

3 1 1 6 8
SEC Registration Number

A B R O W N C O M P A N Y , I N C .
(Company's Full Name)

X A V I E R E S T A T E S U P T O W N
A I R P O R T R O A D B A L U L A N G
C A G A Y A N D E O R O C I T Y
(Business Address: No. Street City/Town/Province)

Allan Ace R. Magdaluyo
Contact Person

02-8631 8890
Company Telephone Number

2022 3rd Quarter Report

1 2 3 1
Month Day
Fiscal Year

1 7 - Q
FORM TYPE

0 6
Month Day
Annual Meeting

Secondary License Type, if applicable

M S R D
Dept. Requiring this Doc.

Amended Articles Number/Section

2,088 Common and 3 Preferred
(September 30, 2022)

Total No. of Stockholders

Total Amount of Borrowings

Php 1,368,928,397 (September 30, 2022)

Domestic

- 0 -

Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

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

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

1. For the 3rd quarter ended **September 30, 2022**
2. Commission Identification Number: 31168
3. BIR Tax identification No. 002-724-446-000
4. **A BROWN COMPANY, INCORPORATED**
5. Metro Manila, Philippines
6. Industry Classification Code: (SEC use only)
7. **Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City 9000**
8. Telephone Nos. **(02) 8631-8890** or (02) 8633-3135 (Liaison Office)
9. Former address in last report is: -
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares outstanding
Common shares	2,372,367,911 (As of September 30, 2022)
Preferred shares	13,264,900 (As of September 30, 2022)

Amount of debt outstanding: **₱2,874,199,006***
**total liabilities*

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

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
• Interim Consolidated Financial Statements (Unaudited) Exhibit 1 with Supplementary Schedules including the Schedule of Earnings Available for Dividend Declaration	
- Consolidated Statement of Financial Position as of September 30, 2022 and December 31, 2021	
- Consolidated Statement of Comprehensive Income for the Three Months Ended and Nine Months (Year-to-Date) Ended September 30, 2022 and September 30, 2021	
- Consolidated Statement of Changes in Equity as of September 30, 2022 and December 31, 2021 and September 30, 2021	
- Consolidated Statement of Cash Flows for the Nine Months (Year-to-Date) Ended September 30, 2022 and September 30, 2021	
Notes to Financial Statements	
- Aging of Receivables (Please see Note 17)	
- Segment Report (Please see Note 18)	
- ABCI Group Chart (Please see Annex II)	
- Schedule of Listed Companies with a Recent Offering of Securities to the Public (Please see Annex V)	
Item 2. Management Discussion and Analysis of Financial Condition And Results of Operations	4-11
Part II. Other Information	11-29
Item 3. Financial Soundness Indicators/Performance Indicators	11-12
Signature	30

PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Interim Consolidated Financial Statements (Unaudited) (as Exhibit 1) for the Third (3rd) Quarter ending September 30, 2022.

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

Financial Condition – Interim Consolidated (Unaudited)

In Thousand Pesos	Unaudited 3 rd Quarter September 2022	Audited 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		Unaudited 3 rd Quarter September 2022	Audited 2021
			Amount	%		
Current Assets	4,977,924	4,642,563	335,361	7%	53%	54%
Noncurrent Assets	4,349,805	3,983,181	366,624	9%	47%	46%
Total Assets	9,327,729	8,625,745	701,985	8%	100%	100%
Current Liabilities	1,788,836	1,554,623	234,213	15%	19%	18%
Noncurrent Liabilities	1,085,363	1,097,296	(11,933)	-1%	12%	13%
Equity	6,453,530	5,973,825	479,705	8%	69%	69%
Total Liability and Equity	9,327,729	8,625,745	701,985	8%	100%	100%

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Financial Condition items – September 30, 2022 vs. December 2021

The Group’s total assets increased by **8% or P702.0 million** from a balance of P8.63 billion as of end of the year 2021 to **P9.33 billion** as of September 30, 2022.

Current assets increased by 7% or P335.4 million as a result of the net effect of the following:

87% or P1.11B decrease in Cash – due to the net effect of cash used from operating, investing and financing activities. Cash dividends from associates amounting to **P164.0M** generated **cash from investments**. Other uses of cash from investing activities include the acquisition of property, plant and equipment at **P238.5M** and other non-current assets at **P16.2M**. Financing activities include the receipt of the proceeds from short term and long-term debt amounting to **P138.0M** and **P189.2M**, respectively and the payments made to short-term and long-term debt amounting to **P247.3M** and **P206.9M**, respectively. Interest payments amounted to **P69.1M** and shares buy-back amounted to **P24.3M**. Net cash flow used from operating activities totaled **P794.2M**.

6% or P24.2M increase in Current Receivable due to the net effect of:

- a) **100% or P80M decrease in dividend receivable** due to collections of dividend receivable account during this current period
- b) **21% or P4.9M decrease in Trade Receivable** – directly related to the collections in trade receivables on the sale of agricultural goods and the collectibles from water income.
- c) **24% or P43.8M decrease in installment contract receivable-current** - due to collections in the current due amortizations in installment sales and that of installment receivables
- d) **18% or P586k increase in advances to officers and employees** due to additional cash advances
- e) **176% or P273.6M increase in Other receivables** - due to advances made to affiliates

164% or P303.1M increase in Current Contract assets - pertains to the increase in the completed portion of the real estate contracts recognized during the period against the amount collected from buyers that will be billed and collected within the year.

57% or P71.9M decrease in Receivables from related parties - pertains to the collection or receipts from related parties

29% or P612.0M increase in Real estate inventories – due to the net effect of the increase in development costs over sales of various projects. There is an increase in construction and development costs by 44% or P 688.7M though the land for sale and development decreased by 15% or P76.7M. Additional construction costs incurred for the period amounting to P831.6M, capitalized borrowing cost amounting to P40.0M and capitalized depreciation of equipment used in the development amounting to P3.0M net of cost of real estate inventory sold amounting to P262.6M.

68% or P119.2M decrease in Inventories – due to decrease in construction materials used in development amounting to P84.5M (by 98%) and a decrease in finished agricultural goods amounting to P34.7M (by 39%)

166% or P576.2M increase in prepayments and other current assets – due to the net effect of:

- a) 373% or P592.4M increase in deposit for land acquisition – pertains to installment payments made to landowners of land intended for real estate project in the future
- b) 8% or P8.0M decrease in creditable withholding tax – Pertains to the corresponding creditable withholding taxes utilized in payment of quarterly income tax during the period
- c) 70% or P49.2M decrease in prepaid expenses – Due to the utilization of prepaid developers tax against business permit as well as consumption of prepayment made with suppliers
- d) 13% or P1.6M increase in cost to obtain contract – Due to pre-payments on commissions on real estate sales
- e) 536% or P40.0M increase in refundable deposits – pertains to increase on refundable advance payments to suppliers
- f) 100% or P721k decrease in miscellaneous – pertains to full availment of the services with advance payment

Non-Current assets increased by 9% or P366.6 million as a result of the net effect of the following:

80% or P37.8M increase in Receivable – net of current – Due to new due and demandable receivables reclassified as non-current during the period.

34% or P166.0M increase in Contract Assets – net of current – Due to increase in sales to which revenue is already recognized to the extent of percentage-of-completion (POC) prior to billing for the next 12 months.

11% or P26.4M increase in Equity instruments at fair value through other comprehensive income (EIFVOCI) – due to the increase in fair value adjustments of the equity instruments

2% or P30.8M decrease in Investment in Associates – due to the Group's share in the net income of the associates, net of the P164M dividend income received during the period

31k increase in Investment Properties – due to additional land improvements for property held for lease during the period

37% or P337.1M increase in Property and Equipment, net - due to the additional property and equipment purchased against the depreciation recorded by the Group

61% or P169.9M decrease in Other Non-current Assets – due to payment of advances to third parties which was reduced by 53% or P107.5M; the down payment for planned purchase of land under a contract to sell as refundable deposits – net of current portion, decreased by 79% or P32.8M and decrease in deferred input VAT by 88% or P29.6M.

Current liabilities increased by 15% or P234.2 million as a result of the net effect of the following:

21% or ₱155.7M increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

- a) 21% or ₱99.6M increase in accounts payable – additional purchases made that increase accounts payable
- b) 41% or ₱80.9M decrease in accrued expenses – due to less expenses that were accrued/incurred but settled in the subsequent month
- c) 339% or ₱130.0M increase in retention payable - due to increase in retention fee withheld on the payments to contractors of projects
- d) 25% or ₱6.9M increase in Statutory Payables - increase is due to additional output tax recognized on sales of real estate inventory

₱66.1M increase in Advances from a related party – received cash as advance from a related party

15% or ₱66.1M decrease in Short term Debt – due to settlement of short-term loan

12% or ₱24.5M increase in Current portion of long-term debt – pertains to the increase of the part of loan currently due against settlement of principal amount due

32% or ₱54.0M increase in Contract liabilities – pertains to the collection from real estate customers which have not reached the equity threshold to qualify for a revenue recognition and excess of collections over the goods and services transferred by the Parent Company based on percentage of completion.

