COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						3	1	1	6	8

COMPANY NAME

A BROWN COMPANY, INC.

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

XAVIER ESTATES, UPPER BALULANG
CAGAYAN DE ORO CITY,
PHILIPPINES

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.abrown.ph	(088) 324-0150	(088) 324-0150

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,104	JUNE	DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Marie Antonette U. Quinito	maquinito@abrown.ph	(088) 324-0150	(+63)9173101870

CONTACT PERSON's ADDRES

Vista Verde Subdivision, Pueblo de Oro, Masterson Avenue, Cagayan de Oro City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact 0person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

A BROWN COMPANY, INC.

April 05, 2018

The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **A Brown Company, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ROBERTINO E. PIZARRO
Chairman

ROEL Z. CASTRO
President and Chief Finance Officer

IGNACIO A. MANIPULA
SVP-Chief Finance Officer

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. 10 (2018-2019)
Pasig City, Pateros and San Juan
Attorney's Roll No. 40...
IBP Lifetime Member No. 02459
PTR No. ...
...Tower A, Jose Ma. Escriva Drive
Ortigas Center, Pasig City

SUBSCRIBED AND SWORN to before me this APR 12 2018 day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Robertino E. Pizarro	P4275745A	September 06, 2017	DFA - Cagayan de Oro City
Roel Z. Castro	P3734806A	July 20, 2017	DFA - Manila
Ignacio A. Manipula	EB9660802	November 23, 2013	DFA - NCR South

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Series of 2018

CG&Co

an independent member of
BAKER TILLY
INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants

22nd Floor Citibank Tower
8741 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1051
Fax (+632) 728-1014
E-mail address:mail@cgco.com.ph

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

We have audited the Parent Company financial statements of A Brown Company, Inc. (the Parent Company) which comprise the Parent Company statements of financial position as at December 31, 2017 and 2016, and the Parent Company statements of comprehensive income, Parent Company statements of changes in equity and Parent Company statements of cash flows for the years then ended, and notes to the Parent Company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Parent Company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the Parent Company financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulations 2-2014 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Revenue Regulations 2-2014 and 15-2010 in Note 33 to the Parent Company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of A Brown Company, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic Parent Company financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 22, 2020

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
SEC A.N. 0017-AR-3, valid until April 30, 2018 (Group A)
TIN 123-305-015-000
BIR A.N. 08-001507-1-2017, valid until December 21, 2020
PTR No. 6678749, issued on January 31, 2018, Makati City

Makati City, Philippines
April 5, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2018
RECEIVED

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with Philippine Financial Reporting Standards (PFRS) and reports as required by accounting and auditing standards for **A BROWN COMPANY, INC.** for the period ended December 31, 2017.

In discharging this responsibility, I hereby declare that I am the Accounting Manager of **A BROWN COMPANY, INC.**

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of Constantino Guadalquiver & Co. which is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

MARY JANE M. DESCALLAR - RODRIGUEZ
CPA Certificate No. 0127061
PTR No. 3758586 A, issued on March 12, 2018, Cagayan de Oro City
TIN 268-073-964
BOA Reg No. 8092, January 11, 2018 to September 5, 2021

SUBSCRIBED AND SWORN TO before me this APR 17 2018 in the City of Cagayan de Oro.

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AUGUSTO P. NERI, JR.
Notary Public
UNTIL DECEMBER 31, 2019
PTR 8638464 12-11-17 Mis. Or.
IBP 1080075 12-08-17 Mis. Or.
ROLL NO. 30260 5-9-80; TIN 129-045-747
MCLE COMPLIANCE NO. VI-0000820
ISSUED ON 09-29-16 PASIG CITY
NC-2018-072

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2018
RECEIVED
ELMER B. TANA

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	6	**₱90,234,913**	₱45,679,338
Current portion of receivables - net	7	**274,408,370**	231,463,993
Due from related parties	8	**116,896,516**	32,595,252
Real estate held for sale	9	**776,747,504**	692,910,636
Prepayments and other current assets	10	**249,979,197**	217,358,984
Total Current Assets		**1,508,266,500**	1,220,008,203
Noncurrent Assets			
Noncurrent portion of receivables - net	7	**135,906,229**	206,969,988
Investments and deposits	8, 11, 13	**1,413,721,341**	1,274,336,625
Available-for-sale investments	11	**457,014,387**	1,262,397,297
Investment in an associate	12	**110,000,000**	110,000,000
Investments in subsidiaries	13	**610,899,495**	585,899,495
Investment properties - net	14	**169,677,958**	182,081,438
Property and equipment - net	15	**58,021,775**	51,630,916
Land and improvements	16	**639,152,617**	688,729,984
Deferred tax assets	24	**16,208,739**	15,148,821
Refundable deposits	5	**12,462,873**	17,933,821
Total Noncurrent Assets		**3,623,065,414**	4,395,128,385
		₱5,131,331,914	₱5,615,136,588
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	17	**₱269,033,839**	₱325,550,638
Short-term debt	18	**557,345,275**	766,329,167
Current portion of long-term debt	18	**353,139,290**	341,906,559
Subscriptions payable	11	**164,505**	70,025,817
Deposit from customers	20	**53,413,923**	37,052,627
Total Current Liabilities		**1,233,096,832**	1,540,864,808

(Forward)

(Carryforward)

	Notes	**2017**	2016
Noncurrent Liabilities			
Noncurrent portion of long-term debt	18	**₱395,564,746**	₱659,458,589
Deferred tax liabilities	24	**74,106,829**	75,377,834
Retirement liability	22	**23,383,562**	19,170,825
Total Noncurrent Liabilities		**493,055,137**	754,007,248
Total Liabilities		**1,726,151,969**	2,294,872,056
Equity			
Capital stock	19, 28	**2,477,668,925**	1,732,866,536
Additional paid-in capital	19, 28	**637,968,859**	586,198,947
Stock dividend distributable	29	**–**	346,573,104
Retained earnings		**492,009,400**	242,071,800
Treasury shares, at cost	32	**(1,014)**	(1,014)
Net cumulative unrealized gain (loss) on fair value of available-for-sale investments		**(189,358,490)**	424,459,419
Net cumulative remeasurement loss on retirement benefits	22	**(13,107,735)**	(11,904,260)
Total Equity		**3,405,179,945**	3,320,264,532
		₱5,131,331,914	₱5,615,136,588

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.

PARENT COMPANY STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in Philippine Pesos)

	Notes	2017	2016
INCOME			
Sale of real estate	20	**₱470,355,294**	₱352,538,122
Gain on sale of shares of stocks	12	**265,837,561**	–
Water service income	20	**18,244,766**	17,791,359
Interest income	6, 7	**6,398,980**	10,499,585
Income from forfeited deposits	20	**4,769,498**	7,040,884
Rental income	14, 23	**2,140,114**	5,058,462
Penalties and surcharges	20	**1,367,860**	1,584,085
Gain on sale of investment properties	14	**–**	72,350,527
Sale of aggregates	20	**–**	4,851,339
Discount on long-term debt	18	**–**	3,564,536
Dividend income		**–**	4,150
Others	20	**4,232,096**	2,858,202
		773,346,169	478,141,251
COSTS AND EXPENSES			
Cost of sales	20	**242,666,071**	181,387,519
General and administrative expenses	21	**156,389,533**	90,816,798
Finance costs	18	**76,005,079**	92,027,270
Marketing	21	**43,133,815**	33,282,159
		518,194,498	397,513,746
PROFIT BEFORE INCOME TAX		**255,151,671**	80,627,505
INCOME TAX EXPENSE (BENEFIT)	24		
Current		**7,029,219**	32,274,206
Deferred		**(1,815,148)**	(1,344,667)
		5,214,071	30,929,539
NET PROFIT		**₱249,937,600**	₱49,697,966
BASIC AND DILUTED EARNINGS PER SHARE	25	**₱0.11470**	₱0.02868

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2018
RECEIVED
ELMER B. TANAY

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Note	2017	2016
NET PROFIT		**₱249,937,600**	₱49,697,966
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified subsequently to profit or loss			
Net change in unrealized gain (loss) on fair value of available-for-sale investments	11	**(347,980,348)**	273,457,893
Item that will not be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefit costs – net of tax	22	**(1,203,475)**	9,272,212
		(349,183,823)	282,730,105
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱99,246,223)**	₱332,428,071

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2018
RECEIVED
ELMER B. TANAY

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	**2017**	2016
CAPITAL STOCK	19		
Authorized - 3,300,000,000 shares in 2017 and 2,000,000,000 in 2016 - ₱1 par value			
Subscribed - 2,477,668,925 shares in 2017 and 1,732,865,522 shares in 2016			
Balance at beginning of year		**₱1,732,866,536**	₱1,732,865,522
Issuance during the year	29, 32	**744,802,389**	1,014
Balance at end of year		**2,477,668,925**	1,732,866,536
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year		**586,198,947**	586,198,947
Issuance during the year		**51,769,912**	–
Balance at end of year		**637,968,859**	586,198,947
STOCK DIVIDEND DISTRIBUTABLE	29		
Stock dividend declared during the year		**–**	346,573,104
RETAINED EARNINGS			
Balance at beginning of year		**242,071,800**	538,947,952
Net income during the year		**249,937,600**	49,697,966
Stock dividends declared during the year	29	**–**	(346,573,104)
Issuance of fractional shares	32	**–**	(1,014)
Balance at end of year		**492,009,400**	242,071,800
TREASURY SHARES, AT COST	32		
Balance at beginning of year		**(1,014)**	–
Treasury shares acquired during the year		**–**	(1,014)
Balance at end of year		**(1,014)**	(1,014)
NET CUMULATIVE UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS	11		
Balance at beginning of year		**424,459,419**	151,001,526
Net unrealized gain (loss) during the year		**(347,980,348)**	273,457,893
Realized gain on sold investment		**(265,837,561)**	–
Balance at end of year		**(189,358,490)**	424,459,419

(Forward)

(Carryforward)

	2017	2016
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS		
Balance at beginning of year	**₱(11,904,260)**	₱(21,176,472)
Remeasurement gain (loss) during the year	**(1,203,475)**	9,272,212
Balance at end of year	**(13,107,735)**	(11,904,260)
	₱3,405,179,945	₱3,320,264,532

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**₱255,151,671**	₱80,627,505
Adjustments for:			
Gain on sale of:			
Available-for-sale investments	12	**(265,837,561)**	–
Investment properties	14	**–**	(72,350,527)
Interest expense	18	**52,279,744**	68,196,170
Amortization of discount on long-term debt	18	**23,725,336**	23,831,101
Depreciation and amortization	14, 15	**10,435,639**	14,409,571
Interest income	6, 7	**(6,398,980)**	(10,499,585)
Provision for retirement benefits expense	22	**3,493,487**	3,649,819
Non-cash expense		**415,393**	–
Unrealized foreign exchange loss (gain)	1	**(234,915)**	76,267
Discount on long-term debt	18	**–**	(3,564,536)
Operating income before working capital changes		**73,029,814**	104,375,785
Adjustment for changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	7	**28,119,382**	90,891,776
Prepayments and other current assets	10	**(5,984,714)**	(2,361,889)
Real estate held for sale	9	**4,762,133**	27,827,674
Decrease in accounts payable and accrued expenses	17	**(39,886,197)**	(3,085,995)
Cash provided by operations		**60,040,418**	217,647,351
Income tax paid		**(33,664,718)**	(16,708,194)
Interest received		**6,398,980**	10,499,585
Contributions to retirement plan		**(1,000,000)**	–
Net cash provided by operating activities		**31,774,680**	211,438,742

(Forward)

(Carryforward)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale of available-for-sale investment	12	**₱387,541,250**	₱–
Sale of investment properties	14	**–**	107,109,676
Sale of property and equipment	15	**–**	33,181
Investments and deposits	8, 13	**(206,574,716)**	(76,765,898)
Advances made to related parties		**(22,826,264)**	(8,371,932)
Additions to:			
Investment in subsidiaries	13	**(25,000,000)**	–
Property and equipment	15	**(16,776,498)**	(2,117,729)
Investment properties	14	**(175,874)**	(150,575)
Land and improvements	16	**(157,673)**	(7,380,386)
Return of investments and deposits	8, 13	**5,715,000**	30,893,644
Additions (deductions) to:			
Refundable deposits		**5,470,948**	(6,881,166)
Payments received from related parties	13	**–**	10,193,803
Net cash provided by investing activities		**127,216,173**	46,562,618
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt	18, 19	**(371,529,049)**	(721,281,807)
Short-term debt	18	**(197,130,392)**	(57,020,833)
Proceeds from:			
Long-term debt	18	**95,142,601**	286,100,000
Short-term debt	18	**238,146,500**	337,250,000
Receipts from issuance of capital stock	19	**200,000,000**	–
Interest paid		**(79,299,853)**	(97,123,487)
Net cash used in financing activities		**(114,670,193)**	(252,076,127)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**234,915**	(76,267)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**44,555,575**	(31,442,407)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**45,679,338**	71,272,779
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱90,234,913**	₱45,679,338

(Forward)

(Carryforward)

	Notes	**2017**	2016
SUPPLEMENTAL DISCLOSURE ON NON-CASH TRANSACTIONS			
Conversion of debt to equity during the year		**₱250,000,000**	₱–
Settlement of subscription payable on sold investment		**69,861,312**	–
Real estate held for sale:			
Reclassification from land and improvements	16	**55,575,123**	23,049,870
Capitalized depreciation expense		**26,750,000**	26,750,000
Reclassification from investment properties		**12,113,961**	–
Reclassification to land and improvements		**5,840,083**	–
Capitalized depreciation expense	15	**5,349,809**	8,659,192
		₱425,490,288	₱58,459,062

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

1. Business and Organization

A Brown Company, Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies. On October 1, 1992, the Parent Company amended its Articles of Incorporation to change its registered name to EPIC Holdings Corporation, which was further amended on July 1, 1993 to its current registered name. On February 8, 1994, the Parent Company was listed in the Philippine Stock Exchange.

