income (expenses)	115,327	-176		-P15,172	107,789	207,767
Income (loss) before income tax	275,758	-32,669	-92	-16,567	109,830	336,261
Provision for (benefit from) income tax	47,821	-9,801	1	-	-	38,021
Net income (loss)	P227,937	-P22,868	-P93	-P16,567	109,830	P298,239
Net income attributable to:						
Owners of the Parent Company	P227,937	-P22,868	-P93	-P16,567	P109,830	P298,239
Non-controlling interests	4,332	-	-	-	-	4,332
	P227,937	-P22,868	-P93	-P16,567	P109,830	P302,572

As of 09/30/20 (Unaudited)						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Other information						
Segment assets	P6,243,004	P1,067,539	P920,995	P362,336	-P1,815,035	P6,778,840
Deferred tax assets	18,239	3,775	28	3.2	-	22,045
Total Assets	6,224,765	1,063,764	920,968	362,333	-1,815,035	6,756,796
Segment liabilities	2,153,793	885,439	637,108	323,001	-1,683,673	2,315,668
Deferred tax liabilities	163,508	-	3	-	-	163,511
Total Liabilities	P1,990,284	P885,439	P637,105	P323,001	-P1,683,673	P2,152,157

For the Year Ended December 31, 2019						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Revenue	P964,086	P63,724				P1,027,810
Costs and expenses	-367,222	-49,684	-	-	-	-416,906
Gross profit	596,864	14,040	-	-	-	610,904
General, administrative and selling expenses	-201,509	-66,302	-P472	-P457	P3,538	-265,202
Other income (expenses)	-2,087	-16,806	380,443	104,834	-185,700	280,684
Income (loss) before income tax	393,268	-69,068	379,971	104,377	-182,162	626,386
Provision for (benefit from) income tax	-120,042	1,326	1	-	-12,878	-131,593
Net income (loss)	P273,226	-P67,742	P379,972	P104,377	-P195,040	P494,793
Net income attributable to:						
Owners of the Parent Company	P273,226	-P67,742	P380,010	P104,377	-P195,078	P494,793
Non-controlling interests	-	-	-38	-	38	-
	P273,226	-P67,742	P379,972	P104,377	-P195,040	P494,793

As of December 31, 2019						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Other information						
Segment assets	P5,740,190	P1,275,544	P1,423,671	P1,193,626	-P3,578,405	P6,054,626
Deferred tax assets	-	3,775	-	-	9,239	13,014
Total Assets	5,740,190	1,279,319	1,423,671	1,193,626	-3,569,166	6,067,640
Segment liabilities	1,769,159	1,084,596	41,241	829,590	-1,784,043	1,940,543
Deferred tax liabilities	148,849	-	3	-	1,759	150,611
Total Liabilities	P1,918,008	P1,084,596	P41,244	P829,590	-P1,782,284	P2,091,154

## 24. Revenue from Contracts with Customers

### *Revenue Disaggregation*

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

The real estate sales are revenue from contracts with customers that are recognized over time while revenue from water service and sale of agricultural goods are recognized at a point in time.

### *Performance Obligation*

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

#### *Real estate sales*

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

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payments of 10% to 25% in 2019 and 2018, respectively, of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment, in 2019 and 2018. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

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

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## 25. Other Matters

### Impasug-Ong and Kalabugao Plantations

The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

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

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

The responsibilities of KASAMAKA with regards to the project follow:

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

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

#### Opol Plantation

The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with KMBT.

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

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

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

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

In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners' a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested.

#### Subsequent Event - COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to

May 15, 2020. On April 23, 2020, the President further extended the enhanced community quarantine in Metro Manila, Central Luzon, Calabarzon, and several provinces and islands in Luzon until May 15, 2020. On May 28, 2020, the President approved the transition to general community quarantine starting September 1, 2020 in Metro Manila, Region 2, Region 3, Region 4-A, Albay, Pangasinan and Davao City until further notice. Meanwhile, the rest of the country were placed under modified general community quarantine.

It also enjoined all government agencies and local government units (LGUs) to render full assistance and cooperation to mobilize the necessary resources, undertake critical, urgent, and appropriate responses and measures in a timely manner. Since the issuance of the proclamation, various LGUs throughout the country have issued their own quarantine and travel restrictions.

On March 16, 2020, the local government of Cagayan de Oro City issued an Executive Order to impose stringent social distancing measures in the city effective immediately. On March 19, 2020, Executive Order No. 049-2020 was issued, imposing a community quarantine throughout the city until further notice.

On March 17, 2020, the local government of Bukidnon issued an Executive Order No. 2020-13, imposing a community quarantine throughout the province. On April 27, 2020, the province reverted to a general community quarantine after being placed under enhanced community quarantine for more than a week.

These measures have significantly impacted the Group's business due to travel restrictions/ban and temporary suspension of business operations and/or measures imposed by the authorities or companies. The impact of COVID-19 on the Group's business and operations continue to evolve.