Non-Current liabilities decreased by 1% or ₱11.9 million as a result of the net effect of the following:

10% or ₱85.4 decrease in Long-term Debt - net – due to the reclassification of portion of long-term loans to current

5% or ₱3.1M increase in Retirement benefit obligation – due to increase in retirement benefit obligation from the current service cost as well as interest expense

40% or ₱70.3M increase in Deferred tax liabilities - due to the effect of deferred taxable income

Equity increased by 8% or ₱479.7 million as a result of the net effect of the following:

27% or ₱489.1M increase in the Retained Earnings – due to the effect of net income earned during the period

34% or ₱24.3M increase in the Treasury Shares – the increase pertains to the additional acquisition of treasury shares during the period

177% or ₱11.5M decrease in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

14% or ₱26.4M decrease in Cumulative unrealized loss on EIFVOCI - due to the increase in market value of equity instruments at fair value through other comprehensive income

Results of Operations – Interim Consolidated (Unaudited)

For the Quarter

In Pesos	For the Quarter ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 2022	Unaudited September 2021	Amount	%	Unaudited September 2022	Unaudited September 2021
Real estate sales	297,786	181,113	(116,673)	-64%	91%	88%
Sale of agricultural goods	23,753	18,433	5,321	29%	7%	9%
Water service income	6,598	6,602	(4)	0%	2%	3%
REVENUES	328,137	206,148	121,990	59%	100%	100%
Cost of real estate sales	114,207	39,240	74,967	191%	35%	19%
Cost of agricultural goods sold	36,290	7,003	29,287	418%	11%	3%
Cost of water service income	4,573	5,081	(508)	-10%	1%	2%
COST OF SALES AND SERVICES	155,070	51,324	103,746	202%	47%	25%
GROSS PROFIT	173,068	154,824	18,243	12%	53%	75%
General, Administrative and Selling Expenses	53,774	54,560	(785)	-1%	16%	26%
Share in net income (loss) of associates	(20,770)	46,353	(67,123)	-145%	-6%	22%
Interest expense	(4,719)	(12,293)	(7,574)	-62%	-1%	-6%
Other income (expense) -net	20,843	5,160	15,683	304%	6%	3%
Other Income (Expense)	(4,646)	39,221	(43,866)	-112%	-1%	19%
Income (Loss) before Income Tax	114,647	139,485	(24,838)	-18%	35%	68%
Provision for (Benefit from) Income Tax	6,706	(2,698)	9,404	-349%	2%	-1%
NET INCOME (LOSS)	107,942	142,183	(34,241)	-24%	33%	69%
Cumulative translation adjustment	(9,726)	(3,792)	(5,934)	156%		
Net change in fair value of EIFVOCI	-	(65,003)	65,003	100%		
Re-measurement gain (loss) on retirement obligation-net of tax effect	-	-				
Re-measurement gain (loss) on defined benefit plan of an associate -net of tax	-	52	(52)	-100%		
OTHER COMPREHENSIVE INCOME (LOSS)	(9,726)	(68,743)	59,018	-86%		
TOTAL COMPREHENSIVE INCOME (LOSS)	98,216	73,440	24,776	34%		

Year-to-Date

In Thousand Pesos	Year-to-Date ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 2022	Unaudited September 2021	Amount	%	Unaudited September 2022	Unaudited September 2021
Real estate sales	773,872	441,049	332,823	75%	86%	89%
Sale of agricultural goods	106,654	35,733	70,920	198%	12%	7%
Water service income	19,345	18,751	594	3%	2%	4%
REVENUES	899,870	495,533	404,337	82%	100%	100%
Cost of real estate sales	262,635	111,327	151,307	136%	29%	22%
Cost of agricultural goods sold	103,919	16,893	87,026	515%	12%	3%
Cost of water service income	10,149	9,079	1,071	12%	1%	2%
COST OF SALES AND SERVICES	376,703	137,299	239,404	174%	42%	28%
GROSS PROFIT	523,167	358,233	164,934	46%	58%	72%
General, Administrative and Selling Expenses	174,874	190,683	(15,809)	-8%	19%	38%
Share in net income (loss) of associates	133,197	214,243	(81,046)	-38%	15%	43%
Interest expense	(12,470)	(35,744)	(23,274)	-65%	-1%	-7%
Other income (expense) -net	27,907	18,047	9,860	55%	3%	4%
Other Income (Expense)	148,634	196,546	(47,912)	-24%	17%	40%
Income (Loss) before Income Tax	496,928	364,097	132,831	36%	55%	73%
Provision for (Benefit from) Income Tax	7,778	(3,947)	11,725	-297%	1%	-1%
NET INCOME (LOSS)	489,149	368,044	121,105	33%	54%	74%
Cumulative translation adjustment	(9,726)	(1,628)	(8,098)	497%		
Net change in fair value of EIFVOCI	26,370	(18,986)	45,356	-239%		
Re-measurement gain (loss) on retirement obligation-net of tax effect	-	-				
Re-measurement gain (loss) on defined benefit plan of an associate -net of tax	(862)	-	(862)			
OTHER COMPREHENSIVE INCOME (LOSS)	15,783	(20,614)	36,397	-177%		
TOTAL COMPREHENSIVE INCOME (LOSS)	504,932	347,430	157,502	45%		

A Brown Company, Inc. - CONSOLIDATED

Results of Operations

For the 3rd Quarter ending September 30, 2022

The Consolidated Statement of Comprehensive Income (CSCI) for the quarter ending September 30, 2022 showed an after-tax quarter net income of **₱107.9 million** compared to the **₱142.2 million** net income for the same quarter last year with an decrease of 24% or **₱34.2 million** and an after-tax year-to-date net income of **₱489.1 million** compared to the **₱368.0 million** net income for the same year-to-date period last year with an increase of 33% or **₱121.1 million** due to the net effect of the following:

Revenue streams from real estate sales, sale of agricultural goods and water service income for this quarter totaled **₱328.1 million** with only **₱155.1 million** as the cost of sales and services, which resulted to a gross profit of **₱173.1 million**. After deducting the general, administrative and selling expenses amounting to **₱53.8 million**, and considering other income and expenses: share in the net loss of associates at **₱20.8 million**, interest expense of **₱4.7 million** and other income of **₱20.8 million**, the derived net income before tax was **₱114.6 million**. With **₱6.7 million** as provision for income tax for the quarter, it resulted to a net income of **₱107.9 million**. The cumulative translation adjustment of **(₱9.7 million)** brought the total comprehensive income to **₱98.2 million**.

The comparisons of the income and cost and expense accounts between the two periods (2022 against 2021) are as follows:

59% or ₱122.0M increase in Revenue on a QTR and 82% or ₱404.3M increase on a YTD due to:

- a) **Increase in Real estate Sales by 64% or ₱116.7M on a QTR and 75% or ₱332.8M increase on a YTD** – the increase is due to the higher percentage of completion of units sold at this quarter as compared to the percentage of completion of units sold for same quarter last year
- b) **Increase in Sales of agricultural goods by 29% or ₱5.3M on a QTR and 198% or ₱70.9M increase on a YTD** –
 1. **Increase in Sales of crude palm oil by 90% or ₱10.6M on a QTR and 460% or ₱80.1M increase on a YTD** – this is due to the increase in quantity sold by 70% or 197.81 metric tons, from a volume of 280.84 metric tons in the 3rd quarter 2021 to 478.65 metric tons in 3rd quarter in 2022; the average selling price increased by **₱4,803.74** per metric ton from **₱41,783.15** per metric ton for the 3rd quarter last year to **₱46,586.90** per metric ton for the same period this year.
 2. **Decrease in Palm Olein Sales by 100% or ₱4.6M on a QTR and 99% or ₱13.1M decrease on a YTD** – this is due to the decrease in quantity sold by almost 100% or 65.3 metric tons, from a volume of 127.06 metric tons in the 3rd quarter of last year to none for the same period this year;
 3. **Decrease in sales on QTR of Palm kernel 43% or ₱186k on a QTR and 24% or ₱157k increase on a YTD** – this is due to the decrease in quantity sold by almost 22% or 7 metric tons, from a volume of 31.81 metric tons in the 3rd quarter of last year to 24.81 metric tons for the same period this year;
 4. **Increase in Palm Acid Oil sales by 69% or ₱486k on a QTR and 159% or ₱2.4M increase on a YTD** – this is due to the increase in quantity sold by 1% or 0.51 metric tons, from a volume of 39.21 metric tons in the 3rd quarter of last year to 39.72 metric tons for the same period this year;
 5. **Decrease in palm stearin (by ₱442k), palm fatty acid distillate (by ₱602k) on QTR** - this is due to zero sale for the said products during the same quarter this year.
- c) **Decrease in Water services by 4k on a QTR and 3% or 594k increase on a YTD** - due to lower water consumption for this quarter compared to the water services rendered for the same quarter last year.