The Parent Company's principal purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including of shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any other corporation, associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized without being a stock broker or dealer, and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, provided the corporation shall not exercise the functions of a trust corporation.

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

In September 2012, the Parent Company, together with its subsidiaries, Palm Thermal Consolidated Holdings, Corp. (PTCHC), Palm Concepcion Power Corporation (PCPC) and Panay Consolidated Land Holdings Corporation (PCLHC), has signed a Shareholders' Agreement with AC Energy Holdings, Inc. (ACEHI) and Jin Navitas Resource, Inc. (JNRI) to implement the Memorandum of Agreement between the parties to build a power generation plant in the Province of Iloilo.

In relation to the above agreements, the Parent Company transferred all of its equity interest in PCLHC to PTCHC. Likewise, PTCHC, ACEHI and JNRI subscribed to the remaining unissued authorized share capital of PCLHC and PCPC. The subscription of ACEHI and JNRI to PCLHC and PCPC's share capital reduced the Parent Company's holdings, through PTCHC, to 30%.

In May 2013, ACEHI sold all its interest in PCPC to focus its investing power to its existing power projects imminent in its development pipeline. In the light of this event, the PTCHC has taken the opportunity to acquire the entire stake of ACEHI in PCPC. Before the end of 2013, Oriental Knight Limited acquired the 30.46% equity interest in PCPC which was previously owned by ACEHI and subsequently sold to PTCHC reducing the Parent Company's holding through PTCHC to 39.54% as of December 31, 2013.

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On December 11, 2013, the BOD and shareholders of PCLHC and PCPC approved the merger of the two entities, with PCPC as the surviving entity. PTCHC will hold sufficient interest in PCPC for it to be able to exercise significant influence. During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC as well as the increase in authorized capital stock of PCPC. After the merger, the Parent Company's holding through PTCHC retained its 30% interest in the outstanding capital of PCPC as of December 31, 2014.

On January 6, 2015, the SEC approved PCPC's application of the increase in authorized capital stock which reduced the Parent Company's holding through PTCHC to 20% as of December 31, 2015.

On October 5, 2012, the Parent Company's Board of Directors (BOD) approved during their meeting the private placement of 250.0 million of its listed common shares consisting of 173.6 million treasury common shares and 76.4 million common shares owned by a shareholder. The Placement Shares, with a par value of ₱1 per share was sold at a price of ₱2.89 per share and crossed in the Exchange on October 8, 2012. The BOD likewise approved the issuance of an equal number of shares of the Parent Company at an issue price equal to the net proceeds per share in favor of the shareholder. The shares will be issued out of the increase in the Parent Company's authorized capital stock from ₱1.32 billion divided into 1.32 billion shares with a par value of ₱1 to ₱1.62 billion divided into 1.62 billion shares with par value of ₱1.

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

On June 7, 2013, the Parent Company's Board of Directors (BOD) unanimously approved the proposed 25% stock dividend declaration or equivalent to 346.6 million of the Parent Company's outstanding shares. The shares will be distributed to the stockholders of record as of September 12, 2013 and shall be issued out of the increase in the Parent Company's authorized capital stock from ₱1.62 billion divided into 1.62 billion shares with par value of ₱1 to ₱2.0 billion divided into 2 billion shares with par value of ₱1. On August 16, 2013, the SEC approved the Parent Company's application for increase in authorized capital stock. Subsequently, 346.6 million shares were issued.

The Parent Company's BOD declared a 20% stock dividend or an equivalent to ₱346.6 million of the Parent Company's outstanding shares on May 19, 2016. The shares were distributed to the stockholders of record as of February 10, 2017 and issued from the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion common shares with par value of ₱1 to ₱3.3 billion divided into 3.3 billion common shares with a par value of ₱1. On January 11, 2017, the SEC approved the Parent Company's application for increase in authorized capital stock.

The Parent Company's registered office and principal place of business is at Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

The accompanying financial statements of the Parent Company as of and for the years ended December 31, 2017 and 2016 were authorized for issue by the BOD on April 5, 2018.

2. Basis of Preparation

The principal accounting policies adopted in preparing the financial statements of the Parent Company are as follows:

Basis of Preparation of Financial Statements
The financial statements of the Parent Company have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair values. These financial statements are presented in Philippine Peso, which is the Parent Company's functional and reporting currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements present, in compliance with PFRS, which may be obtained from SEC.

Statement of Compliance
The accompanying financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by Securities and Exchange Commission (SEC).

3. Changes in Accounting and Financial Reporting Policies

Changes in Accounting Policies
The following are the amendments and improvements to PFRS and PAS which became effective in 2017:

- PAS 7, *"Cash Flow Statements": Disclosure Initiative*
  The amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:

  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and

  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the Statement of financial position including those changes identified immediately above.

  These amendments have no significant impact to the Parent Company's financial statements.

- PAS 12, *"Income Taxes": Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

  This amendment has no significant impact to the Parent Company's financial statements.

Annual Improvements to PFRS (2012-2014 Cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 12, "*Disclosure of Interest in Other Entities": Clarification of the Scope of the Standard*
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendment has no significant impact on the Parent Company's financial statements.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2017
The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Parent Company will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Parent Company. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective in 2018
- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

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

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

- Amendments to PFRS 4, "*Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4"*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

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

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

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

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

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

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

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

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

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

This is not expected to have a significant impact on the Parent Company’s financial statements.

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

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

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

- PFRS 15, *Clarifications to PFRS 15, Revenue from Contracts with Customers*
  These amendments, which are effective from January 1, 2018, clarify how companies:
  - identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;
  - determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
  - determine whether the revenue from granting a license should be recognized at a point in time of over time.

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

  The Parent Company does not expect that the amendments will have significant impact on the financial statements.

Annual Improvements to PFRS and PAS (2014 - 2016 Cycles)

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

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

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

<u>Effective in 2019</u>

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

  The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

  The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Philippine Interpretations IFRIC 23, *Uncertainty over Income Tax Treatments*
  The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances

  Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

  The interpretations were adopted by the FRSC on July 12, 2017 but are still subject to the approval by the Board of Accountancy.

<u>*Deferred*</u>

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Management will continuously assess the impact of this interpretation. Currently, management believes that the adoption of the interpretation will not have a significant impact on the Parent Company’s financial statements.

- PFRS 10, *“Consolidated Financial Statements” and PAS 28, “Investments in Associates and Joint Ventures”: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is a housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are currently not expected to have significant impact on the Parent Company’s financial statements.

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the Parent statements of financial position based on whether it is current and noncurrent.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

The Parent Company other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

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

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

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

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

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

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

<u>Financial Assets and Liabilities</u>

Date of recognition

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

Initial recognition

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

Determination of fair value

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

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

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

- *Financial asset at fair value through profit or loss (FVPL)*
  A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. Derivatives are also categorized as held at FVPL, except those derivatives designated as effective hedging instruments.

  Assets classified in this category are carried at fair value in the Parent Company statements of financial position. Changes in the fair value of such assets are accounted for in the Parent Company statements of income. Financial instruments held at FVPL are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

  As of December 31, 2017 and 2016, the Parent Company has no financial asset at FVPL.

- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Parent Company provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at its cost and at amortized cost after its initial recognition in the Parent Company's statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets.

  The Parent Company's cash and cash equivalents, receivables excluding advances to suppliers and contractors, due from related parties, investments and deposits and refundable deposits are included in this category (see Notes 6, 7, 8, 26 and 27).

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

  As of December 31, 2017 and 2016, the Parent Company has no held-to-maturity investments.

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

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

  The Parent Company's investment in shares of listed and non-listed companies and stocks in golf, sports and country clubs which the Parent Company does not have significant influence and control are included in this category (see Note 11).

Financial Liabilities

- *Financial liabilities at FVPL*
  Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Parent Company elects to designate a financial liability under this category.

  As of December 31, 2017 and 2016, the Parent Company has no financial liabilities at FVPL.

- *Other financial liabilities*
  This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables, accruals) or borrowing (e.g., long-term debt).

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

  As of December 31, 2017 and 2016, the Parent Company's accounts payable and accrued expenses, subscriptions payable, short-term debt and long-term debt are included in this category (see Notes 8, 11, 17 and 18).

Impairment of Financial Assets

The Parent Company assesses at each end of financial reporting period whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

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

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

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

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

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

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

Real Estate Held for Sale and Land and Improvements

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

Inventories

Inventories are initially recorded at cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the average method. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

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

Prepayments and Other Current Assets

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

- Input Tax. Input tax is recognized when the Parent Company purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.

- Prepaid Commission and Other Expenses. Prepaid commission and other expenses are apportioned over the period covered by the payment and charged to the appropriate account in the Parent Company statements of income when incurred.

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

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

VAT

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Investment in an Associate

Investment in shares of stock where the Parent Company holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for in these separate financial statements under the cost method. Accordingly, dividends received are treated as income in the year these are collectible.

Investments in Subsidiaries
Investments in subsidiaries are accounted for at cost. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Such impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. The amount of impairment loss is recognized in the Parent Company statements of income. Impairment losses recognized are not reversed.

Subsidiaries are entities over which the Parent Company has the power to govern the financial reporting policies generally accompanying a shareholding of more than ½ of the voting rights. The Parent Company obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Parent Company controls another entity.

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

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

Transfers to or from investment properties are measured at the carrying value of the assets transferred.

Investment properties are derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the Parent Company statements of income in the year of retirement or disposal.

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

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

Depreciation of crushing properties included in machineries and equipment, is calculated using units-of-production method based on estimated recoverable reserve. Depreciation and amortization of other items of property, plant and equipment is computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are depreciated over their estimated lives or term of the lease, whichever is shorter:

Category	Estimated useful life
Building and improvements	10 to 20 years
Leasehold improvements	2 to 5 years
Machinery and equipment	2 to 10 years
Furniture and fixtures	2 to 9 years
Transportation equipment	2 to 5 years
Tools and other equipment	2 to 5 years
Other assets	3 to 5 years

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

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

Impairment of Nonfinancial Assets

The carrying values of assets such as investment in subsidiaries and in an associate, investment properties and property and equipment, creditable withholding tax, input VAT, prepaid expenses and other current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

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

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

Retained earnings include all current and prior period results of operations as disclosed in the Parent Company statements of income, net of dividends declared and the effects of retrospective application of changes in accounting policies on restatements, if any.

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

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

Earnings per Share
Basic earnings per share is determined by dividing net income for the year by weighted average number of common shares outstanding during the year (after retroactive adjustment for any stock dividends declared in the current year). Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Parent Company has no existing dilutive shares.

Revenue Recognition

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

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

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

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

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

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

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

- *Sale of aggregates*
  Revenue is recognized when goods are delivered to the buyer.

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

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

- *Penalties, surcharges and other income*
  Revenue is recognized as these accrue.

- *Income from forfeited deposits*
  Revenue recognized as these accrues in accordance with the substance of agreement relative to the receipt of deposit.

Cost and Expense Recognition
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.

Expenses are recognized in the Parent Company statements of income upon utilization of the assets or services or at the date they are incurred.

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

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

Employee benefits
- *Short-term benefits*
  Short-term employee benefits are recognized as expense at undiscounted amount expected to be paid in exchange of service in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Parent Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

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

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

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

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

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

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

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

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

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

Borrowing Costs

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

All other borrowing costs are charged to operation in the period in which they are incurred.

Foreign Currency Transactions

The Parent Company financial statements are presented in Philippine Pesos, which is the Parent Company's functional and presentation currency. Items included in the Parent Company financial statements are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as of the financial reporting date.

Gains or losses arising from these transactions and translations are recognized in the Parent Company statements of income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Tax

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

Current income tax

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

Deferred income tax

Deferred tax is provided, using the balance sheet liability method. Deferred tax assets and liabilities are recognized for future tax consequence attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

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

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

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

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

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

5. Significant Accounting Judgments and Estimates

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

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

Judgments
In the process of applying the Parent Company'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 financial statements:

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

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

The Parent Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Parent Company determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

- *Measurement of Refundable Deposits and Utility Deposits*
  The fair value of refundable deposits shown under Other noncurrent assets which significantly include utility deposits is not readily determinable nor reliably measured because the actual timing of receipt is linked to the cessation of the service of the utility or service entities to the Parent Company which cannot be reasonably predicted. Accordingly, the refundable deposits are carried at cost less any impairment.

  The carrying value of refundable deposits amounted to ₱12,462,873 and ₱17,933,821 as of December 31, 2017 and 2016, respectively.

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

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

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

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

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

  The summary of the carrying values and fair values of the Parent Company's financial instruments as of December 31, 2017 and 2016 is shown in Note 26.

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

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

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

  Rental expense and income for 2017 and 2016 are shown in Notes 21 and 23.

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

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

  The Parent Company's allowance for doubtful accounts amounted to ₱0.4 million as of December 31, 2017 and 2016 (see Note 7).

- *Determination of Net Realizable Value of Inventories*
  The Parent Company uses the fair value to determine how much it could gain by selling its real estate held-for-sale inventories. The net realizable value is calculated in an effort to prevent the Parent Company from under or overestimating the value of its real estate held-for-sale inventories. A lower net realizable value would decrease the carrying value of real estate held-for-sale inventories and increase operating expense.

  No impairment losses were recognized on real estate held-for-sale inventories as of December 31, 2017 and 2016.

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

  The carrying values of available-for-sale investments amounted to ₱457.0 million and ₱1.3 billion as of December 31, 2017 and 2016, respectively (see Note 11).

- *Estimation of Useful Lives of Certain Assets*
  The useful life of each of the Parent Company's property and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets, if any.