The Group considers the events surrounding the pandemic as non-adjusting subsequent events, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2019 for the impact of COVID-19. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

**EXHIBIT 1-A**

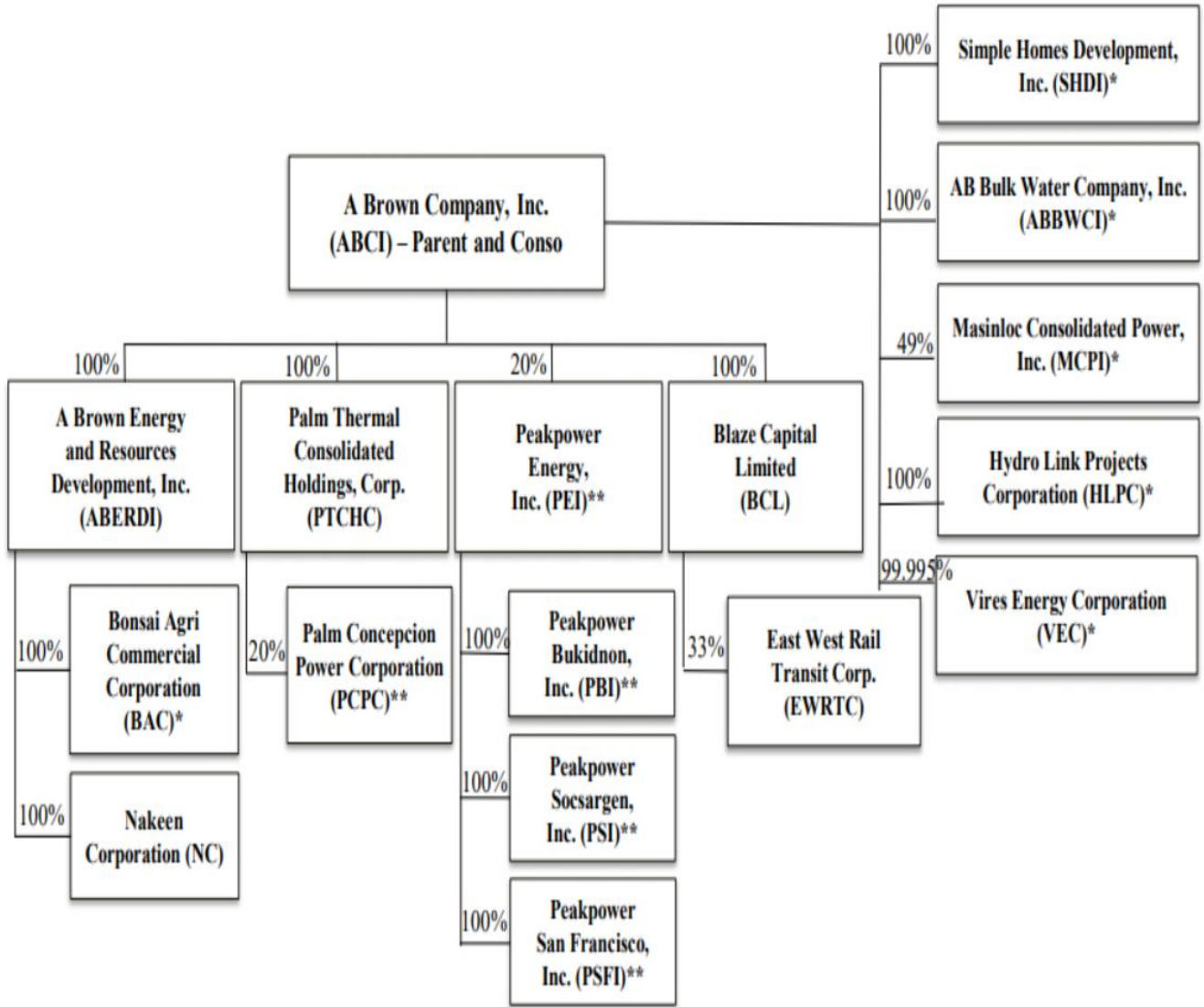
**A BROWN COMPANY, INC. & SUBSIDIARIES**  
**AGING OF INSTALLMENT CONTRACTS AND TRADE RECEIVABLES**  
**As of September 30, 2020**

	TOTAL	Long-term	Current	1-30 days	31-60 days	61-90 days	91-120 days	Long-term
ABCI	₱861,617,713	₱152,327,037	₱698,025,737	₱3,148,363	₱3,899,523	₱2,195,783	₱2,021,270	₱152,327,037
ABERDI	19,629,346	-	9,021,975.99	-	1,196,913	1,506,248	8,762,890	-
TOTAL	₱881,247,059	₱152,327,037	₱707,047,713	₱3,148,363	₱5,096,436	₱3,702,031	₱10,784,160	₱152,327,037

**EXHIBIT 1-B**

Please refer to Note 23 – Segment Reporting

**EXHIBIT 1-C**  
**GROUP CHART**



*\*Subsidiary*

*\*\*Associate*