202% or ₱103.7M increase in Cost of Sales and Services on a QTR and 174% or ₱239.4M increase on a YTD due to:

- a) **191% or ₱75.0M increase in cost of real estate sales on a QTR and 136% or ₱151.3M increase on a YTD** – the increase is relatively due to corresponding lots sold with its corresponding development costs as compared to the units sold for the same quarter last year
- b) **Increase in cost of sales of agricultural goods by 418% or ₱29.3M on a QTR and 515% or ₱87.0M increase on a YTD** –
 - 1. **Increase in cost of sales on crude palm oil by 304% or ₱26.3M on a QTR and 768% or ₱86.7M increase on a YTD** – this is due to the relatively proportionate increase in sales of crude palm oil on a QTR
 - 2. **Decrease in cost of sales on Palm Olein by 100% or ₱3.0M on a QTR and 99% or ₱8.5M decrease on a YTD** – this is due to the relatively proportionate decrease in quantity sold on palm olein on a QTR
 - 3. **Decrease in sales on QTR of Palm kernel by 18% or ₱46k on a QTR and 33% or ₱110k increase on a YTD** – this is due to the decrease in quantity sold by almost 22% or 7 metric tons, from a volume of 31.81 metric tons in the 3rd quarter of last year to 24.81 metric tons for the same period this year; the average cost of sales increased by **₱388** per metric ton from **₱7,955.83** per metric ton for the 3rd quarter last year to **₱8,343.82** per metric ton for the same period this year.
 - 4. **Increase in Palm Acid Oil sales by 171% or ₱703k on a QTR and 301% or ₱2.1M increase on a YTD** – this is due to the increase in quantity sold by 1% or 0.51 metric tons, from a volume of 39.21 metric tons in the 3rd quarter of last year to 39.72 metric tons for the same period this year; the average cost of sales increased by **₱17,557.15** per metric ton from **₱10,491.89** per metric ton for the 3rd quarter last year to **₱28,049.05** per metric ton for the same period this year.
 - 5. **Decrease in palm stearin (by ₱248k), palm fatty acid distillate (by ₱357k) on QTR - this is due to zero sale for the said products during the same quarter this year.**
- c) **Decrease in Water Services Cost by 10% or ₱508k and 12% or ₱1.1M increase on a YTD** – due to the relative increase in water services rendered as compared for the same quarter last year

After deducting Cost of Sales and Services from Revenue, the resulting Gross Profit increased by 12% or ₱18.2M increase on a QTR and 46% or ₱164.9M increase on a YTD.

1% or ₱785k decrease in General, Administrative and Selling on a QTR and 8% or ₱15.8M decrease on a YTD –due to the following:

- a) **16% or ₱7.9M increase in Salaries and Wages – Personnel expenses on a YTD** – due to implementation of the Wage Order as well as other salary increases to show appreciation to employees as well as help them counter the effect of inflation
- b) **56% or ₱14.7M increase in Marketing expenses on a YTD** – includes commissions and incentives on lot sales which is directly related to the increase real estate booked sales during the period and various advertising and promotional activities for newly launched projects which also increased this period
- c) **91% or ₱17.4M decrease in Taxes and Licenses on a YTD** – pertains to the utilization of the prepaid business tax
- d) **5% or ₱511k decrease in Outside Services on a YTD** – pertains to the decrease in security services
- e) **49% or ₱5.1M decrease in Depreciation and amortization on a YTD** – due to existence of fully depreciated fixed assets
- f) **26% or ₱1.1M decrease in Rental expense on a YTD**
- g) **27% or ₱1.2M decrease in Utilities and supplies on a YTD** – due to lower consumption of utilities and supplies this period as compared to last year
- h) **55% or ₱360k increase in Repairs and maintenance on a YTD** – Due to maintenance of additional transportation and heavy equipment and repair of old and worn out fixed assets
- i) **58% or ₱5.0M increase in professional fees on a YTD** – directly related to the consultancy services incurred by the Group, additional fees paid to comply with quarterly reportorial requirements on preferred shares issuance and additional retainer due to implementation of SAP
- j) **19% or ₱208k decrease in fuel and oil and freight and handling on a YTD** – directly related to the lower fuel and oil consumption in limited site visitation for mill and real estate projects

- k) **103% or ₱565k decrease in insurance expense on a YTD** – includes decrease payment in insurance of Company's properties
- l) **73% or ₱1.4M increase in Subscription and dues on a YTD** – includes increase payment in subscription and dues
- m) **275% or ₱426k increase in representation and entertainment expense on a YTD** – includes increase payment on meal charges with consultants and sellers of land purchased

145% or ₱67.1M decrease in Equity in net gain of an associate on a QTR and 38% or ₱81.0M decrease on a YTD – this pertains to the group's 20% share on the net earnings of PCPC and PEI's operating companies during the 3rd quarter of 2022 as compared to the 3rd quarter of 2021

304% or ₱15.7M increase in Other income on a QTR and 55% or ₱9.9M increase on a YTD – due to the increase in tapping fees, transfer fees, income from forfeited deposits as compared from the same quarter of last year

62% or ₱7.6M decrease in Interest Expense on a QTR and 65% or ₱23.3M decrease on a YTD – lower interest payments on bank loans this quarter as compared from last year

After deducting General, Administrative and Selling Expenses and Other Income (Expenses), the resulting Income Before Income Tax decreased by 18% or ₱24.8M on a QTR and 36% or ₱132.8M decrease on a YTD.

349% or ₱9.4M decrease in Income Tax Benefit on a QTR and 297% or ₱11.7M decrease on a YTD – due to higher taxable income compared to the same quarter last year

156% or ₱5.9M decrease in Cumulative translation adjustment on a QTR and 497% or ₱8.1M decrease on a YTD – related to the exchange differences in foreign currency translation

100% or ₱65.0M decrease in Cumulative unrealized loss on EIFVOCI on a QTR and 239% or ₱45.4M decrease on a YTD - due to the increase in market value of equity instruments at fair value through other comprehensive income

100% or ₱52k decrease in Re-measurement gain (loss) on retirement benefits obligation, net of tax and or ₱862k decrease on a YTD - related to the actuarial valuation of retirement benefits obligation

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

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

Financial Ratios Consolidated Figures	Unaudited 09/30/2022	Unaudited 09/30/2021	Audited 12/31/2021
Current ratio ¹	2.78:1	2.81:1	2.99:1
Quick ratio ²	0.38:1	0.83:1	1.19:1
Solvency ratio ³	0.17:1	0.15:1	0.16:1
Total Debt to Equity ratio ⁴	0.45:1	0.55:1	0.44:1
Asset to Equity ratio ⁵	1.45:1	1.55:1	1.44:1
Interest coverage ratio ⁶	7.47x	5.31x	5.48x
Return on Equity ⁷	7.87%	8.27%	7.77%
Return on Assets ⁸	2.72%	5.38%	5.26%
Profit Margin ratio ⁹	54.36%	74.27%	55.97%

¹Current assets/Current liabilities

²Current assets less contract assets, inventories and prepayments/Current liabilities

³Net Income plus depreciation (YTD)/Total liabilities

⁴Total liabilities/Stockholders' equity

⁵Total assets/Stockholders' equity

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

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

⁸Net income (YTD)/Average Total assets

⁹Net income (YTD)/Total Revenue (YTD)

Real Property Development:

High-end Housing

Xavier Estates: It is the pioneer in premier mixed-use development in Northern Mindanao. This 220-hectare development located at Fr. Masterson Avenue, Upper Balulang, and sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master-planned community which guarantees luxury, elegance, prestige, convenience and security.

Teakwood Hills: It is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This idyllic enclave has a breathtaking endless view of the mountains and the sea. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as swimming pool, billiards, darts and table tennis. Lot sizes start from a minimum cut of 250 sq. m., all with a 180-degree scenic view of the famous Macalajar bay and an elevation of 220 meters above sea level. Percentage-of-completion for Phase 1 is at 83% while Phase 2 is 100% complete.

Valencia Estates: It is located in Barangay Lumbo, Valencia City, Bukidnon. The amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service. The project is 100% complete.

Coral Resort Estates: The project is considered as the first residential resort estates in Northern Mindanao. It is strategically located in Initao, Misamis Oriental with a total development area of 5.4 hectares. Phase 1-Cluster A and Cluster B of the project with development area of 2.5 hectares and 2.9 hectares, respectively are 100% complete.