  The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

  A reduction in the estimated useful life of any property and equipment and investment properties would increase the recorded operating expenses and decrease noncurrent assets.

  As of December 31, 2017 and 2016, the carrying value of the Parent Company's investment properties and property and equipment amounted to ₱169.7 million and ₱182.1 million, respectively (see Note 14) and ₱58 million and ₱51.6 million, respectively (see Note 15).

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

  No impairment losses were recognized on non–financial assets as of December 31, 2017 and 2016.

- *Estimation of Retirement Benefits Costs*
The determination of the Parent Company's obligation for retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

  The assumptions for retirement benefits costs are described in Note 22, and include among others, discount rate and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions generally affect the amounts to be recognized in the financial statements including the recorded obligation in such future periods.

  While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Parent Company's retirement obligations. Any changes in assumptions would increase or decrease the net retirement liability and the amount recognized in total comprehensive income.

  Retirement benefits costs amounted to ₱3.4 million in 2017 and ₱3.6 million in 2016. Retirement liability amounted to ₱23.4 million and ₱19.2 million as of December 31, 2017 and 2016, respectively (see Note 22).

- *Estimation of Deferred Tax Assets and Deferred Tax Liabilities*
Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

  Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax in the period in which such determination is made.

  The Parent Company's deferred tax assets as of December 31, 2017 and 2016 amounted to ₱16.2 million and ₱15.1 million, respectively. The Parent Company's deferred tax liabilities as of December 31, 2017 and 2016 amounted to ₱74.1 million and ₱75.4 million, respectively (see Note 24).

- *Estimation of Provisions for Contingencies*
  The Parent Company is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

  The Parent Company did not recognize any provision for possible future claims arising from lawsuits as of December 31, 2017 and 2016. Actual settlement from lawsuit was already recognized in 2016 (see Note 31).

6. Cash and Cash Equivalents

This account is consists of:

	2017	2016
Cash on hand	**₱603,041**	₱621,207
Cash in banks	**89,631,872**	45,058,131
	₱90,234,913	₱45,679,338

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates of less than 1% annually. Interest income on cash in banks recognized in the Parent Company statements of income amounted to ₱144,804 in 2017 and ₱10,985 in 2016.

The Parent Company established and opened a project deposit account with the Development Bank of the Philippines for the purpose of complying with the requirements of Republic Act No. 7279, otherwise known as the "Urban Development and Housing Act of 1992" relative to the Parent Company's socialized housing at West Highland Subdivision Project located in Butuan, Agusan Del Norte. As of December 31, 2017 and 2016, total cash in bank set-aside as project deposit account amounted to ₱6.4 million and ₱0.2 million, respectively.

The Parent Company's cash in banks include dollar denominated accounts with Peso equivalents amounting to ₱13,083,683 and ₱6,013,639 as of December 31, 2017 and 2016, respectively. The Parent Company's foreign currency denominated cash account is translated to its Peso equivalents using an exchange rate of ₱49.923/$1.00 and ₱49.813/$1.00 as of December 31, 2017 and 2016, respectively.

7. Receivables

This account consists of:

	2017	2016
Contract receivables on sale of real estate	**₱332,736,812**	₱380,632,750
Rent receivable	**11,714**	319,965
Water receivable	**3,051,034**	3,201,330
Advances to officers and employees	**2,787,194**	2,208,522
Other receivables	**72,149,308**	52,492,877
Total	**410,736,062**	438,855,444

(Forward)

(Carryforward)

	2017	2016
Less: Allowance for doubtful accounts		
Balance at beginning and end of year	**₱421,463**	₱421,463
Net carrying value	**410,314,599**	438,433,981
Less: Noncurrent portion of receivables	**135,906,229**	206,969,988
	₱274,408,370	₱231,463,993

Contract receivables on sale of real estates represent amounts due and collectible in monthly installment over a period of 5 to 15 years, and bear interest ranging 10% to 18% in 2017 and 2016. The transfer certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Interest income pertaining to sale of real estate amounted to ₱6,247,133 in 2017 and ₱10,457,160 in 2016.

Advances to officers and employees include car loans to employees. Interest income pertaining these loans amounted to ₱7,044 in 2017 and ₱31,440 in 2016.

Other receivables which are interest–free include receivables for the sale of available-for-sale investments and various advances to suppliers and contractors.

Other receivables amounting to ₱0.5 million as of December 31, 2017 and 2016 were impaired and fully provided for.

There were no additional provisions for doubtful accounts provided in 2017 and 2016.

8. Related Party Transactions

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

The Parent Company entered into the following transactions with related parties. Outstanding balances at year–end are unsecured and noninterest-bearing and are settled based on agreed upon terms.

a. Noninterest-bearing loans received from shareholders and subsidiary

   The loans from the shareholders represent a 10-year noninterest-bearing loan with a total principal amount of ₱107.3 million availed on various dates from October to November 2012. In September 2014, the Parent Company availed additional 10-year noninterest-bearing loans from shareholders amounting to ₱60.0 million. In 2015, the Parent Company availed additional two 5-year and a 10-year noninterest-bearing loans from shareholders amounting to ₱50.0 million and ₱12.0 million, respectively. The Parent Company availed additional six (6) months noninterest–bearing loans from shareholders on various dates within February to November 2016 totaling ₱197.1 million subject to renewal.

On various dates within April to August 2017, the Parent Company availed additional three (3) payable within a year loans from shareholders and a short term loan from a subsidiary totaling ₱178.2 million (see Note 18).

b. Noninterest-bearing and unsecured cash advances made to related parties for working capital requirements

	2017	2016
Balance at beginning of year	**₱2,874,252**	₱9,696,123
Advances made during the year	**3,652,542**	3,371,932
Payments received during the year	**–**	(10,193,803)
Balance at end of year	**₱6,352,755**	₱2,874,252

In 2017 and 2016, advances made to subsidiaries include charges allocated to a subsidiary for its share in compensation of top management and officers amounting to ₱692,161 and ₱518,497, respectively.

c. Advances made to an associate

The Parent Company made unsecured and noninterest-bearing advances to Peakpower Energy, Inc. (PEI), an associate, amounting to ₱110,543,761 in 2017 and ₱29,721,000 in 2016.

d. Investments and deposits

The Parent Company made deposits for future stock subscriptions to its related party in 2017 and 2016.

Investments and deposits made to subsidiaries

Transactions	Notes	**2017**	2016
Balance at beginning of year		**₱1,274,336,625**	₱1,228,464,371
Deposit made during the year		**206,574,716**	76,765,898
Reclassification to advances during the year		**(61,475,000)**	–
Deposit returned during the year		**(5,715,000)**	(30,893,644)
Balance at end of year	12, 13	**₱1,413,721,341**	₱1,274,336,625

e. Lease of Parent Company's office space from affiliates

Affiliates

	Note	**2017**	2016
Rental expense lodged under operating expenses	23	**₱3,522,630**	₱3,193,281
Rental expense capitalized to CIP	23	**213,625**	261,469
Outstanding balances	17	**2,887,988**	3,871,096

f. Loan availed from an affiliate

In June 2015, the Parent Company availed of ₱1,000,000 noninterest-bearing loans from Xavier Sports and Country Club, Inc. (XSCCI) payable within one year from date of availment. This was renewed for another year maturing on June 14, 2017. This loan was paid in 2017 (see Note 18).

g. Payable to shareholders for treasury shares (see Note 32).

The summary of the related party transactions follows:

	2017			
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/ Provision
Shareholders				
1. Long-term debt (Note 18)		(₱27,345,275)	Noninterest-bearing and repayable in cash in lump sum on or before maturity after 5 or 10 years from date of availment	Unsecured; no significant warranties and covenants; no impairment
• Debt converted to equity	₱250,000,000			
• Payments made	197,514,769			
• Loans received	(178,146,500)			
• Amortization of discount	(23,725,336)			
2. Treasury shares (see Note 32)	–	(1,014)	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
3. Investment and deposits (Note 13)		₱1,413,721,341	To be applied to future increase in authorized capital	No significant warranties or covenants
• Deposits made	₱206,574,716			
• Reclassification to advances	(61,475,000)			
• Deposits returned	(5,715,000)			
4. Due from		6,352,755	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Advances made	3,652,542			
Associate				
5. Due from		110,543,761	Payable on demand in cash; noninterest-bearing	Unsecured; no significant warranties and covenants; no impairment
• Advances made	80,822,761			
Affiliates				
6. Lease of space from (Note 17)		(2,887,988)		
• Rent expense	(3,736,255)		One year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
7. Loan availed		–	Noninterest-bearing and repayable in cash within 1 year from date of availment, subsequently renewed for another year in 2016.	Unsecured; no significant warranties and covenants
• Loan payment	1,000,000			

Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/ Provision
	2016			
Shareholders				
8. Long-term debt (Note 18)		(₱263,988,208)	Noninterest-bearing and repayable in cash in lump sum on or before maturity after 5 or 10 years from date of availment	Unsecured; no significant warranties and covenants; no impairment
• Loans received	(₱197,100,000)			
• Payments made	44,152,453			
• Amortization of discount	(23,831,101)			
• Discount on loans received	3,564,536			
9. Treasury shares (see Note 32)	(1,014)	(1,014)	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
Subsidiaries				
10. Investment and deposits (Note 13)		1,274,336,625	To be applied to future increase in authorized capital	No significant warranties or covenants
• Deposits made	76,765,898			
• Deposits returned	(30,893,644)			
11. Due from		2,874,252	No definite repayment dates and payable in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Payments received	(10,193,803)			
• Advances made	3,371,932			
Associate				
12. Due from		29,721,000	Payable on demand in cash; noninterest-bearing	Unsecured; no significant warranties and covenants; no impairment
• Advances made	5,000,000			
Affiliates				
13. Lease of space from (Note 17)		(3,871,096)	One year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
• Rent expense	(3,193,281)			
14. Loan availed		(1,000,000)	Noninterest-bearing and repayable in cash within 1 year from date of availment, subsequently renewed for another year in 2016.	Unsecured; no significant warranties and covenants
• Loan received	–			

Compensation of key management personnel by benefit type follows:

	2017	2016
Salaries and wages	**₱34,790,047**	₱21,692,059
Post-employment benefits	**230,000**	–
Short-term employee benefits	**168,767**	2,806,417
	₱35,188,814	₱24,498,476

Short term employee benefits include bonuses, medicine and uniform allowances, employee service awards and Christmas gift checks.

The Parent Company has no transactions with its retirement fund involving loans (neither as creditor nor debtor), investments (neither as investor nor investee), lease on services and guarantee or surety made or received. The information on carrying value and fair value of fund, amount of contributions to the fund, description of the fund and trustee of the fund is shown in Note 22.

9. Real Estate Held for Sale

Real estate held for sale represents land, development costs and construction materials issued to the Parent Company's various projects in Cagayan de Oro City, Initao, Valencia City, Bukidnon and Butuan. Breakdown of this account follows:

	2017	2016
Land	**₱186,707,747**	₱168,175,564
Development cost and materials	**590,039,757**	524,735,072
	₱776,747,504	₱692,910,636

The Parent Company's real estate held for sale with a carrying value of ₱405.5 million and ₱501.3 million as of December 31, 2017 and 2016, respectively, are collateralized to the long-term loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 18).

The Parent Company reclassified land and improvements with a total cost of ₱55.6 million and ₱23.0 million to real estate held for sale in 2017 and 2016, respectively (see Notes 16). In 2017, the Parent Company also reclassified investment properties amounting to ₱12.1 million to real estate held for sale (see Note 14). Real estate held for sale amounting to ₱5.8 million was reclassified to land and improvements (see Note 16). The reclassifications has no impact on the consolidated statements of cash flows.

10. Prepayments and Other Current Assets

This account consists of:

	Note	**2017**	2016
Deposit for land acquisition		**₱106,758,303**	₱106,758,303
Creditable withholding taxes	24	**81,609,180**	54,973,680
Prepaid expenses		**18,337,383**	17,677,555
Input VAT		**8,782,808**	7,820,634
Inventories – Aggregates		**230,294**	611,004
Other deposits		**34,261,229**	29,517,808
		₱249,979,197	₱217,358,984

The Parent Company entered into several contracts to sell with several sellers of land. Installment payments made by the Parent Company to the seller were presented as deposit for land acquisition as the Transfer Certificates of Title were not yet transferred to the name of the Parent Company.

Prepaid expenses significantly include prepaid commission related to the sale of real estate and prepaid taxes and licenses.

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

11. Available-for-Sale Investments

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

	2017			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	Total
Carrying value:				
December 31, 2016	₱1,134,537,278	₱11,881,018	₱115,979,001	₱1,262,397,297
Cost of sold investment during the year	(454,705,784)	–	–	(454,705,784)
Realized gain from disposal	(265,837,561)	–	–	(265,837,561)
Impairment loss on sold investment	263,140,783	–	–	263,140,783
Unrealized loss	(347,980,348)	–	–	(347,980,348)
December 31, 2017	₱329,154,368	₱11,881,018	₱115,979,001	₱457,014,387

	2016			
	Listed Companies	Non-listed Companies	Golf, Sports and Country Clubs	Total
Carrying value:				
December 31, 2015	₱824,275,828	₱48,684,575	₱115,979,001	₱988,939,404
Unrealized gain (loss)	310,261,450	(36,803,557)	–	273,457,893
December 31, 2016	₱1,134,537,278	₱11,881,018	₱115,979,001	₱1,262,397,297

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

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

  As of December 31, 2017 and 2016, the related subscriptions payable on the above investment in listed companies amounted to ₱0.165 million and ₱70.0 million, respectively.

In 2017, the Parent Company sold its 176,236,000 shares and 278,469,784 shares of Apex Mining Corporation's (AMC) and Phil. Realty & Holdings Corporation (RLT) investments for ₱311.4 million and ₱146 million, respectively. Total gain recognized was ₱265.8 million.