West Highlands is a residential estate beside a golf course community located in Brgy. Bonbon, Butuan City. The estate has a total developmental area of 25.9 hectares and is 289 feet above sea level which gives lot owners a panoramic view of historic Mt. Mayapay or the cityscape. **West Highlands Phase 2** was launched last October 2017 highlighting fairway and inner fairway lots. Percentage-of-completion for Phase 1 is at 100% while Phase 2 is 99% complete on horizontal development and 100% for vertical development.

Xavier Estates Phase 5B – Ventura Residences II was launched in June 2018. It features house and lot units and prime lots. Located at the back of **Ventura Residences**, this second phase shall have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge. The horizontal development is 100% complete while the vertical development is at 98%. The project has 74 units with 48 already complete and two (2) are in progress.

The Terraces in Xavier Estates was launched last September 2018. This prime property is highlighted by prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low dense with less than 50 lots for sale. The horizontal development is 90% complete.

Economic Housing

Phase 5-Ventura Residences is the first venture of A Brown Company, Inc. into the middle market house-and-lot package nestled inside the Xavier Estates. Ventura Residences is 100% complete. This project has a saleable area of 5.8 hectares.

Xavierville Homes: It is an economic housing development project adjacent to the Xavier Estates. Phase 1 and 2 are 100% complete. This project has development area of 4.84 hectares and a saleable area of 2.59 hectares.

Adelaida Park Residences located beside Mountain View Homes is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-110 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood free with an elevation of 157 feet above river bank. The horizontal development is 100% complete while the vertical development is at 96%.

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

Socialized Housing

St. Therese Subdivision: The subdivision is a 1.67-hectares socialized housing project located in Balulang, Cagayan de Oro that will provide 155 house and lots of which 91 units are row houses, 38 units are duplex, and 26 units are single attached. The project is 100% complete.

Mountain View Homes: This project has a development area of 2.3 hectares with 216 saleable house and lots with guard house and basketball court. **Mountain View Homes Phase 2** is a new venture into the socialized and economic housing which is adjacent to the original Mountain View Homes. It is accessible to churches, schools, malls and commercial establishment. The socialized housing project has row houses with lot area of 50sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq. m. and floor area of 36-38 sq. m. The percentage-of-completion for Phase 1 and Phase 2 are both 100% complete.

Mangoville is a socialized housing which was launched on Feb 10, 2018. It is located in Barangay Agusan, Cagayan de Oro, just 1.8 kilometers away from the highway. Mangoville boasts of duplex design houses with its own parking space in a lot area of 67.5 sq.m. with floor area of 22 sq.m. It has a 10-meter-wide main road and 8-meter wide inner roads, with perimeter fence and guardhouse. Mangoville homeowners will enjoy a view of the Macajalar Bay in its elevation of 169 meters above sea level. In 5.5 hours, all 235 units were reserved. The horizontal development is 100% complete while the vertical development is at 91%.

Recent Projects:

The Company recently introduced new projects to the market: Coral Resort Estates Phase 2; Teakwood Hills Phase 3; Ignatius Enclave 2; Adelaida Homes and Adelaida Mountain Residences. Coral Resort Estates Phase 2 is situated in the southern part of the Coral Resort Estates in Brgy. Pagahan, Initao,

Misamis Oriental. It covers approximately 4 hectares comprising of lots for sale ranging from 180 to 398 sqm. Phase 2 of the project is currently at 100% complete on horizontal development.

Teakwood Hills Phase 3 occupies 3 hectares in the northern portion of Teakwood Hills located in Brgy. Agusan, Cagayan de Oro City. It is coined as Belle del Mar and offers lots for sale at 180sqm to 316sqm. Phase 3 of the project is currently at 97% complete.

Ignatius Enclave 2 located in Balulang, Cagayan de Oro City features house and lot units. These single detached two-storey units have a floor area of 120sqm and are located in 120 sqm lot areas. Houses could also be built in bigger lots ranging from 150sqm to 415sqm. Ignatius Enclave 2 is currently 92% complete on horizontal development while its vertical construction is at 47% complete.

The Company is now also present in Tanay, Rizal with the latest economic housing development, Adelaida Mountain Residences and the socialized housing development, Adelaida Homes. Both situated in Sampaloc, Tanay, Rizal, the projects are master-planned and gated community overlooking the picturesque views of the Sierra Madre Mountains to the Northeast and views of the Laguna lake and Pililia Windmills to the Southwest. Being anywhere around 400 to 500 meters above sea level, the weather around the area stays relatively cool, with a temperature that's 4 degrees Celsius cooler than Metro Manila.

Real Estates Revenue:

Sales recorded for the quarter includes units that were fully booked and were amortizing based on percentage of completion.

Palm Oil Mill

A total of 1,883.86 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed for the 3rd Quarter of 2022, compared to 1,723.87 metric tons in the same period of last year. This is an average of 627.95 metric tons of fresh fruit bunch processed per month as against 574.62 metric tons of the same period last year. The yield for the 3rd quarter of this year was 353.90 metric tons of crude palm oil with an average oil extraction rate of 17.52% as compared to 341.33 metric tons having an average extraction rate of 19.80% for the same period last year.

The kernels that were produced totalled to 16.75 metric tons as compared to 24.05 metric tons of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 3rd quarter of 2022, the refinery produced zero metric tons of RBDO as compared to 172 metric tons of the same period last year. In addition, no of Palm Fatty Acid Distillate was produced this quarter as compared to 13.09 metric tons for the same period of last year. This by-product is generated during production of RBDO.

There were only 0.17 metric tons of RBDO that were sold for the quarter as compared to none from the same period last year.

Fractionation Plant

The production of Palm Olein and Palm Stearin started in June 2015. The Crude Palm Oil that was produced is further processed into Refined Bleached and Deodorized Oil, the raw material of Palm Olein and Palm Stearin. In the 3rd quarter of 2022, no Palm Olein and 36 metric tons of Palm Stearin were produced for this period compared to 94.72 and 55.04 metric tons, respectively for the same period last year. No Palm Olein and Palm Stearin were sold 3rd quarter of this year compared to 65.03 metric tons and 19.82 metric tons, respectively, for 3rd quarter last year.

Power Generation

Coal-Fired Power Project

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

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

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

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

PCPC started construction of the first 135MW in 2013 and was able to complete the project after 37 months and 22 days. Its commercial operations commenced on August 16, 2016. Nine (9) electric cooperatives currently have offtake agreements with PCPC's first 135MW unit for their base load power capacity requirements.

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

Bunker-Fired Power Project

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

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

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

Peakpower Soccsargen Inc. (PSI) is a 34.85MW diesel-fired power plant located in General Santos City. It has a 15-year BOMT agreement with the South Cotabato II Electric Cooperative Inc. (SOCOTECO II).

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

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

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

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

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

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

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

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

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

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

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

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

Outlook for the Year and Onwards

Real Estate Business:

Real estate is and will still continue to be a good investment at all economic levels of society (Villegas, 2020). As shelter is one of the three basic necessities of human beings including food and clothing.

There is still a demand for low-cost and economic housing. Households of low-middle income and middle-middle income are the potential buyers. Many of these households are dependent on the foreign exchange remittances from relatives working overseas. Despite the displaced OFWs who have returned to the country due to the pandemic, there still continues to be close to 10 million abroad who send remittances in 2020.

OFW remittances are expected to bounce back after the pandemic is put under worldwide control. And Philippines population with a 1.6% growth shall be factors to increase housing demand.

For the upper middle-income households, they are markets for lots only. They also buy house and lots units to either acquire their own homes or invest for these units to be rented out.

The real estate sector is still a major contributor to employment and income growth as it continues to be an attractive choice of investment for both domestic and foreign investors. Looking at the young and growing population, the transition of the country from a low-middle income economy to a high-middle income one, and, the expansion of economic activities to the provinces are some of the reasons for this bullish outlook on the real estate sector.

There is a huge unmet demand for housing thus the local real estate market is seen to be resilient. In a downturn, real estate market will naturally correct itself and will be picking up again. The demand for more than 6 million housing units is very clear (Soriano, 2020).

Real-estate investment trusts or REITs, helping to democratize the Philippine property market by allowing smaller investors to participate in high-value real-estate assets, shall pick up (Santos Knight Frank, 2020).

And more developers will be environmentally conscious that are basic attractions for people who prefer the low-density areas coupled with green, open spaces.

High demand and low interest rates will benefit the residential market greatly once things go relatively back to normal (Colliers International Philippines, 2020).

For the rest of the year, there is great potential for the real estate industry, benefiting the residential sector. Developers should keep up with their land banking efforts both inside and outside of Metro Manila, increase facilities, keep up attractive payment schemes, and finish projects on time (Colliers, 2022).

The Philippine economy is beginning to open up, leading to an increase in the number of enterprises functioning at full capacity and on-site employment. Colliers property market report indicates hope that the government's forecasted economic recovery, ongoing remittance inflow from Filipinos working overseas, and faster relaxing of movement restrictions will further boost consumer and corporate confidence in the nation.

With the recent elections, Colliers believes that developers are now adopting a more cautious attitude as they assess general consumer sentiment in the face of rising inflation and interest rates and wait for the announcement of the new administration's economic strategy, which includes pro-property changes. To attract potential buyers, developers are recommended to offer more attractive and innovative promos and payments schemes; highlight features that will set their projects apart and draw discerning clientele; consider obtaining green building certification, particularly in view of the rising need for more environmentally friendly residential construction beyond the Covid-19 epidemic.

In the local front, ABCI emphasizes that real estate is slowly going back to normal. However, the preference of environmental-friendly development is still very high. Between living in a highly urbanized environment and living in the city outskirts, buyer demand will be in areas where there is adequate open space, greenery and home designs with free-flowing air.

Sources:

The Resilience of the Real Estate Industry In The Face of the Pandemic, editorial Business Mirror, April 2020

Prospects for the Real Estate Sector, Business Inquirer, September 2020

Joey Roi Bondoc, Colliers, 2022

COVID-19 Global Health Crisis

Health crisis that became pandemic will certainly have tremendous impact on the economy.

After the spread of COVID-19 led to the lockdown of the entire island of Luzon, which accounts for 73 percent of the country's GDP, economic managers were not so optimistic of its impact.

Impact on Real Estate Sales

There is a continued rise in the demand for real estate in Northern Mindanao and Caraga shown in the current sales reservations for the 3rd quarter of 2022. The Company made an unprecedented move to immediately shift to the digital platform. These include regular online presence through Facebook and direct messaging to the brokers. Videos of the projects were enhanced, walk-through to the model houses were created, announcements were converted into online posters. These are also online facilities implemented to ensure continuity in equity payments and sales reservation. A challenge was posted by buyers who had difficulty transitioning from their traditional banking style to online payments but these were being responded to. There were reduced foot traffic at the onset of COVID-19 to sites. However, this has gradually increased as the Company implemented safety protocols on site.

Supply Chain Risks

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

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

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

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

Palm Oil Business:

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

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

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

Plan of Action

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Province of Bukidnon and Misamis Oriental areas through a growership program. As of the end of 3rd Quarter of 2022, about 3,699.085 (gross area) hectares were already acquired for development, of which almost 1,547.96 hectares were planted while about 2,652.62 hectares total area potential for planting. The company is anticipating the signing of agreements with local communities in Misamis

Oriental and Bukidnon interested for its expansion program aggregating to 2,000 hectares. Due to the synergy and tax efficiency, ABERDI and Nakeen Corp. have applied for an Amended Articles and Plan of Merger as approved by its Board of Directors and shareholders.

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

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

PROSPECTS OF POWER GENERATION:

Vision

The promotion of sustainable energy is the top of the current administration's agenda for the power industry. This vision emphasizes the re-evaluation of new sources of energy as needed by the country, including nuclear energy, solar, and other clean energy to fight against climate change.

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

Demand and Forecast

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

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

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

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

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

Solutions

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

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

Coal Power Generation

Coal makes up a significant chunk of the country's power supply mix. In 2020, coal-run plants contributed to 57% of the country's power generation output, while gas plants made up 19.2%, according to the latest Philippine Energy Plan.

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

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

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

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

Plan of Action

Coal-Fired Power Project:

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

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

Nine (9) distribution utilities and electric cooperatives have signed up with PCPC for their base load power capacity requirements in order to deliver reliable and stable power generation supply to industrial, commercial, and residential consumers.

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

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

Bunker-Fired Power Project:

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

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

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

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

Irradiation and Cold Storage Services Project:

Irradiation Solutions Inc. – 100% owned by ABCI

In January 2021, the Securities and Exchange Commission (SEC) approved the incorporation of the ABCI's new subsidiary, Irradiation Solutions, Inc. (ISI). ISI is developing the-Tanay E-Beam and Cold Storage Facility. The project is envisioned to be the first Commercial E-Beam Facility to be built in the Philippines.

The E-Beam Facility will be able to provide services for the sterilization of medical masks, dressings, syringes and surgical staplers and a wide among application for single-use medical devices. The facility will be able to provide commercial irradiation services to improve the quality of agricultural and fishery products. This will enable local products, fruits, and seafood to be of export quality and gain wider access to international markets. The E-Beam technology is used in more than 60 countries and is considered the most economical alternative among available commercial sterilization methods.

The Board of Investments (BOI) has granted approval for the project as Pioneering status under the Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. The project has secured all necessary approvals and permitting required for construction.

The Tanay E-Beam and Cold Storage Facility is currently under construction. Construction progress is on schedule and commercial operations of the facility is targeted by the 4th quarter of 2023.

Natural Gas Power Plant Project:

Vires Energy Corporation –100% owned by ABCI

ABCI acquired 100% of the outstanding capital of Vires Energy Corporation (“VEC”) from Argo Group Pte. Ltd. of Singapore in June 2020.

VEC was incorporated in 2015 and is the proponent of the Integrated Floating LNG Storage and Regasification Terminal and a 500MW Floating Natural Gas-Fired Power Plant Project located in Barangay Simlong, Batangas City. Unlike the conventional land-based facility, the Project will use a Floating Power Plant (FPP) or power barge.

The Environmental Compliance Certificate (ECC) and Board of Investments registration for fiscal incentives has been secured for both the Floating Power Plant and the LNG Terminal components of the project. The Department of Energy Issued a Notice to Proceed (NTP) in April 2021 for the LNG Storage and Regasification Terminal component.

The Pre-Front End Engineering Design Phase (Pre-FEED) for the marine and onshore facilities and the floating power plant conducted by Seanergy Singapore and London Marine Consultants was completed in October 2021 and April 2022, respectively. The Front End Engineering Design (FEED) phase of the facilities is ongoing. VEC has secured the project site in Barangay Simlong, Batangas City. The property will be developed to include the power barge mooring area or jetty, switchyard, onshore facilities and the balance of plant infrastructure.

Vires Energy is currently seeking a long-term gas supply contract and baseload power off-take agreements. The power plant project is in a position to be in commercial operations by mid-2026.

Renewable Energy Projects:

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

Hydro Link Projects Corporation (“HLPC”) is a wholly-owned subsidiary of ABCI focused on renewable energy development. HLPC is a registered renewable energy developer with the Department of Energy. HLPC will be ABCI’s vehicle to pursue renewable energy projects. HLPC remains on the lookout for opportunities at any stage of development from greenfield opportunities to acquisition of operating power projects.

Bulk Water Supply Projects:

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

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

ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project which will tap the water resources of Lumayagan River aims to supply up to 40 million liters per day per day (MLD) of potable water to cater the present and future requirements of the municipality. Other potential service areas include the neighboring municipalities of Opol – the expanding water needs of Cagayan de Oro City, the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum.

The detailed engineering design of the Project has been completed confirming the technical viability of the project as defined during the pre-feasibility study. The Water Permit has been granted by the National Water Resources Board (NWRB) and the Environmental Compliance Certificate (ECC) has been secured from

the Department of Environment and Natural Resources (DENR). The Watershed Management Study was also completed with the involvement of different LGU sectors and stakeholders.

The project will provide potable water through a bulk supply agreement with a local water distribution utility. ABWCI continues to do pre-development work towards reaching shovel-ready status. ABWCI will commence construction once key commercial terms have been finalized.

Infrastructure Projects:

Blaze Capital Limited – 100% owned by ABCI

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

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

The Consortium has already sought confirmation of No Objection Clearances from the respective host LGUs (City of Manila and Quezon City) in support to their previous no objection in 2017 (City of Manila) and 2018 (Quezon City). As of to date, the Consortium is awaiting for the evaluation of NEDA-ICC.

Impact of Economic/Political Uncertainties:

The Company's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company. Good governance will definitely lead to better economy and better business environment and vice-versa. In consideration of the change of leadership after the May 2022 National Elections, political stability encourages people to work better and spend more and the investors to infuse funds for additional investment. Given the other positive economic indicators like recovery in exports, sustained rise in remittances and growing liquidity in the domestic financial market, the government's projected growth targets are attainable.

The annual average headline inflation of the country for the year 2021 at 4.5% was higher than the 2.6% in 2020 and way lower than the 5.2% in 2018. The 2018 rate was also the highest since 2008's 8.2 percent year-on-year increase in prices, making it a 10-year high, Philippine Statistics Authority (PSA) data showed.

Relative to their annual average rates in 2020, the indices of the following commodity groups recorded faster annual average increments in 2021: Food and non-alcoholic beverages, 5.2 percent; Housing, water, electricity, gas and other fuels , 2.6 percent; Health, 3.0 percent; Transport, 9.7 percent and Restaurant and miscellaneous goods and services, 3.6 percent.

On the other hand, other commodity groups exhibited slower annual average inflation or negative annual average rate during the year, except for communication which retained its 2020 annual average rate of 0.03 percent.