- On November 29, 2011, the Parent Company acquired investment in shares of stock of Phigold Limited (Phigold), with 22.87% ownership wherein it exercises significant influence over its operations. The Parent Company's equity in Phigold was reclassified to AFS investments upon losing significant influence in 2013. As of December 31, 2014, the Parent Company's interest in Phigold was reduced to 18.7% with the entry of new investors. As of December 31, 2017, the Parent Company still has 18.7% equity interest in Phigold.

The net change in unrealized gain (loss) on available-for-sale investments shown in other comprehensive income (loss) amounted to a loss of ₱347,980,348 in 2017 and a gain of ₱273,457,893 in 2016.

12. Investment in an Associate

This pertains to investment in Peakpower Energy, Inc. (PEI), a company incorporated in the Philippines. The carrying value at cost of the investment in PEI amounted to ₱110,000,000 as of December 31, 2017 and 2016.
li
The Parent Company holds 20% equity ownership as of December 31, 2017 and 2016.

Management believes that there is no indication of impairment on the Parent Company's investment in associate.

Summarized financial information of PEI based its on consolidated financial statements follows:

	2017	2016
Total Assets		
Current assets	**₱807,016,560**	₱332,722,405
Noncurrent assets	**3,142,997,759**	3,007,380,597
	₱3,950,014,319	₱3,340,103,002
Total Liabilities		
Current liabilities	**₱1,754,220,249**	₱1,517,212,493
Noncurrent liabilities	**1,274,665,368**	1,079,120,626
	₱3,028,885,617	₱2,596,333,119
Total Equity		
Share capital	**₱550,000,000**	₱550,000,000
Retained earnings	**371,128,702**	193,769,883
	₱921,128,702	₱743,769,883
Gross revenues for the year	**₱613,785,445**	₱624,953,154
Net profit for the year	**₱177,299,645**	₱124,675,962

13. **Investments in Subsidiaries**

This account consists of investments in shares of stocks of the following subsidiaries:

	Percentage of Ownership	Amount
A Brown Energy and Resources Dev't., Inc. (ABERDI)	100%	₱449,999,995
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	100%	109,000,000
Blaze Capital Limited (BCL)	100%	25,000,000
Hydro Link Projects Corp. (HLPC)	100%	16,000,000
AB Bulk Water Company, Inc. (ABWCI)	100%	5,000,000
Masinloc Consolidated Power, Inc. (MCPI)	49%	4,900,000
Simple Homes Development, Inc. (SHDI)*	100%	999,500
Total cost		₱610,899,495

**Formerly Andesite Corporation (AC)*

- The subsidiaries were incorporated and with business addresses in the Philippines.

- In December 2014, the Parent Company executed a deed of sale of shares of stock with ABERDI to acquire 100% of ABERDI's shareholding in SHDI at net book value.

- On August 30, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Articles and Plan of Merger of the ABERDI and Nakeen Corporation (NC) which was approved by their BOD, in their meeting on March 6, 2012. However, on July 31, 2012, before the SEC approved ABERDI's Articles and Plan of Merger which was filed on July 12, 2012, the BOD and the stockholders of NC approved and ratified the subscription by the ABERDI to the 750,000 unsubscribed shares of NC at ₱1 per share with ₱50 million as additional paid-in capital. The BOD and the stockholders of NC also approved the filing with SEC of the amended Articles and Plan of Merger reflecting the new capital structure of NC and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval.

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

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

  On February 11, 2015, SEC denied the petition to amend plan of merger. NC and ABERDI's management filed a request for reconsideration to approve the petition. As of April 5, 2018, the motion for reconsideration is still pending before the SEC.

- In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of PTCHC and PCLHC, respectively, at par value. The investment represents 95% and 100% equity holdings of PTCHC and PCLHC, respectively.

  On December 8, 2010, PTCHC acquired 100% of equity holdings of Palm Concepcion Power Corporation (PCPC), formerly DMCI Concepcion Power Corporation. DMCI Power Corporation, PCPC's former parent company, transferred and conveyed to PTCHC all of the rights, title and interest in and to the shares of stock of PCPC.

On April 30, 2012, the Parent Company entered into a Deed of Assignment of Subscription rights with the 5% shareholder of PTCHC to purchase the 5% rights of the shareholder.

As discussed in Note 1, the Parent Company transferred all of its equity interest in PCLHC to PTCHC in September 2012. In view also of the subscription agreement and subsequent disposal of 30.46% equity interest in PCPC, the Parent Company's equity holdings, through PTCHC, was reduced to 39.54% as of December 31, 2013.

During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC as well as the increase in authorized capital stock of PCPC. After the merger, the Parent Company's holding through PTCHC is retained at 30% interest in the outstanding capital of PCPC as of December 31, 2014.

On January 6, 2015, the SEC approved PCPC's application of the increase in authorized capital stock which reduced the Parent Company's holding through PTCHC to 20% as of December 31, 2016 and 2015.

- On January 12, 2011, the Parent Company and HLPC entered to a deed of subscription, which increased HLPC's authorized share capital from 10,000 to 160,000 shares with par value of one hundred pesos (₱100) per share. Out of the 150,000 increase in authorized shares of HLPC, the Parent Company subscribed an aggregate share of 37,500 common shares which represents 93.75% of the resulting total issued and subscribed share capital of 40,000 shares. In December 2011, a deed of assignment was entered into by the Parent Company and HLPC's stockholder, assigning the remaining 6.25% shares of HLPC to the Parent Company.

- In 2015, the Parent Company invested ₱5.0 million in ABWCI representing 100% of the equity holdings.

- In 2007, the Parent Company invested ₱4.9 million in MCPI representing 49% equity holdings. However, control over the operating and financial policies of MCPI is exercised by the Parent Company through its representations in the Board of Directors. Accordingly, MCPI qualifies as a subsidiary of the Parent Company.

  The Board of Directors in their meeting on February 6, 2009, unanimously decided to wind up the affairs of MCPI, cease any and all of its operations; and close its business. Pursuant to the same, MCPI shall do all acts legally that are necessary and required. However, on October 29, 2009, the Board of Directors resolved the revocation of its previous resolution to dissolve the Corporation and any act pursuant to the dissolution.

- In May 22, 2017, the Parent Company acquired 100% of stockholdings of Blaze Capital Limited (BCL), a company incorporate by the laws of British Virgin Island (BVI) for ₱25 million.

As of December 31, 2017 and 2016, outstanding deposits for future stock subscriptions to its subsidiaries are as follows:

	Note	**2017**	2016
PTCHC		**₱826,606,837**	₱818,444,221
ABERDI		**548,815,431**	430,073,584
HLPC		**23,699,073**	16,218,820
SHDI*		**9,600,000**	9,600,000
BCL		**5,000,000**	–
Total deposits	8	**₱1,413,721,341**	₱1,274,336,625

**Formerly AC*

These deposits will either be converted to equity or returned to the Parent Company in consideration for a possibility of an incoming new investor. Management has reviewed the investments in and deposits for future stock subscriptions to subsidiaries for any impairment, and believes that the carrying amounts as of December 31, 2017 and 2016 are recoverable.

14. **Investment Properties** – Net

This account consists of:

	2017	2016
Properties held for capital appreciation	**₱168,067,894**	₱180,421,374
Properties held for lease	**1,610,064**	1,660,064
	₱169,677,958	₱182,081,438

The Parent Company's investment properties are stated at cost less any impairment. Investment properties have a fair market value of about ₱393.7 million as of December 31, 2017 and 2016, as determined by Cuervo Appraisers, Inc., an SEC accredited independent firm of appraisers. Land and building in 2015 which was sold in January 2016 has a fair value of ₱12.5 million based on the net recoverable amount of the sale.

The excess of the fair value over the carrying amount of the asset is not recognized in the financial statements.

The details of properties held for capital appreciation follows:

	2017		
	Land and improvements	Building	Total
Cost:			
Balance at beginning of year	₱180,421,374	₱–	₱180,421,374
Reclassification to real estate held for sale	(12,113,961)	–	(12,113,961)
Adjustment	(415,393)	–	(415,393)
Addition	175,874	–	175,874
Balance at end of year	168,067,894	–	168,067,894
Net carrying value	₱168,067,894	₱–	₱168,067,894

	2016		
	Land and improvements	Building	Total
Cost:			
Balance at beginning of year	₱186,111,450	₱30,532,806	₱216,644,256
Additions	150,575	–	150,575
Disposal	(5,840,651)	(30,532,806)	(36,373,457)
Balance at end of year	180,421,374	–	180,421,374
Allowance for impairment loss:			
Balance at beginning of year	–	20,869,471	20,869,471
Disposal	–	(20,869,471)	(20,869,471)
Balance at end of year	–	–	–
Net carrying value	₱180,421,374	₱–	₱180,421,374

The disposals in 2016 include sale of building located in Davao City and land properties which resulted to a total gain of ₱2,353,157 and sale of land and building at the carrying value of ₱12.5 million.

In 2017, the Parent Company reclassified investment properties to real estate held for sale amounting to ₱12.1 million (see Note 9).

Direct operating expenses relative to investment properties which are not earning income are as follows:

	2017	2016
Taxes and licenses	**₱1,931,114**	₱4,648,536
Professional fee	**1,128,889**	29,745
Security	**890,110**	847,522
Litigation	**101,518**	–
Insurance	**14,657**	3,487
Repairs and maintenance	**6,122**	–
Utilities	**4,549**	461,167
Transportation	**190**	5,049
	₱4,077,149	₱5,995,506

The details of the properties held under lease follows:

		2017		
	Note	Land	Building and improvements	Total
Cost:				
Balance at beginning and end of year		₱1,610,063	₱7,142,747	₱8,752,810
Accumulated depreciation:				
Balance at beginning of year		–	7,092,746	7,092,746
Additions	21	–	50,000	50,000
Balance at end of year			7,142,746	7,142,746
Net carrying value, December 31, 2017		₱1,610,063	₱1	₱1,610,064

		2016		
	Note	Land	Building and improvements	Total
Cost:				
Balance at beginning of year		₱15,423,023	₱87,753,964	₱103,176,987
Disposals		(13,812,960)	(80,611,217)	(94,424,177)
Balance at end of year		1,610,063	7,142,747	8,752,810
Accumulated depreciation:				
Balance at beginning of year		–	80,118,451	80,118,451
Disposals		–	(75,169,014)	(75,169,014)
Additions	21	–	2,143,309	2,143,309
Balance at end of year		–	7,092,746	7,092,746
Net carrying value, December 31, 2016		₱1,610,063	₱50,001	₱1,660,064

The disposal in 2016 pertains to sale of land, and building and improvements which resulted to a gain of ₱70.0 million.

Rental income generated from investment properties held under lease amounted to ₱2.1 million in 2017 and ₱5.1 million in 2016 (see Note 23).

Direct operating expenses relative to investment properties held under lease are as follows:

	Note	**2017**	2016
Depreciation	21	**₱45,833**	₱2,143,309
Taxes and licenses		**7,084**	4,470
Insurance		**4,536**	12,693
Transportation		**–**	468
		₱57,453	₱2,160,940

The Parent Company collateralized investment properties with a carrying amount of ₱21.2 million as of December 31, 2017 and 2016, respectively, on its long-term debts from AUB, and Maybank (see Note 18).

There are no restrictions on the remittance of income and no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance or enhancements as of December 31, 2017 and 2016.

15. **Property and Equipment** – Net

The net carrying value of this account is as follows:

	2017	2016
Land	**₱9,606,847**	₱9,606,847
Building and improvements	**1,002,795**	1,378,787
Leasehold improvements	**26,944**	95,830
Machinery and equipment	**36,340,116**	30,352,120
Furniture and fixtures	**5,599,397**	3,828,936
Transportation equipment	**1,686,979**	1,806,772
Tools and other equipment	**197,548**	382,009
Others	**3,561,149**	4,179,615
	₱58,021,775	₱51,630,916

Rollforward analysis of this account is shown below:

	2017			
	At beginning of year	Additions	Disposals/ Write - off/ Reclassification	At end of year
Cost:				
Land	₱9,606,847	₱–	₱–	₱9,606,847
Building and improvements	40,553,252	–	156,826	40,710,078
Leasehold improvements	2,668,173	–	–	2,668,173
Machinery and equipment	149,417,245	11,141,250	–	160,558,495
Furniture and fixtures	19,866,716	3,847,607	–	37,603,498
Transportation equipment	33,755,891	368,102	–	20,234,818
Tools and other equipment	2,945,080	49,204	(156,826)	2,837,457
Others	16,335,623	1,370,335	–	17,705,958
	275,148,827	16,776,498	–	291,925,325

(Forward)

(Carryforward)

	2017			
	At beginning of year	Additions	Disposals/ Write - off/ Reclassification	At end of year
Accumulated depreciation:				
Building and improvements	₱39,174,465	₱532,818	₱–	₱39,707,283
Leasehold improvements	2,572,343	68,886	–	2,641,229
Machinery and equipment	119,065,125	5,153,254	–	124,218,379
Furniture and fixtures	29,926,954	2,007,146	–	32,004,101
Transportation equipment	18,059,944	487,895	–	18,547,839
Tools and other equipment	2,563,071	76,839	–	2,639,910
Others	12,156,008	1,988,801	–	14,144,808
	223,517,910	10,385,639	–	233,903,550
Net carrying value	₱51,630,916	₱6,390,859	₱–	₱58,021,775

	2016			
	At beginning of year	Additions	Disposals/ write-off	At end of year
Cost:				
Land	₱9,606,847	₱–	₱–	₱9,606,847
Building and improvements	40,189,947	–	(429,202)	40,553,252
Leasehold improvements	2,653,642	14,531	–	2,668,173
Machinery and equipment	149,417,244	1	–	149,417,245
Furniture and fixtures	18,611,223	1,255,493	–	19,866,716
Transportation equipment	33,727,180	28,711	–	33,755,891
Tools and other equipment	2,893,555	51,525	–	2,945,080
Others	15,568,155	767,468	–	16,335,623
	273,460,300	2,117,729	(429,202)	275,148,827
Accumulated depreciation:				
Building and improvements	38,898,852	671,634	(396,021)	39,174,465
Leasehold improvements	2,421,848	150,495	–	2,572,343
Machinery and equipment	113,180,597	5,884,528	–	119,065,125
Furniture and fixtures	17,329,628	730,316	–	18,059,944
Transportation equipment	27,361,340	2,565,615	–	29,926,955
Tools and other equipment	2,523,423	39,648	–	2,563,071
Others	9,931,982	2,224,026	–	12,156,008
	211,647,670	12,266,262	(396,021)	223,517,911
Net carrying value	₱61,812,630	(₱10,148,533)	(₱33,181)	₱51,630,916

The Parent Company’s management had reviewed the carrying values of the property and equipment for any impairment as of December 31, 2017 and 2016. Based on the evaluation, there are no indications that the property and equipment might be impaired.