The Development Budget and Coordination Committee (DBCC), an inter-agency economic planning body together with the BSP decided to keep the current inflation target at 3.0 percent \pm 1.0 percentage point (between 2 to 4 percent) for 2022–2024. In previous years, the inflation target was an appropriate quantitative representation of the BSP's medium-term price stability goal that is conducive to the balanced and sustainable growth of the Philippine economy.

Monetary officials are optimistic of within-target inflation this year despite the higher-than-target print in 2021 as well as the number of upside risks that include supply-side pressures and higher global commodity prices. Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno in an Open Letter to the President attributed the elevated inflation in 2021 to constraints on key food items like pork as well as increasing oil and energy prices.

The BSP Governor believed that continued and effective implementation of direct non-monetary interventions and policy reforms to alleviate supply constraints remains crucial in keeping the trajectory of inflation within the target band, particularly as risks to the inflation outlook appear to be slightly on the upside for 2022. However, he said these risks are expected to be countered by the spread of new Covid-19 (coronavirus disease 2019) variants, which could delay the further easing of remaining containment measures as well as dampen the outlook for global and domestic economic growth.

Nevertheless, the BSP is closely monitoring developments and challenges brought about by the pandemic to ensure that the monetary policy stance remains consistent with its price and financial stability objectives.

The BSP Chief said that food supply constraints such as on pork due to the African swine fever (ASF) that started in Asia in 2018, along with existing regulatory, tariff, and technology constraints in the livestock and feed sector are among the factors that drove the elevated inflation rate in 2021. Another factor was the increase in global oil prices after the recovery of global demand following a decline when the pandemic started in 2020 and of restrained supply. Further, these factors were partly offset by the negative base effects of higher transport fares in 2020, particularly of tricycle fares, when the government implemented movement restrictions.

The Philippine economy grew by 5.6 percent in 2021 exceeding the government's revised growth target of 5.0 to 5.5 percent for last year. This was a reverse from 2020 that shrank the economy by 9.5%, the worst contraction since 1946 and sharpest among the largest economies of Asia-Pacific due to uncontrolled COVID-19 outbreak combined with strict nationwide lockdowns and mobility restrictions, a succession of natural disasters, and delays in budget execution which weighed on public investment. The contraction last year was the low end of the -8.5 to -9.5 percent estimate of the Development Budget and Coordination Committee (DBCC) in light of the lingering public health crisis.

The growth was seen faster and expected which shows a rapid recovery despite the COVID-19 pandemic restrictions and the impact of Typhoon Odette. The main contributors were manufacturing, wholesale and retail trade, repair of motor vehicles and motorcycles and construction.

The NEDA Chief said that the sustained growth was driven by successful management of risks such as targeting the areas with highest risk and allowing the rest of the economy to open. Moving the policies from a pandemic to endemic paradigm have to led to broad-based expansions across almost all sectors. The industry sector grew by 8.2 percent while the services sector rose to 5.3 percent showing a strong recovery from the contractions in 2020. On the other hand, the agriculture sector has shown slight decline of 0.3 percent due to challenges faced such as African Swine Fever and super typhoon. In terms of expenditure, private consumption grew by 4.2 percent indicating consumer confidence while government expenditure expanded by 7 percent. The investments recorded a robust growth of 19 percent rebounding from -34.4 percent in 2020, supported by a 37.4-percent growth in public construction as the government proceeded full-steam ahead with the implementation of the "Build, Build, Build" infrastructure program. For 2022, the government targets 7 to 9 percent GDP growth with economic reopening in full swing.

Despite the increase in COVID-19 cases in the beginning of 2022, severe cases and deaths were limited due to the country's ramped up vaccination program. By expanding vaccination to all age group and

cooperation of Filipinos to the program by allowing themselves to be vaccinated, NEDA sees that this will enable a safe and full reopening of the economy which will allow more Filipinos to work, earn a living, and even have face-to-face classes.

The NEDA Chief is optimistic that the country will not only recover to the pre-pandemic level in 2022 but achieve the upper-middle income country status. The NEDA chief emphasized that structural reforms need to be continually pursued making our country more resilient against future crises as well as solidify growth prospects.

A support package to address multiple concerns of businesses and individuals has been given attention by the government. The government has supported individuals and firms after the deferment of fixed payments and taxes, along with lower taxation rates. These were addressed in the Bayanihan I and II, along with the Corporate Recovery and Tax Incentives for Enterprises Act.

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

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

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

The implementation of the "Build, Build, Build" infrastructure program and the focus on improving the performance of services exports would boost economic growth. Under the ambitious "Build, Build, Build," the government plans to roll out flagship, "game-changing" projects, with about half targeted to be finished within President Duterte's term, alongside plans to spend up to P9 trillion on infrastructure until 2022 to usher in "the golden age of infrastructure." With the government's political will, it has been able to institute policy reforms like liberalizing some areas like farm restriction. The continuity of the program depends on the adoption or discontinuance of President Bongbong Marcos' new government after the President Duterte's term has ended.

COVID-19 Global Health Crisis

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

After the spread of COVID-19 led to the lockdown of the entire island of Luzon, which accounts for 73 percent of the country's GDP, economic managers were not so optimistic of its impact.

The government has adopted measures including the relaxation of regulation for those affected by the epidemic, utilized programs providing unemployment/sickness benefits and established strategic commodities

inventory, among others. The Socioeconomic Planning Office recommended in preparing the economy for a rebound by taking advantage of the situation and boosting infrastructure, rehabilitate the ecosystem, craft local government tourism master plans and the upgrading of facilities by the private sector. Additional suggestions include promoting domestic tourism by developing a new campaign for domestic travel, the provision of retooling measures like livelihood training, encouraging strategic investments in the field of medicine and the establishment of a Center for Disease Control-like network.

After the number of confirmed cases of coronavirus disease 2019 (COVID-19) increased, the President declared on March 16, 2020 a state of calamity throughout the country and imposed the Enhanced Community Quarantine (ECQ) in Luzon. Since the declaration, the number has continued to rise while businesses have stalled, disrupting economic activities and affecting the livelihood of Filipinos.

To combat the COVID-19 pandemic in the country, the President signed into law the Bayanihan to Heal as One Act (RA 11469) which was effective on March 25, 2020 and valid for three months unless extended by Congress. The law would allow the President to "reallocate, realign, and reprogram" a budget of almost ₱275 billion (\$5.37 billion) from the estimated ₱438 billion (\$8.55 billion) national budget approved for 2020, in response to the pandemic; enable him to "temporarily take over or direct the operations" of public utilities and privately owned health facilities and other necessary facilities "when the public interest so requires" for quarantine, the accommodation of health professionals, and the distribution and storage of medical relief; and "facilitate and streamline" the accreditation of testing kits.

After the expiry of Bayanihan to Heal as One Act (Bayanihan I) law on June 25, 2020, Bayanihan to Recover as One Act (Bayanihan II) was signed into law which provides for a PHP165.5-billion fund to finance the country's response and recovery interventions intended to mitigate the impact of the coronavirus disease 2019 (Covid-19) pandemic and also grants special powers anew to the President to best deal with the pandemic. Bayanihan II was considered crucial in government's efforts to gradually re-open the economy, support businesses and revitalize growth to make the country resilient to Covid-19 by strengthening the health sector, particularly the healthcare capacity and pandemic response.

Jumpstarting the Economy from the Impact of COVID-19

The government's flagship "Build, Build, Build" infrastructure project will help "jumpstart" the economy from the impact of the coronavirus disease 2019 (Covid-19) crisis.

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

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

Source: NEDA Reports, PNA Report and Various News Articles

Amendment to Articles of Incorporation and By-Laws

Reclassification of Unissued Common Shares to Preferred Shares

On April 12, 2021 and June 24, 2021, the BOD and shareholders representing at least 2/3 of the outstanding capital stock, respectively, approved the proposal to amend the Parent Company's AOI to create preferred shares by reclassifying its authorized capital stock from the from the current Three Billion Three Hundred Million Pesos (₱ 3,300,000,000.00) divided into Three Billion Three Hundred Million (3,300,000,000) Common Shares to Three Billion Three Hundred Million Pesos (₱ 3,300,000,000.00) divided into Three Billion Two Hundred Fifty Million Pesos (₱ 3,250,000,000) divided into Three Billion Two Hundred Fifty Million (3,250,000,000) Common Shares and Fifty Million Pesos (₱ 50,000,000) divided into Fifty Million (50,000,000) Preferred Shares. The reclassification of the Unissued Common Shares to create Preferred Shares will provide flexibility for the Group with respect to its prospective capital raising activities. On October 5, 2021, the SEC approved the said amendment to the AOI.