There are no contractual commitment to purchase property and equipment. There are also no property and equipment that are pledged as securities for liabilities. Further, there is no property whose title is restricted from use of the Parent Company in both periods.

The depreciation and amortization expense is presented as part of the following accounts:

	Notes	2017	2016
Real estate held for sale	9	**₱5,349,809**	₱8,659,192
General and administrative expenses	21	**5,035,830**	3,607,070
		₱10,385,639	₱12,266,262

16. Land and Improvements

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

The rollforward analysis of this account is shown below:

	2017		
	Land	Improvements	Total
Balance at beginning of year	₱312,333,545	₱376,396,439	₱688,729,984
Reclassifications	(55,575,123)	5,840,083	(49,735,040)
Additions	–	157,673	157,673
Balance at end of year	₱256,758,422	₱382,394,195	₱639,152,617

	2016		
	Land	Improvements	Total
Balance at beginning of year	₱328,458,990	₱375,940,478	₱704,399,468
Reclassifications	(23,049,870)	–	(23,049,870)
Additions	6,924,425	455,961	7,380,386
Balance at end of year	₱312,333,545	₱376,396,439	₱688,729,984

The Parent Company reclassified land and improvements with a total cost of ₱55.6 million and ₱23.0 million to real estate held for sale in 2017 and 2016, respectively (see Note 9). In 2017, the Parent Company reclassified real estate held for sale amounting to ₱5.8 million to land and improvements. The reclassification has no impact on the statements of cash flows.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2017	2016
Accounts payable		**₱206,989,928**	₱264,015,831
Accrued expenses		**16,792,735**	14,747,127
Accrued interest	18	**7,073,136**	7,343,245
Contracts payable		**4,346,335**	4,346,336
Others		**33,831,705**	35,098,098
		₱269,033,839	₱325,550,638

The above accrued expenses significantly include accrual for contractual services, recurring maintenance expenses incurred by the Parent Company and advances from and lease payable to related parties with outstanding balances totaling to ₱2,887,988 and ₱3,871,096 as of December 31, 2017 and 2016, respectively (see Note 8).

Details of other accounts payable and accrued expenses are as follows:

	Notes	2017	2016
Construction bond payable		**₱11,985,920**	₱9,696,872
Output VAT payable		**9,303,014**	12,851,416
Withholding tax payable		**5,106,888**	3,182,663
Retention payable		**4,565,614**	5,006,480
SSS, HDMF, PHIC premium payable		**387,224**	–
Others	8, 32	**2,483,045**	4,360,668
		₱33,831,705	₱35,098,099

Other payables in 2017 and 2016 include unearned income on land lease and payable to shareholders for treasury shares.

18. Short-term and Long-term Debt

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

	2017	2016
Financial Institutions:		
China Banking Corp. (CBC)	**₱390,000,000**	₱390,000,000
Union Bank of the Philippines (UBP)	**90,000,000**	90,000,000
United Coconut Planters Bank (UCPB)	**50,000,000**	20,000,000
Philippine Bank of Communications (PBCOM)	**–**	60,229,167
Others	**27,345,275**	206,100,000
	₱557,345,275	₱766,329,167

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

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

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

- On March 18, 2013, the Parent Company availed a clean term loan from UCPB amounting to ₱20 million payable after one year from the date of availment with 5.75% interest rate. The loan was subsequently renewed on March 31, 2014. Total principal payments in 2014 amounted to ₱10 million. On March 6, 2015, the ₱10 million remaining loan in 2014 was renewed for another year maturing on February 29, 2016 which bears 5.5% annual interest rate. On January 30, 2015, the Parent Company availed additional loan amounting ₱10 million payable after one year from the date of availment with 5.5% interest rate. The outstanding loans of ₱20.0 million were subsequently renewed in 2016 under the same term and interest rate. The Parent Company availed additional loans on June 2, 2016 and July 30, 2016 amounting to ₱6 million and ₱2 million, respectively, with 5.5% interest rates, which were subsequently paid by the Parent Company on July 1, 2016 and October 24, 2016, respectively. On January 13, 2017, the Parent Company availed a clean loan amounting to ₱40 million with 5.50% interest rate maturing on January 8, 2018.

- Other loans include loan availment from XSCCI and a third party in 2015. On June 14, 2015, the Parent Company obtained a noninterest-bearing and unsecured loan amounting to ₱1.0 million from XSCCI payable on June 14, 2016 (see Note 8). This was renewed for another year maturing on June 14, 2017. This loan was paid in 2017.

  On December 17, 2015, the Parent Company obtained a noninterest-bearing and unsecured loan amounting to ₱3.0 million from a third party payable on June 14, 2016. This was subsequently paid before maturity period. The Parent Company availed additional loan on various dates within April to July 2016 totaling ₱13.0 million of which repayments of loan in 2016 amounted to ₱5.0 million in 2016. Total outstanding loan balance in 2016 was repaid in 2017.

- The Parent Company availed additional loan from shareholders on various dates within February to December 2016 totaling ₱197.1 million with six (6) months term subject to renewal upon maturity. This loans was paid in 2017.

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

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

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

	2017	2016
Financial Institutions:		
Asia United Bank (AUB)	**₱169,968,825**	₱218,910,325
Union Bank of the Philippines (UBP)	**176,512,949**	257,735,858
United Coconut Planters Bank (UCPB)	**132,840,788**	198,588,364
BPI Family Savings Bank (BPIF)	**108,070,385**	144,220,027
Philippine Bank of Communications (PBCOM)	**86,914,595**	–
Development Bank of the Philippines (DBP)	**30,773,360**	35,000,000
Bank of the Philippine Islands (BPI)	**28,800,000**	45,600,000
Maybank Phils., Inc. (Maybank)	**13,333,333**	33,333,333
China Banking Corp. (CBC)	**1,489,801**	1,089,033
Total loans from financial institutions	**748,704,036**	934,476,940
Shareholders	**–**	66,888,208
Total	**748,704,036**	1,001,365,148
Less current portion due within 1 year	**353,139,290**	341,906,559
Noncurrent portion of long-term debt	**₱395,564,746**	₱659,458,589

- On December 2, 2013, the Parent Company availed of loan from AUB amounting to ₱85.0 million that will mature on December 1, 2017 with an interest rate of 5% per annum. This loan is collateralized by real estate mortgage on the Parent Company's investment properties with net carrying amount of ₱0.1 million as of December 31, 2017 and 2016, respectively (see Note 14), and real estate mortgage on the property of the Parent Company's stockholder.

  In January 2014, the Parent Company obtained additional loan from AUB amounting to ₱180.0 million that will mature in 5 years from release date. This loan bears an annual interest of 5.5%. In March 2014, two additional loans totaling ₱83.8 million were obtained by the Parent Company from AUB. The loans consist of ₱65.0 million loans bearing an annual interest rate of 5.0% maturing in December 2017, and ₱18.8 million loans bearing an annual interest rate of 5.5% maturing in January 2019. These loans were collateralized by the Parent Company's real estate held for sale assets with carrying amount of ₱34.3 million and ₱35.8 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The loan from UBP pertains to a 7-year loan availed by the Parent Company in 2012 amounting to ₱300 million, with 3 years grace period on principal. Principal payments of 48 equal monthly amortizations will be made starting on the end of the grace period which will start in 2015. Quarterly interest payment in arrears is made for the first 3 years, then monthly payments for the rest of the term. The loan bears annual interest rate of 5.56%. On September 23, 2015, the Parent Company availed additional ₱75 million loan bearing 5.78% annual interest rate maturing on September 23, 2019. The loans are collateralized by the Parent Company's real estate held for sale assets with carrying amount of ₱108.2 million and ₱113.7 million as of December 31, 2017 and 2016, respectively (see Note 9).

- In August and December of 2011, the Parent Company obtained ₱400.0 million loan from UCPB to refinance its outstanding term loan and finance various real estate development projects. The loan has a term which shall expire at the end of ten (10) years from initial date of drawdown and bears interest payable quarterly in arrears, based on 3-month Philippine Dealing System Treasury-Fixing rate obtaining at the time of availment, plus a spread of 2.0% inclusive of Gross Receipt Tax (GRT) or floor rate 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting. This loan is collateralized by real estate mortgage over the real estate held for sale with a carrying value of ₱101.3 million and ₱176.7 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The loans from BPIF were obtained on various dates within 2004 to 2012 and will mature ten (10) years after loan release dates, the last of which will be in 2022. These bear interest at the rates ranging from 5.5% to 11.50% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Parent Company with a total carrying value of ₱41.5 million and ₱43.7 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The loans from BPI were obtained on various dates starting 2011 and will mature five (5) years after loan release dates, the last of which being 2016. These bear interest at 3-month Philippine Dealing System Treasury-R2 plus a spread of one and a half percent (1.50%) per annum or the applicable bank floor lending rate at the time of availment, whichever is higher, subject to monthly payment and quarterly resetting, with one time option to fix rate based on 5-year Philippine Dealing System Treasury-R2 rate, plus a spread of 1.25% per annum. The interest rate is currently at 4.75% per annum. Outstanding balance was paid by the Company upon maturity of the loan. On June 30, 2016 the Parent Company availed additional 39 months loan amounting to ₱54.0 million with a quarterly principal payment amounting to ₱4.2 million starting September 30, 2016 maturing on September 30, 2019. Interest rate of 5.23% per annum.

  These are collateralized by real estate mortgages over the real estate held for sale of the Parent Company with a total carrying value of ₱94.7 million and ₱98.9 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The Parent Company availed of a ₱60.0 million loan from Maybank in August 2014 with an annual interest rate of 5.5% subject to quarterly repricing and payable monthly in arrears that will mature in August 2018. This loan is collateralized by the Parent Company's investment properties in Binangonan, Rizal with carrying amount of and ₱21.2 million as of December 31, 2017 and 2016 (see Note 14).

- On March 18, 2016, the Parent Company availed a six (6)-year loan from DBP amounting to ₱35 million that will mature on March 18, 2022, with two (2) years grace period on principal. This loan bears an interest rate of 5.25% per annum (exclusive of GRT). Quarterly principal installment payments amounting to ₱2.2 million will start on June 18, 2018. This loan is collateralized by real estate mortgage with net carrying amount of ₱25.4 million and ₱32.5 million as of December 31, 2017 and 2016, respectively (see Note 9).

- The Parent Company availed several clean loans from CBC on various dates within February to July 2011 and will mature five (5) years after loan release dates. These loans bear interest rate of 7.33% per annum. Loan payment in 2016 amounted to ₱300.0 million.

The Parent Company obtained loans from CBC which include a 3-year loan with 8.08% annual interest rate amounting to ₱0.9 million availed in July 2015 and a 4-year with 10% annual interest rate amounting to ₱0.8 million availed in August 2015 for car loan plans for its officers. The loans are payable monthly in arrears.

- The loans from shareholders represent a 10-year noninterest-bearing loan with a total principal amount of ₱107.3 million availed on various dates from October to November 2012. The loans are repayable in lump sum on or before maturity. The Parent Company recognized discount on loans payable amounting to ₱44.5 million in the statements of income in 2012. In September 2014, the Parent Company availed of another 10-year noninterest-bearing loan from the shareholders amounting to ₱60.0 million. In 2015, the Parent Company availed from shareholders additional noninterest-bearing loans totaling ₱62.0 million with 5 and 10-year term.

  A total of ₱3.6 million were recognized as discount on loans payable in the statements of income in 2016. Amortization of discount on loans recognized amounted to ₱23.7 million in 2017 and ₱23.8 million in 2016.

- Total finance costs relative to the foregoing loans amounted to ₱102.8 million in 2017 and ₱118.8 million in 2016. Finance costs amounting to ₱26.8 million in 2017 and 2016 were capitalized to land development cost under real estate held for sale. Total finance costs in the statements of income include interest expense of ₱52.3 million in 2017 and ₱68.2 million in 2016, and amortization of discount on long-term debt of ₱23.7 million in 2017 and ₱23.8 million in 2016.

- The Parent Company obtained loans from PBCOM which includes a 51 months term with 8% annual interest rate amounting to ₱44.2 million availed in June 20, 2017 and a 47 months term with 8% annual interest rate amounting to ₱50.1 million availed in October 20, 2017. These loans are collateralized by real estate mortgages over the real estate held for sale in Initao, Misamis Oriental.

The following table presents the short-term and long-term debt by contractual maturity as of December 31, 2017 and 2016:

	2017	2016
Due within 1 year	**₱910,484,565**	₱1,108,235,726
Due beyond 1 year, not later than 5 years	**395,564,746**	626,144,480
Due beyond 5 years	**–**	33,314,108
	₱1,306,049,311	₱1,767,694,314

The Parent Company's short-term and long-term debts as of December 31, 2017 and 2016 do not include any significant warranties and covenants.

19. **Share Capital**

In 2017, there is an increase in the Parent Company's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively. In 2016, there is no movement in the number of Company's authorized and subscribed shares of capital. The details are as follows:

	Note	**2017**	2016
Authorized capital stock:			
Balance at beginning of year		**2,000,000,000**	2,000,000,000
Increase in authorized capital stock		**1,300,000,000**	–
Balance at end of year		**3,300,000,000**	2,000,000,000
Subscribed and issued:			
Balance at beginning of year		**1,732,866,536**	1,732,865,522
Conversion of debt and deposit for future subscription	29	**398,230,088**	–
Stock dividend issued – net of 803 fractional shares	29	**346,572,301**	–
Issuance of fractional shares (see Note 32)	32	**–**	1,014
Balance at end of year		**2,477,668,925**	1,732,866,536

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

The Securities and Exchange Commission (SEC) issued the following orders related to the Parent Company's registration of its securities: SEC-BED Order No. 1179 issued on December 17, 1993 amounting to ₱200,000,000; SEC-BED Order No. 847 issued on August 15, 1994 amounting to ₱230,000,000 and SEC-CFD Order No. 64 issued on March 12, 1996 totaling ₱530,000,000. Common shares are the only equity securities registered and issued by the Parent Company. As of December 31, 2017 and 2016, there are 2,104 and 2,115 stockholders, respectively, in the records of the transfer agent, Professional Stock Transfers, Inc. (PSTI).

The share price closed at ₱1.00 on December 29, 2017 and ₱1.04 on December 29, 2016.

20. **Sales, Other Income and Cost of Sales**

a. Sales primarily consists of real estate property development sold, water service fees and aggregates sold during the period as follows:

	2017	2016
Sale of real estate	**₱470,355,294**	₱352,538,122
Water service income	**18,244,766**	17,791,359
Sale of aggregates	**–**	4,851,339
	₱488,600,060	₱375,180,820

Deposit from customers representing cash received from buyers when conditions for recording sales are not met and excess collection amounted to ₱53,413,923 and ₱37,052,627 as of December 31, 2017 and 2016, respectively.

Deposits are forfeited when customers cancelled their reservation fee. Income from forfeited deposits amounted to ₱4,769,498 in 2017 and ₱7,040,884 in 2016.

b. The cost of sales consists of land and development costs on house and lots sold, water service costs and costs of aggregates sold during the period as follows:

	2017	2016
Land development costs	**₱133,482,644**	₱95,722,076
Land	**56,540,437**	41,247,972
Houses	**45,000,480**	31,569,078
Water	**7,642,510**	7,417,594
Aggregates	**–**	5,430,799
	₱242,666,071	₱181,387,519

c. Penalties and surcharges arose from late settlement of balances due from customers related to the sale of real estate which amounted to ₱1,367,860 in 2017 and ₱1,584,085 in 2016.

d. Other income primarily includes water tapping, lot staking, and driving range fees in 2017 and 2016.

21. General and Administrative and Marketing Expenses

a. General and Administrative Expenses

This account consists of:

	Notes	**2017**	2016
Personnel cost		**₱54,838,129**	₱30,938,723
Taxes and licenses		**30,160,868**	15,516,541
Security services		**13,270,384**	9,259,384
Rental	23	**6,572,029**	4,974,771
Depreciation and amortization	14, 15	**5,085,830**	5,750,379
Utilities		**3,648,505**	1,998,034
Repairs and maintenance		**1,853,691**	448,962
Supplies		**887,029**	648,337
Entertainment, amusement and recreation		**644,114**	980,910
Retirement benefits	22	**–**	3,649,819
Others		**39,428,954**	16,650,938
		₱156,389,533	₱90,816,798

Significant components of other operating expenses follow:

	2017	2016
Professional fees	**₱10,264,364**	₱2,611,999
Transportation and travel	**8,148,321**	3,127,364
Listing fee	**2,754,735**	284,139
Directors' fee	**2,270,500**	1,119,821
Board meetings	**817,445**	727,697
Insurance	**708,922**	292,354
Subscription and dues	**694,547**	1,954,960

(Forward)

(Carryforward)

	2017	2016
Training and seminar	**₱555,749**	₱114,810
Notarization	**422,174**	57,171
Litigation fees	**256,705**	114,990
Bank charges	**49,757**	149,139
Miscellaneous	**12,485,735**	6,096,494
	₱39,428,954	₱16,650,938

Miscellaneous includes contractual services and fines, penalties and charges in 2017 and 2016.

Details of depreciation and amortization follows:

	Note	**2017**	2016
Property and equipment	15	**₱5,035,830**	₱3,607,070
Investment properties	14	**50,000**	2,143,309
Depreciation and amortization		**₱5,085,830**	₱5,750,379

b. Marketing Expenses

Marketing expenses significantly include commission and advertising expenses incurred by the Parent Company.

22. Retirement Benefits Costs

The Parent Company has a funded, noncontributory retirement plan covering all regular and full time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Contribution and cost are determined in accordance with the actuarial studies made for the plan.

Actuarial valuations are made with sufficient regularity at least every one or two years. The last actuarial valuation dated March 28, 2017 was made for the retirement liability and expense as of and for the year ended December 31, 2017.

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

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

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

Unusual or Significant Risks to which the Retirement Plan Exposes the Company
There are no unusual significant risks to which the plan exposes the Parent Company. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Parent Company to the Retirement Fund.

Plan Amendments, Curtailments, or Settlements
There was no plan amendment or curtailment recognized for the years ended December 31, 2017 and 2016.

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

	2017	2016
Discount rate	**5.70%**	5.38%
Salary increase rate	**5.00%**	5.00%

The net retirement liability recognized in the Parent Company statements of financial position as of December 31, 2017 and 2016 was determined as follows:

	2017	2016
Defined benefit obligation	**₱28,130,472**	₱26,037,220
Less fair value of plan assets	**4,746,910**	6,866,395
Net retirement liability	**₱23,383,562**	₱19,170,825

The Parent Company's plan assets are maintained by a trustee bank. The carrying amount of the plan asset approximates the fair value of plan assets which is allocated as of December 31, 2017 and 2016 as follows:

	2017	2016
Cash and cash equivalents	**22.49%**	58.79%
Equity instruments	**73.44%**	42.76%
Debt instruments – government bonds	**1.01%**	0.70%
Others (market gains (losses), accrued receivables, etc.)	**3.06%**	(2.25%)
	100.00%	100.00%

The net retirement liability of ₱23.4 million and ₱19.2 million as of December 31, 2017 and 2016, respectively, is presented as part of noncurrent liability in the Parent Company statements of financial position.

The Parent Company's expected future benefit payments are shown below:

	2017	2016
Within one year	**₱14,022,670**	₱13,897,731
Beyond one year not later than 5 years	**10,901,355**	8,227,793
Beyond 5 years	**14,960,151**	13,443,343

The rollforward of present value of defined benefit obligation follows:

	2017	2016
Balance at beginning of year	**₱26,037,220**	₱38,957,286
Benefits paid	**(3,591,985)**	(3,272,548)
Current service cost	**2,392,373**	2,077,968
Remeasurement loss (gain)	**1,892,062**	(13,739,578)
Interest expense	**1,400,802**	2,014,092
Balance at end of year	**₱28,130,472**	₱26,037,220

The rollforward of fair value of plan assets follows:

	2017	2016
Balance at beginning of year	**₱6,866,395**	₱10,190,263
Benefits paid	**(3,591,985)**	(3,272,548)
Contribution on retirement plan	**1,000,000**	–
Interest income	**299,688**	442,241
Remeasurement loss	**172,812**	(493,561)
Balance at end of year	**₱4,746,910**	₱6,866,395

The retirement benefits expense recognized in the Parent Company statements of income were determined as follows:

	Note	**2017**	2016
Current service cost		**₱2,392,373**	₱2,077,968
Interest cost		**1,400,802**	2,014,092
Interest income on plan assets		**(299,688)**	(442,241)
	21	**₱3,493,487**	₱3,649,819

The movements of the cumulative remeasurement loss recognized are as follows:

	2017	2016
Balance at beginning of year	**₱11,904,260**	₱21,176,472
Actuarial loss (gain) on defined benefit obligation:		
Experience adjustments	**2,152,818**	(12,870,853)
Changes in financial assumptions	**(349,360)**	(229,269)
Demographic assumptions	**88,604**	(639,456)
Remeasurement loss – Return on plan assets	**(172,812)**	493,561
	1,719,250	(13,246,017)
Less: Deferred tax effect	**515,775**	(3,973,805)
Remeasurement loss (gain) in OCIL – net of tax	**1,203,475**	(9,272,212)
Balance at end of year	**₱13,107,735**	₱11,904,260

The Parent Company has no contributions made to the retirement fund in 2017 and 2016. Moreover, the movements of the net retirement liability recognized in the Parent Company statements of financial position are as follows:

	2017	2016
Balance at beginning of year	**₱19,170,825**	₱28,767,023
Remeasurement loss (gain) – OCIL	**1,719,250**	(13,246,017)
Retirement benefit expense – Profit or Loss	**3,493,487**	3,649,819
Contribution on retirement plan	**(1,000,000)**	–
Balance at end of year	**₱23,383,562**	₱19,170,825

Sensitivity analysis on the retirement benefit obligation is as follows:

	2017	
	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	4.00%	₱1,130,581
100 bps decrease in discount rate	(3.60%)	(1,023,353)
100 bps increase in salary increase rate	3.10%	867,676
100 bps decrease in salary increase rate	(2.80%)	(795,561)
Increase in DBO, no attrition rates	7.10%	1,991,098

	2016	
	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	4.40%	₱1,136,802
100 bps decrease in discount rate	(4.00%)	(1,029,039)
100 bps increase in salary increase rate	4.20%	1,093,201
100 bps decrease in salary increase rate	(3.90%)	(1,011,791)
Increase in DBO, no attrition rates	10.90%	2,834,381

Asset-Liability Matching Strategies to Manage Risks

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

Funding Arrangements

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

23. **Lease Agreements**

As a Lessor

The Parent Company leased its various properties under operating lease with various lessees. The term of the lease agreements is for three to ten years and is renewable upon the agreement of both parties. On November 30, 2016, the lease contract with one of the lessees was terminated due to the disposal of the rented investment property. The lease agreements that are existing as of December 31, 2017 and 2016 will expire in various dates in 2018.

The salient points of the operating lease contracts follow:

- All major repairs, minor repairs, business taxes, and charges for water, light, telephone and other utilities shall be for the account of the lessee.

- The term of the lease will be for five to ten years, renewable upon the agreement of both parties.

Rent income from the 3rd parties amounted to ₱2,140,114 in 2017 and ₱5,058,462 in 2016.

Estimated future minimum rental receipts follow:

	2017	2016
Due within one year	**₱169,371**	₱516,114

As a Lessee

The Parent Company, entered into an operating lease with a related and non-related party for its warehouses and offices in Cagayan de Oro City and Metro Manila. The term of the lease agreement is for 1 year to 3 years and is renewable upon mutual agreement of the parties.

Breakdown of rental expense recognized under General and administrative expenses in the statements of income are as follows:

	Note	2017	2016
Related parties	8	**₱3,522,630**	₱3,193,281
Nonrelated parties		**3,049,399**	1,781,490
	21	**₱6,572,029**	₱4,974,771

Rent expense capitalized to Real estate held for sale account amounted to ₱213,625 in 2017 and ₱261,469 in 2016 (see Note 9).

Estimated future minimum rental payments follow:

	2017	2016
Due within one year	**₱466,814**	₱3,453,268
Due beyond one year, not more than five years	**–**	466,814
	₱466,814	₱3,920,082

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

24. Income Taxes

a. Current income tax expense in 2017 and 2016 pertains to regular corporate income tax. The balance of the creditable withholding tax represents the unutilized portion of the account after applying the current income tax (see Note 10).

b. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax shown in statements of income follows:

	2017	2016
Income tax expense computed at statutory tax rate	**₱76,545,501**	₱24,188,252
Income tax effects of:		
Nondeductible expenses:		
Amortization of discount on long-term debt	**7,117,601**	7,149,330
Nondeductible expenses	**1,345,678**	665,857
Nontaxable income:		
Gain on sale of available-for-sale investments	**(79,751,268)**	–
Interest income subjected to final tax	**(43,441)**	(3,295)
Discount on long-term debt	**–**	(1,069,360)
Dividend income	**–**	(1,245)
	₱5,214,071	₱30,929,539

c. The components of deferred tax accounts represent the future tax consequences of the following:

	Notes	**2017**	2016
Deferred tax assets			
Income tax effects of:			
Interest cost		**₱7,859,701**	₱7,972,676
Retirement liability	22	**7,315,068**	5,751,248
Unamortized past service cost		**955,125**	1,275,578
Allowance for doubtful accounts and impairment losses	7, 14	**126,439**	126,439
Net unrealized foreign exchange loss (gain)		**(47,594)**	22,880
		₱16,208,739	₱15,148,821
Deferred tax liabilities			
Income tax effects of:			
Deferred income on sale of real estate		**₱74,103,315**	₱75,281,844
Deferred rental income	7	**3,514**	95,990
		₱74,106,829	₱75,377,834

d. The Parent Company opted for the itemized deduction scheme for its income tax reporting in 2017 and 2016.

25. Earnings per Share (EPS)

Basic and diluted EPS is computed as follows:

	2017	2016
Net profit	**₱249,937,600**	₱49,697,966
Divided by weighted average number of shares outstanding	**2,178,995,345**	1,732,865,522
Basic and diluted earnings per share	**₱0.11470**	₱0.02868

The Parent Company has no dilutive shares as of December 31, 2017 and 2016 (see Note 19).