The provision of the amendment of Article VII of the Parent Company's AOI including the description of the different classes of stock of the Corporation and a statement of the designations and powers, preferences and rights, and conversions, limitations, or restrictions thereof, in respect of each class of stock can be gleaned in the Company's website (under Our Company/Articles of Incorporation and By-Laws).

Preferred Shares Offering – Registration, Issuance and Listing

On May 25, 2021, the BOD approved the offering and issuance of cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares out of the authorized but unissued capital of the Corporation, with an aggregate issue amount of up to One Billion Five Hundred Million Philippine Pesos (₱1,500,000,000.00) to be registered with the Securities and Exchange Commission and listed on the Philippine Stock Exchange, Inc.

The preferred shares offering and issuance were subject to the SEC's approval on the Parent Company's amendment to the AOI approved by the BOD and shareholders on April 12, 2021 and June 24, 2021, respectively, to create preferred shares by reclassifying its authorized capital stock. On July 19, 2021, the Company filed with SEC the Registration Statement for the shelf registration of the preferred shares.

On 15 October 2021, the SEC issued the Certificate of Filing of Enabling Resolution dated 14 October 2021 in connection with the offer and issue of 50,000,000 cumulative, non-voting, non-participating, and non-convertible perpetual preferred shares, at an offer price of up to Php100.00 per share which was approved by the Board of Directors of the Company on July 15, 2021 and was filed with the SEC pursuant to Section 6 of the Revised Corporation Code of the Philippines (R.A. No. 11232).

The Parent Company received a "Pre-effective letter" dated 22 October 2021 on the same day issued by the SEC which confirmed that it favorably considered the Company's Registration Statement in relation to the Company's proposed shelf registration subject to compliance by the Company with the conditions prescribed in the Pre-effective letter.

On 10 November 2021, the Parent Company secured approval from the Philippine Stock Exchange (PSE) for the shelf-listing of up to 50 million preferred shares and the follow-on public offer of up to 15 million preferred shares. For the first tranche, A Brown will offer 10 million preferred shares at an offer price of P100 per share or P1B worth with an oversubscription option of up to 5 million preferred shares worth P500 million. On 11 November 2021, A Brown approved the preferred shares offering with an initial dividend rate of 7.0% p.a. to be paid quarterly.

On 12 November 2021, the Company received from the Securities and Exchange Commission (SEC):

(i) SEC MSRD Order No. 76 s. 2021 (“Order of Registration”) for the shelf registration of up to 50,000,000 cumulative, non-voting, non-participating, non-convertible, and redeemable perpetual Preferred Shares of which the Initial Offer Shares are a part, dated 12 November 2021; and

(ii) Permit to Offer Securities for Sale (“Permit to Sell”) covering the Initial Offer Shares, dated 12 November 2021.

On November 29, 2021, there were 13,264,900 “Series A” preferred shares that were issued and listed in the Philippine Stock Exchange with “BRNP” as its ticker symbol.

The Corporation designated and appointed PNB Capital and Investment Corporation as the sole issue manager.

The Parent Company may offer from time to time, in one (1) or more tranches in such amounts/issue price and under such terms and conditions as may be determined by Corporation in light of prevailing market and other conditions at the time of sale.

For further information, kindly refer to the Prospectus and Offer Supplement dated November 11, 2021 (including the Order of Registration and Permit to Sell issued by the SEC) with regard to “Series A” preferred shares offering which are accessible through the Company’s website (under Investor Relations/Prospectus).

Uses of Proceeds from “Series A” Preferred Shares Offering

For the 3rd Quarter ending September 30, 2022, the proceeds of the Preferred Stocks Offering – Series A of 13.2649 million shares of A Brown Company, Inc. (BRNP) listed on November 29, 2021 were applied as follows:

In Php Millions

Gross Proceeds	1,326.49
Expenses Related to the Offering	20.62
Net Proceeds ¹	1,305.87

Purpose	Per Offer Supplement	¹ Net Proceeds	Actual Disbursements as of 06/30/2022	Actual Disbursements - 3 rd Quarter 2022	Total Actual Disbursement- as of 09/30/2022	Balance for Disbursement as of 09/30/2022
Development of Real Estate Projects	600.00	600.00	433.73	166.27	600.00	-
Landbanking	400.00	400.00	255.40	144.60	400.00	-
Finance Future Funding Requirements for ISI	350.00	200.00	200.00	-	200.00	-
General Corporate Purposes	150.00	105.87	105.87	-	105.87	-
	1,500.00	1,305.87	995.00	310.87	1,305.87	-

Dividend – “Series A” Preferred Shares

As and if cash dividends are declared by the Board of Directors on the Company’s “Series A” preferred dividends, the cash dividends shall be at the fixed rate of 7.00% per annum which will be payable quarterly on March 1, May 29, August 29 and November 29 of each year subject to the certain limitations as provided for in

the Prospectus and Offer Supplement dated November 11, 2021. The cash dividends on “Series A” preferred shares is computed as $7\% \times \text{Php } 100.00 \times 90/360$ amounting to Php 1.75 per share.

The following are the dividend declarations of the Company on “Series A” preferred shares in 2022:

Declaration Date	Record Date	Payment Date
February 2, 2022	February 16, 2022	March 1, 2022
April 29, 2022	May 17, 2022	May 30, 2022
April 29, 2022	August 3, 2022	August 30, 2022
April 29, 2022	November 3, 2022	November 29, 2022

Considering that 29 May 2022 (Sunday) and 29 August 2022 (National Heroes Day) are not Banking Days, dividends will be paid on the next succeeding Banking Day which is 30 May 2022 and 30 August 2022, respectively, without adjustment on the amount of dividends to be paid.

The cash dividend will be paid out of the Corporation’s unrestricted retained earnings as of 31 December 2021.

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

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

Disclaimer: This Quarter Report may contain certain forward-looking statements, which involve risks, uncertainties, and assumptions. The actual results of the Company could differ materially from those anticipated in these forward-looking statements.

Material Event/s and Uncertainties:

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

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

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

SIGNATURES:

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

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



ROBERTINO E. PIZARRO
President & Chief Executive Officer



MARIE ANTONETTE U. QUINTO
Chief Finance Officer

November 14, 2022

EXHIBIT 1

A BROWN COMPANY, INC. AND SUBSIDIARIES INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	₱167,613,635	₱1,277,986,644
Current portion of receivables (Note 5)	584,850,978	439,386,177
Current portion of contract assets (Note 12)	488,206,872	185,102,035
Real estate held for sale (Note 6)	2,702,050,532	2,090,015,454
Inventories (Note 7)	56,977,392	176,156,568
Receivables from related parties (Note 15)	54,458,549	126,310,274
Prepayments and other current assets (Note 8)	923,766,708	347,606,217
Total Current Assets	4,977,924,667	4,642,563,369
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	84,788,501	46,999,426
Noncurrent portion of contract assets (Note 12)	650,888,046	484,925,421
Equity instruments at fair value through other comprehensive income (EIFVOCI)	265,781,453	239,411,453
Investments in associates (Note 9)	1,521,196,720	1,551,999,914
Investment properties (Note 10)	449,433,520	449,402,314
Property, plant and equipment (Note 10)	1,258,280,020	921,133,741
Deferred tax assets (Note 15)	11,529,697	11,529,697
Other noncurrent assets (Notes 8 and 21)	107,906,853	277,779,179
Total Noncurrent Assets	4,349,804,810	3,983,181,145
TOTAL ASSETS	₱9,327,729,477	₱8,625,744,514
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 11)	₱895,783,731	₱740,116,319
Short-term debt (Note 13)	377,327,120	443,461,020
Current portion of long-term debt (Note 13)	226,160,371	201,643,018
Advances from a related party	66,119,570	-
Contract liabilities (Note 12)	223,444,988	169,402,619
Total Current Liabilities	1,788,835,781	1,554,622,976
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	765,440,905	850,811,991
Retirement benefit obligation	72,316,925	69,198,434
Deferred tax liabilities - net (Note 15)	247,605,396	177,285,689
Total Noncurrent Liabilities	1,085,363,226	1,097,296,114
Total Liabilities	2,874,199,006	2,651,919,090

(forward)

Equity		
Capital stock (Note 14)	2,477,668,925	2,477,668,925
Preferred stock (Note 14)	13,264,900	13,264,900
Additional paid-in capital (Note 14)	1,931,178,758	1,931,178,758
Retained earnings (Note 14)	2,323,952,581	1,834,803,085
Treasury shares	(94,932,275)	(70,618,247)
Cumulative unrealized loss on AFS investments and EIFVOCI	(168,289,340)	(194,659,340)
Remeasurement gain (loss) on retirement benefit obligation - net of tax	(27,250,541)	(27,250,541)
Remeasurement loss on retirement benefit obligation of an associate	(347,343)	(347,343)
Cumulative translation adjustment	(4,994,275)	6,498,274
Total Equity Attributable to Equity Holders of the Parent Company	6,450,251,390	5,970,538,471
Non-controlling interest	3,279,081	3,286,953
Total Equity	6,453,530,471	5,973,825,424
TOTAL LIABILITIES AND EQUITY	₱9,327,729,477	₱8,625,744,514