26. Financial Instruments

Set out below is a comparison by category of carrying values and estimated fair values of Parent Company's financial instruments as of December 31, 2017 and 2016:

		2017				
	Notes	Carrying value	Fair value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:						
Cash and cash equivalents	6	₱90,234,913	₱90,234,913	₱–	₱90,234,913	₱–
Receivables - net*	7	409,491,769	409,491,769	–	409,491,769	–
Advances to related parties	8	116,896,516	116,896,516	–	116,896,516	–

(Forward)

(Carryforward)

		2017				
	Notes	Carrying value	Fair value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Refundable deposits	5	₱12,462,873	₱12,462,873	₱–	₱12,462,873	₱–
Investments and deposits	8	1,413,721,341	1,413,721,341	–	1,413,721,341	–
AFS investments	11	457,014,387	457,014,387	329,154,368	–	127,860,019
		₱2,499,821,799	₱2,499,821,799	₱329,154,368	₱2,042,807,412	₱127,860,019
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱250,263,268	₱250,263,268	₱–	₱250,263,268	₱–
Short-term debt	18	557,345,275	557,345,275	–	557,345,275	–
Long-term debt	18	748,704,036	748,704,036	–	748,704,036	–
Subscriptions payable	11	164,505	164,505	–	164,505	–
		₱1,556,477,084	₱1,556,477,084	₱–	₱1,556,477,084	₱–

		2016				
	Notes	Carrying value	Fair value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:						
Cash and cash equivalents	6	₱45,679,338	₱45,679,338	₱–	₱45,679,338	₱–
Receivables - net*	7	438,073,847	438,073,847	–	438,073,847	–
Due from related parties	8	32,595,252	32,595,252	–	32,595,252	–
Refundable deposits	5	17,933,821	17,933,821	–	17,933,821	–
Investments and deposits	8	1,274,336,625	1,274,336,625	–	1,274,336,625	–
AFS investments	11	1,262,397,297	1,262,397,297	1,134,537,278	–	127,860,019
		₱3,071,016,180	₱3,071,016,180	₱1,134,537,278	₱1,808,618,883	₱127,860,019
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱305,156,905	₱305,156,905	₱–	₱305,156,905	₱–
Short-term debt	18	569,229,167	569,229,167	–	569,229,167	–
Long-term debt	18	1,198,465,148	1,198,465,148	–	1,198,465,148	–
Subscriptions payable	11	70,025,817	70,025,817	–	70,025,817	–
		₱2,142,877,037	₱2,142,877,037	₱–	₱2,142,877,037	₱–

**Excluding advances to suppliers and contractors which amounted to ₱822,830 and to ₱360,134 as of December 31, 2017 and 2016, respectively.*

***Excluding statutory payables which amounted to ₱14,409,903 and ₱16,034,079 as of December 31, 2017 and 2016, respectively and unearned income amounted to ₱4,360,668 and ₱4,359,654 as of December 31, 2017 and 2016, respectively.*

<u>Methods and Assumptions Used to Estimate Fair Value</u>

The carrying value of cash and cash equivalents, receivables, due from related parties, accounts payable and accrued expenses, refundable deposits and short-term bank debts approximate the fair value due to the short-term nature of the transactions.

AFS investments in listed companies included in Level 1 are valued based on published prices. AFS investments in golf, sports and country clubs and non-listed companies, which are not traded in active market are included in Level 3 which is determined based on the management's assumptions of what these club shares could potentially worth to a buyer in either an actual or hypothetical market. These assumptions are based on internally generated information. The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

The Parent Company has no financial instruments that are carried at FVPL.

There has been no reclassification to or from Level 2 category during 2017 and 2016.

27. **Financial Risk Management Objectives and Policies**

The Parent Company is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Parent Company's principal financial instruments comprise of cash and cash equivalents, receivables, investment in equity securities, and bank loans. The main purpose of investing these financial instruments (assets) is to maximize interest yield and for capital appreciation. The main purpose of bank loans is to finance the Parent Company's operations. The Parent Company has various other financial assets and liabilities such as refundable deposits, accounts payables and accrued liabilities, receivable from and payable to related parties, which arise directly from operations.

The Parent Company's policies and guidelines cover credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Parent Company's results and financial position. The Parent Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

- *Credit risk*
  Credit risk refers to the risk that counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Parent Company. The Parent Company only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities. Moreover, the Parent Company follows strict credit policies and procedures in granting of credit to customers, which are regularly reviewed and updated to reflect changing risk conditions, which includes credit evaluation, administration, monitoring and collection guidelines. The Parent Company likewise monitors exposures through continuing assessment of creditworthiness of customers, and monitoring of the aged schedules of receivables.

  Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered.

a. Credit Quality

Below is the credit quality by class of financial assets as of December 31, 2017 and 2016, gross of allowance for impairment losses.

		2017					
		Neither past due nor impaired			Past due		
	Notes	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash and cash equivalents	6	₱90,234,913	₱–	₱–	₱–	₱–	₱90,234,913
Receivables*	7	368,638,418	7,360,590	808,913	32,262,385	421,463	409,491,769
Due from related parties	8	116,896,516	–	–	–	–	116,896,516
Refundable deposits	5	12,462,873	–	–	–	–	12,462,873
Investments and deposits	8	1,413,721,341	–	–	–	–	1,413,721,341
Total loans and receivables		2,001,954,061	7,360,590	808,913	32,262,385	–	2,042,807,412
AFS investments							
Equity securities	11	457,014,387	–	–	–	–	457,014,387
		₱2,458,968,448	₱7,360,590	₱808,913	₱32,262,385	₱421,463	₱2,499,821,799

		2016					
		Neither past due nor impaired			Past due		
	Notes	High Grade	Standard Grade	Substandard Grade	Not impaired	Impaired	Total
Loans and receivable							
Cash and cash equivalents	6	₱45,679,338	₱–	₱–	₱–	₱–	₱45,679,338
Receivables*	7	378,890,070	6,614,915	438,074	52,130,788	421,463	438,495,310
Due from related parties	8	32,595,252	–	–	–	–	32,595,252
Refundable deposits	5	17,933,821	–	–	–	–	17,933,821
Investment and deposits	8	1,274,336,625	–	–	–	–	1,274,336,625
Total loans and receivables		1,749,435,106	6,614,915	438,074	52,130,788	421,463	1,809,040,346
AFS investments							
Equity securities	12	1,262,397,297	–	–	–	–	1,262,397,297
		₱3,011,832,403	₱6,614,915	₱438,074	₱52,130,788	₱421,463	₱3,071,437,643

**Excluding advances to suppliers and contractors which amounted to ₱822,830 and ₱360,134 as of December 31, 2017 and 2016, respectively.*

High grade cash in banks and cash equivalents are short-term placements and working capital cash fund placed and deposited in local banks belonging to the top 25 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

Below is the aging analysis of past due but not impaired receivables:

	2017			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Receivables	₱8,232,545	₱5,362,905	₱18,666,935	₱32,262,385

	2016			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Receivables	₱1,677,528	₱2,726,865	₱47,726,395	₱52,130,788

As of December 31, 2017 and 2016, financial assets at nominal value of ₱421,463 were impaired and were fully provided for with allowance for doubtful accounts (see Note 7).

b. Credit risk exposure

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

	Note	**2017**	2016
Cash and cash equivalents*	6	**₱89,631,872**	₱45,058,131
Receivables – net**	7	**409,491,769**	438,073,847
Due from related parties	8	**116,896,516**	32,595,252
Refundable deposits	5	**12,462,873**	17,933,821
Investments and deposits	8	**1,413,721,341**	1,274,336,625
AFS investments	11	**457,014,387**	1,262,397,297
		₱2,499,218,758	₱3,070,394,973

**Excluding cash on hand amounting to ₱603,041 and ₱621,207 as of December 31, 2017 and 2016, respectively.*
***Excluding advances to suppliers and contractors which amounted to ₱822,830 and ₱360,134 as of December 31, 2017 and 2016, respectively.*

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

The Parent Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

AFS investments significantly include investment in shares that are actively traded in the stock market. The Parent Company uses other publicly available financial information to monitor its investments.

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

c. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Parent Company's financial strength and undermine public confidence.

Given the Parent Company's diverse base of counterparties, mostly various individual buyers of real estates, it is not exposed to large concentration of credit risks.

d. Impairment assessment

The Parent Company recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Parent Company in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Parent Company assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Parent Company when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and, (c) the expected receipts and recoveries once impaired.

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

  As of December 31, 2017 and 2016, the available credit lines and outstanding balances are as follows:

	2017		
	Available credit line	Drawable line	Unpaid
UBP	₱475,000,000	₱10,000,000	₱266,512,909
UCPB	460,000,000	10,000,000	182,840,788
CBC	410,000,000	15,389,200	390,572,129
AUB	348,748,000	–	169,968,825
BPIF	275,983,414	–	108,070,385
BPI	189,000,000	–	28,800,000
PBCOM	94,242,601	–	86,914,595
Maybank	60,000,000	–	13,333,333
DBP	35,000,000	–	30,773,360
	₱2,347,974,015	₱35,389,200	₱1,277,786,323

	2016		
	Available credit line	Drawable line	Unpaid
UBP	₱475,000,000	₱10,000,000	₱347,735,858
UCPB	420,000,000	–	218,588,364
CBC	410,000,000	10,000,000	390,000,000
AUB	348,748,000	–	218,910,325
BPIF	275,983,414	–	144,220,027
PBCOM	81,250,000	–	60,229,167
Maybank	60,000,000	–	33,333,333
BPI	54,000,000	–	45,600,000
DBP	35,000,000	–	35,000,000
	₱2,159,981,414	₱20,000,000	₱1,493,617,074

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

The following table presents the Parent Company's non-derivative financial assets and liabilities by contractual maturity and settlement dates as of December 31, 2017 and 2016. These have been based on the undiscounted cash flows and on the earliest date on which the Parent Company will earn and/or will be required to pay.

		2017				
	Notes	On demand	Due within 3 months	Due within one year	Due beyond one year	Total
Financial assets:						
Cash and cash equivalents	6	₱90,234,913	₱–	₱–	₱–	₱90,234,913
Accounts receivable - net*	7	8,232,545	9,734,559	255,618,436	135,906,229	409,491,769
Due from related parties	8	116,896,516	–	–	–	116,896,516
Refundable deposits	5	–	–	–	12,462,873	12,462,873
Investments and deposits	8	1,413,721,341	–	–	–	1,413,721,341
AFS investments	11	–	–	–	457,014,387	457,014,387
		₱1,629,085,315	₱9,734,559	₱255,618,436	₱605,383,489	₱2,499,821,799
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱–	₱250,263,268	₱–	₱–	₱250,263,268
Short-term debt	18	–	27,345,275	530,000,000	–	557,345,275
Long-term debt	18	–	51,187,900	301,951,390	395,564,746	748,704,036
Subscription payable	11	164,505	–	–	–	164,505
		₱164,505	₱328,796,443	₱831,951,390	₱395,564,746	₱1,556,477,084

		2016				
	Notes	On demand	Due within 3 months	Due within one year	Due beyond one year	Total
Financial assets:						
Cash and cash equivalents	6	₱45,679,338	₱–	₱–	₱–	₱45,679,338
Accounts receivable - net*	7	2,588,735	45,790,208	182,724,916	206,969,988	438,073,847
Due from related parties	8	32,595,252	–	–	–	32,595,252
Refundable deposits	5	–	–	–	17,933,821	17,933,821
Investments and deposits	8	1,274,336,625	–	–	–	1,274,336,625
AFS investments	11	–	–	–	1,262,397,297	1,262,397,297
		₱1,355,199,950	₱45,790,208	₱182,724,916	₱1,487,301,106	₱3,071,016,180
Financial liabilities:						
Accounts payable and accrued expenses**	17	₱–	₱305,156,905	₱–	₱–	₱305,156,905
Short-term debt	18	–	11,020,833	558,208,334	–	569,229,167
Long-term debt	18	–	85,585,831	453,420,728	659,458,589	1,198,465,148
Subscription payable	11	70,025,817	–	–	–	70,025,817
		₱70,025,817	₱401,763,569	₱1,011,629,062	₱659,458,589	₱2,142,877,037

**Excluding advances to suppliers and contractors.*

***Excluding statutory payables and unearned income*

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

Historically, the rate fluctuations relative to its cash in banks are minimal. Interest rates in 2017 and 2016 ranged from 0.25% to 0.65%.

Interest-bearing long-term debt carries interest rates which ranged from 5% to 8.5% in 2017 and 5.5% to 7.33% in 2016. Interest rates of certain debt are subject to quarterly repricing or subject to variability based on agreed terms with bank. An increase in interest rate by 1% would decrease equity by ₱0.6 million and ₱0.7 million as of December 31, 2017 and 2016, respectively. An equal change in the opposite would increase equity by the same amount.

The contract receivables on sale of real estate are managed within the parameters approved by management. Currently, these have been offered at approved fixed rates. Interest rates, which are highly controllable by the Parent Company, ranged from 10% to 18% in 2017 and 2016, depending on the terms and length of payment in years. Any changes in the interest rate have been subjected to thorough review and approval of the management.

- *Equity Price Risk*
  Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. Changes in fair value of available-for-sale equity instruments due to a reasonably possible change in equity indices, with all other variables held constant will increase equity by ₱3.3 million and ₱11.3 million as of December 31, 2017 and 2016, if equity prices for listed shares will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

- *Foreign Currency Risk*
  The Parent Company's exposure to foreign currency risk is very minimal.

  The Parent Company's policy is to maintain a level of foreign currency-denominated cash in banks that would not significantly affect the Parent Company's financial position and results of operations due to movements in foreign exchange rates.

  The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso – US dollar exchange rate, with all variables held constant, the Parent Company's income before tax and the Parent Company's equity on December 31, 2017.

Reasonably Possible Changes in US Dollar – Philippine Peso Exchange Rate	Effect on Income before tax	Effect on Equity
22%	₱28,629	20,040
(22%)	(28,629)	(20,040)

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

28. Capital Management

The primary objective of the Parent Company's capital management is to ensure its ability to continue as a going concern and maintains healthy ratios in order to support its business and maximize shareholders' value. The Parent Company manages capital on the basis of debt-to equity ratio which is calculated as total debt dividend by total equity. Lastly it is also discussed that the Parent Company had not been subjected to externally imposed capital requirements in 2017 and 2016. No changes were made in the objectives, policies, and processes during the years then ended.

The Parent Company considers the following accounts as its capital:

	2017	2016
Share capital	**₱2,477,668,925**	₱1,732,866,536
Additional paid-in capital	**637,968,859**	586,198,947
Stock dividend distributable	**–**	346,573,104
Retained earnings	**492,009,400**	242,071,800
	₱3,607,647,184	₱2,907,710,387

The Parent Company manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity.

The debt-to-equity ratios as of December 31, 2017 and 2016 follow:

	2017	2016
Total debt	**₱1,727,151,969**	₱2,294,872,056
Total equity	**3,607,647,184**	2,907,710,387
Debt-to-equity ratio	**0.48:1:00**	0.79:1.00

The Parent Company had not been subjected to externally imposed capital requirements in 2017 and 2016. No changes were made in the objectives, policies, and processes during the years ended December 31, 2017 and 2016.

29. Dividend Declaration

On May 19, 2016, the Parent Company's BOD declared a 20% stock dividend equivalent to 346,573,104 shares of the Company's outstanding shares to be distributed to the stockholders of record as of February 10, 2017 and issued from the ₱1.3 billion increase in the Parent Company's authorized capital stock approved by the SEC on January 11, 2017 (see Note 30).

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

Unpaid dividends in 2012 amounted to ₱2.4 million. In 2013, the ₱2.4 million unpaid dividends of the Parent Company was closed to other income due to significant amount of time that has lapsed since the payment dates of the cash dividends declared by the Parent Company.

30. **Amendments to the Articles of Incorporation**

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

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

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

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

- On August 8, 2016, the Board of Directors amended its previous Board approval of an increase in authorized capital stock of up to ₱4.0 billion divided into 4.0 billion common shares to up to ₱5.0 billion divided into 5.0 billion common shares.

  The increase in the Parent Company's authorized capital stock to up to ₱5.0 billion divided into 5.0 billion common shares is to be implemented in two tranches, as follows:

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

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

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

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

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

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

  a. Amendment to paragraph 4: "That the term for which the 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 20 December 2016".

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

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

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

31. **Litigation Settlement**

Yulo Case

On December 15, 2008, the First Division of the Supreme Court issued a resolution, denying with finality the motion for reconsideration filed by the Parent Company on October 15, 2008 concerning the case involving a claim for sum of money, specific performance and damage by a certain individual in November 2001.

As a result, the Parent Company recognized an estimated litigation loss of ₱34.4 million, inclusive of 12% legal interest computed from default until judgment is fully satisfied based on the Court of Appeals amended decision on July 23, 2008 and claimant.

On July 15, 2009, pursuant to the assailed Order of the trial court dated June 25, 2009, the Parent Company paid the claimant the amount of ₱22.4 million. The said payment was made with the intention of putting closure to the case. The difference between the amount of litigation liability and the amount of settlement has been recorded by the Parent Company as withholding tax on compensation pursuant to the BIR ruling that the nature of the claim is compensation income. In May 2010, the amount recorded by the Parent Company as withholding tax on compensation was released to the Court of Appeals until the decision is final.

The presiding judge who handled the case was eventually replaced.

In an Order dated April 15, 2010, the new presiding judge, reversed the order of the former presiding judge, declaring that the judgment award is not subject to income tax and, at the same time, eliminating the threshold date of 15 July 2009 set by the former presiding judge in the computation of the total amount payable to the claimant.

The new presiding judge ruled that the Parent Company was "still obligated to pay the amount of ₱14.1 million as of April 15, 2010, subject to daily interest at the rate of ₱4,305.73 until judgment is fully satisfied."

The Parent Company moved for reconsideration of the said order but, to no avail. The matter is elevated to the Court of Appeals and, thereafter, the Supreme Court.

In due course, the Court of Appeals and the Supreme Court confirmed that the award in favor of Yulo is subject to 32% tax.

Plaintiff filed a motion for execution with the RTC seeking additional interest. The court granted the said motion. On January 12, 2016, the Parent Company filed a Motion for Reconsideration (MR) which was denied outright by the judge.

On February 5, 2016, the Parent Company filed a petition for certiorari with prayer for temporary restraining order with Court of Appeals.

However, on March 10, 2016 through a Compromise Agreement, the Parent Company settled the additional interest. The Plaintiff's counsel executed a notice of satisfaction of judgment to confirm the full and final satisfaction of the award last March 10, 2016.

The plaintiff and the respondent reached an amicable settlement. The respondent paid the plaintiff ₱7.2 million on March 9, 2016.

Lustre Case
The Parent Company filed with the trial court a case for rescission with damages against defendants Home Industries Development Corporation ("HIDC") and/or Mr. Antonio Lustre. The instant case was brought about by the defendants' non-delivery of lots subject of a contract to sell. The amount involved in the instant case is Six Million Four Hundred Sixty-Four Thousand Four Hundred Twenty-Five Pesos (₱6,464,425.00) [(cash actually paid by the Parent Company) ₱794,425.00 + (present value of shares of stock) ₱5,400,000.00 + (difference between value of the shares of stock at the date of the execution of the Contract to Sell and the present value of the shares of stock) ₱270,000.00]. The trial court ruled in favor of the Parent Company.

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

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

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

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

As of December 31, 2017, the title of the property is already in the name of A Brown Company, Inc.

32. Treasury Shares

On November 28, 2016, pursuant to the authority granted under Section 41 of the Corporation Code, the Parent Company has acquired all of the unissued fractional shares arising from the 2013 stock dividend declaration, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed shares and recognized as treasury shares at cost equal to par value. The related payables to shareholders are included in Other payables under "Accounts payable and accrued expenses" (see Notes 8 and 17).

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

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

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

33. Supplementary Information Required by the Bureau of Internal Revenue

On November 25, 2010, the BIR issued RR No. 15-2010 amending certain provisions of RR No. 21-2002, as amended and implementing Section 6 (H) of the Tax Code of 1997 which authorize the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. On January 24, 2014, RR 2-2014 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2013.

The following information on taxes, duties and license fees paid or accrued during the taxable years 2017 and 2016 is presented for purposes of compliance with the disclosure requirement by the BIR as provided for in its Revenue Regulation 15-2010 and is not a required part of the basic financial statements in accordance with PFRS:

a. Net sales declared in the Parent Company's VAT returns filed for 2017 and 2016

	2017	
	Net sales/Receipts	Output VAT
VATable sales	₱189,495,228	₱22,739,427
Exempt sales	331,461,528	–
Sale to government	968,335	116,200
Input VAT claimed against output VAT	(48,366,800)	(5,804,016)
	₱473,558,291	₱17,051,611

	2016	
	Net sales/Receipts	Output VAT
VATable sales	₱106,218,793	₱12,746,255
Exempt sales	160,187,617	–
Sale to government	458,075	54,969
Input VAT claimed against output VAT	(67,347,717)	(8,081,726)
	₱199,516,768	₱4,719,498

In accordance with pertinent tax laws and revenue regulations, exempt sales include sale of real properties utilized for low-cost housing as defined by RA No. 7279, otherwise known as the Urban Development and Housing Act of 1992 and other related laws, such as RA No. 7835 and RA No. 8763. It also includes sale of residential lots valued at 1.9 million and below and/or house and lot and other residential dwellings valued at 3.2 million and below.

The amount of input VAT claimed in 2017 and 2016 follows:

	2017	2016
Balance at beginning of year	**₱7,820,634**	₱4,800,831
Purchases during the year:		
Services	**11,911,057**	6,849,364
Goods other than capital goods during the year	**12,307,985**	4,694,725
Capital goods	**1,556,834**	103,045
Claims against output VAT	**(24,813,702)**	(8,627,331)
Balance at end of year	**₱8,782,808**	₱7,820,634

b. Documentary stamp tax paid in 2017 and 2016 follows:

Nature	**2017**	2016
Certification/registration/CTC titles	**₱5,939,654**	₱21,649
Loan availments	**4,314,982**	2,706,712
Stock dividend	**4,103,360**	–
Real equity mortgage annotation	**294,139**	70,010
Insurance	**–**	100
Others	**–**	1,958,573
	₱14,652,135	₱4,757,044

c. Taxes lodged under cost and expenses in 2017 and 2016:

Nature	**2017**	2016
Documentary stamp tax (see item 2 above)	**₱14,652,135**	₱4,757,044
Business taxes and permits	**8,553,733**	4,181,194
Real property tax	**4,161,973**	2,437,400
Fringe benefit tax	**1,535,948**	141,912
Commitment fee	**250,311**	–
Contractor's tax	**186,975**	27,750
Motor vehicle registration	**158,002**	151,019
Community tax certificate	**33,856**	10,500
Certification fee	**21,956**	121,129
SEC filing fee	**7,745**	10,140
Developer's tax	**3,834**	–
Deficiency tax	**–**	2,545,158
Extraction fee	**–**	674,400
Collateral registration	**–**	251,252
Regulatory fee	**–**	79,041
Excise tax	**–**	4,426
Others	**594,400**	124,176
	₱30,160,868	₱15,516,541

d. Withholding taxes paid in 2017 and 2016

Nature	**2017**	2016
Tax on compensation and benefits	**₱11,144,653**	₱11,239,482
Expanded withholding taxes	**8,117,206**	1,948,859
Fringe benefit taxes	**382,504**	408,187
	₱19,644,363	₱13,596,528

e. Open Cases

On November 5, 2015, the Parent Company received a letter of authority from the Bureau of Internal Revenue dated October 29, 2015 to examine the books of accounts and other accounting records of the Parent Company for the taxable year 2014. The examination of the Parent Company's books is still ongoing as of April 5, 2018.

f. The Parent Company has no Capital Gains Tax, Customs duties and tariff fees in 2017 and 2016.

CG&Co

an independent member of BAKER TILLY INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants

22nd Floor Citibank Tower
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Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1051
Fax (+632) 728-1014
E-mail address:mail@cgco.com.ph

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of A Brown Company, Inc. (the Parent Company) for the years ended December 31, 2017 and 2016 and have issued our report thereon dated April 5, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Summary of PAS, PFRS and Interpretations and Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 22, 2020

By:

ROGELIO M. GUADALQUIVER
Partner
CPA Certificate No. 13608
SEC A.N. 0017-AR-3, valid until April 30, 2018 (Group A)
TIN 123-305-015-000
BIR A.N. 08-001507-1-2017, valid until December 21, 2020
PTR No. 6678749, issued on January 31, 2018, Makati City

Makati City, Philippines
April 5, 2018

A BROWN COMPANY, INC.
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, beginning	₱	242,071,800
Reconciliation:		
Less:		
Deferred tax assets, beginning		10,046,995
Discount on long-term debt (net of amortization)		22,354,229
Unappropriated parent company retained earnings, as adjusted, beginning		209,670,576
Add: Actual net profit		
Net profit during the year		249,937,600
Add (deduct): Non-actual losses /(unrealized income or non-actual income or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS)		
• Amortization of discounts on long-term debt		23,725,336
• Discount on long-term debt		-
• Change in deferred tax assets (excluding net change in deferred tax asset in Other comprehensive income and loss)		(544,143)
Actual net profit		273,118,793
Actual unapproriated retained earnings before any dividend declarations		
Less: Dividend declaration during the year		-
Issuance of fractional shares during the year		-
Unappropriated Retained Earnings, as adjusted, ending	**₱**	**482,789,369**

A BROWN COMPANY, INC.

SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for Firsttime adopters*		✓	
PFRS 2	Share-based Payment			✓**
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓**
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓**
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			✓
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements (2012-2014 Cycle): Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓**
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2012-2014 Cycle): Financial Instruments: Disclosure – Servicing Contracts			✓**
	Annual Improvements (2012-2014 Cycle): Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓**
PFRS 8	Operating Segments			✓
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓**
	Amendments to PFRS 9: Financial Instruments – Classification and Measurement*		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments for Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate and Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interest in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments for Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PFRS 12 – Clarification of the Scope of the Standard*		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables	✓		
	Annual Improvements (2011-2013 Cycle): Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓**
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓**
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants			✓**
PAS 17	Leases			✓
PAS 18	Revenue	✓		

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions			✓**
	Annual Improvements (2012-2014 Cycle): Employee Benefits – Regional Market Issue Regarding Discount Rate			✓**
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓**
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments in Investment Entities			✓
	Amendments to PAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PAS 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendment to PAS 32: Classification of Rights Issues			✓**
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Interim Financial Reporting – Disclosure of information 'elsewhere in the Interim Financial Report'*		✓	
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets			✓**
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓**
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓**
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting			✓**
PAS 40	Investment Property	✓		
	Annual Improvements (2011-2013 Cycle): Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
IFRIC 10	Interim Financial Reporting and Impairment			✓**
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓**
IFRIC 12	Service Concession Arrangements			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓**
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓**
IFRIC 15	Amendments to Philippine Interpretations IFRIC- 15, Agreements for Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓**
IFRIC 17	Distributions of Non-cash Assets to Owners			✓**
IFRIC 18	Transfers of Assets from Customers			✓**
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓**
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓**
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓**
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓**
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.