- 2 -

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ending September 30,		For the Quarter Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
REVENUES				
Real estate sales	₱773,871,595	₱441,048,947	₱297,785,948	₱181,112,798
Sale of agricultural goods	106,653,604	35,733,440	23,753,360	18,432,850
Water service income	19,345,004	18,750,557	6,598,125	6,602,168
	899,870,203	495,532,944	328,137,433	206,147,816
COST AND EXPENSES				
Cost of real estate sales	262,634,838	111,327,414	114,206,875	39,240,150
Cost of agricultural goods sold	103,918,701	16,893,108	36,290,253	7,002,829
Cost of water service income	10,149,297	9,078,606	4,572,780	5,080,526
	376,702,836	137,299,128	155,069,907	51,323,505
GROSS PROFIT	523,167,367	358,233,816	173,067,526	154,824,311
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	174,873,669	190,682,780	53,774,455	54,559,872
OTHER INCOME (EXPENSES)				
Share in net income (loss) of associates (Note 9)	133,196,806	214,242,846	(20,770,262)	46,353,006
Interest expense	(12,469,641)	(35,743,588)	(4,718,743)	(12,292,555)
Other income - net	27,907,096	18,047,075	20,843,389	5,160,184
	148,634,261	196,546,333	(4,645,616)	39,220,635
INCOME (LOSS) BEFORE INCOME TAX	496,927,959	364,097,369	114,647,455	139,485,074
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)				
Current	2,862,295	(4,310,318)	1,824,353	(5,908,492)
Deferred	4,916,168	363,314	4,881,158	3,210,158
	7,778,463	(3,947,004)	6,705,510	(2,698,334)
NET INCOME (LOSS)	₱489,149,496	₱368,044,372	₱107,941,945	₱142,183,407
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gain (loss) on defined benefit plan - net of tax effect	(861,717)	-	-	51,814
Net change in fair value of EIFVOCI and AFS investments	26,370,000	(18,986,304)	-	(65,003,025)
Cumulative translation adjustment	(9,725,616)	(1,627,870)	(9,725,616)	(3,792,074)
	15,782,667	(20,614,174)	(9,725,616)	(68,743,285)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱504,932,163	₱347,430,198	₱98,216,328	₱73,440,122

(forward)

Net income (loss) attributable to:				
Equity holders of the Parent Company	₱ 489,157,369	₱ 373,132,218	₱ 107,944,188	₱142,184,625
Non-controlling interests (Note 17)	(7,872)	(7,320)	(2,243)	(1,218.58)
	₱ 489,149,496	₱ 373,124,898	₱107,941,945	₱142,183,406
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	₱504,961,513	₱347,437,517	₱98,216,328	₱73,441,340
Non-controlling interests (Note	(29,350)	(7,320)	-	(1,219)
	₱504,932,163	₱347,430,198	₱98,216,328	₱73,440,122
Basic and diluted earnings (loss) per share	₱0.18	₱0.15	₱0.04	₱0.06

- 2 -

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND DECEMBER 31, 2021

	Total Equity Attributable to Equity Holders of the Parent Company (Unaudited)										
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury shares	Fair Value Reserve of EIFVOCI	Remeasurement Gain (Loss) on Defined Benefit Plans of an associate	Remeasurement Gain (Loss) on Retirement Obligation	Cumulative Translation Adjustment	Total	Non-controlling Interest	Total
As of December 31, 2021	₱2,490,933,825	₱1,931,178,758	₱1,834,803,085	- ₱70,618,247	-₱194,659,340	-₱347,343	-₱27,250,541	₱6,498,274	₱5,970,538,471	₱3,286,953	₱5,973,825,424
Net income			489,149,496						489,149,496		489,149,496
Other comprehensive income					26,370,000	-		(11,492,549)	14,877,451	(7,872)	14,869,579
Issuance of Capital Stock									-		-
Acquisition of new subsidiary									-		-
Treasury shares buyback				(24,314,028)					(24,314,028)		(24,314,028)
At September 30, 2022	₱2,490,933,825	₱1,931,178,758	₱2,323,952,581	-₱94,932,275	-₱168,289,340	-₱347,343	-₱27,250,541	-₱4,994,275	₱6,450,251,390	₱3,279,081	₱6,453,530,471

(forward)

Total Equity Attributable to Equity Holders of the Parent Company (Audited)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury shares	Fair Value Reserve of EIFVOCI	Remeasurement Gain (Loss) on Defined Benefit Plans of an associate	Remeasurement Gain (Loss) on Retirement Obligation	Cumulative Translation Adjustment	Total	Non-controlling Interest	Total
As of December 31, 2020	₱2,490,933,825	₱637,968,859	₱1,437,223,304	-₱21,236,419	-₱258,483,688	-₱731,525	-₱25,293,809	₱4,000,560	₱4,264,381,107	₱3,316,303	₱4,267,697,410
Net income	-	-	397,579,781	-	-	-	-	-	397,579,781	(29,350)	397,550,431
Other comprehensive income	-	-	-	-	63,824,348	384,182	(1,956,732)	2,497,714	64,749,512	-	64,749,512
Issuance of Capital Stock	-	1,293,209,899	-	-	-	-	-	-	1,293,209,899	-	1,293,209,899
Acquisition of new subsidiary	-	-	-	-	-	-	-	-	-	-	-
Treasury shares buyback	-	-	-	(49,381,828)	-	-	-	(49,381,828)	(49,381,828)	-	(49,381,828)
At December 31, 2021	₱2,490,933,825	₱1,931,178,758	₱1,834,803,085	-₱70,618,247	-₱194,659,340	-₱347,343	-₱27,250,541	₱6,498,274	₱5,970,538,471	₱3,286,953	₱5,973,825,424

(forward)

	Total Equity Attributable to Equity Holders of the Parent Company (Unaudited)								Non-controlling Interest	Total	
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury shares	Fair Value Reserve of EIFVOCI	Remeasurement Gain (Loss) on Defined Benefit Plans of an associate	Remeasurement Gain (Loss) on Retirement Obligation	Cumulative Translation Adjustment			Total
At January 1, 2021	₱2,477,668,925	₱637,968,859	₱1,437,223,304	-₱21,236,419	-₱ 258,483,688	-₱731,525	-₱25,293,809	₱4,000,560	₱4,251,116,207	₱3,316,303	₱4,254,432,510
Net income	-	-	347,430,198	-	-	-	-	-	347,430,198	(7,320)	347,422,878
Other comprehensive income	-	-	-	-	-	-	-	(1,627,870)	(1,627,870)	-	(1,627,870)
Adjustment	-	-	91,430,062	-	-	-	-	-	91,430,062	-	91,430,062
Treasury shares buyback	-	-	-	46,601,989	-	-	-	-	(46,601,989)	-	(46,601,989)
At September 30, 2021	₱2,477,668,925	₱637,968,859	₱ 1,876,083,564	-₱ 67,838,408	-₱ 258,483,688	-₱731,525	-₱25,293,809	₱ 2,372,690	₱ 4,557,024,943	₱ 3,308,983	₱ 4,645,055,591

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱496,927,959	₱364,097,368
Adjustments for:		
Loss (gain) on sale of:		
Gain on sale of PPE		(339,700)
Share in net loss (income) of associates	(133,196,806)	(214,242,846)
Interest expense	9,362,393	35,743,588
Depreciation	6,319,901	21,003,022
Interest income	(298,197)	(1,649,810)
Retirement benefits	-	3,818,486
Unrealized (gain)/loss on FVPL shares	(26,370,000)	-
Operating income before working capital changes:	352,745,250	208,430,109
Decrease (increase) in:		
Receivables	103,321,406	931,814,252
Contract assets	197,986,492	
Inventories	(27,437,912)	83,549,768
Prepayments and other current assets	(13,818,857)	(228,250,248)
Real estate held for sale	(1,510,569,486)	(605,010,310)
Increase (decrease) in:		
Accounts and other payables	56,018,854	(593,579,883)
Deposits from customers and contract liabilities	53,994,826	82,683,655
Net cash from operations	(787,759,427)	(120,362,657)
Income tax paid	(7,405,870)	
Interest received	922,624	1,649,810
Net cash from operating activities	(794,242,674)	(118,712,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
EIFVPL (Note 9)		(18,986,304)
Investment properties		(20,505,510)
Dividends received from associates	164,000,000	98,000,000
Proceeds from (additions to)		
Property, plant and equipment	(238,517,718)	(28,170,051)
Other noncurrent assets	(16,234,107)	(105,653,259)
Investment properties (Note 11)		
Net cash from investing activities	(90,751,824)	(75,315,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Note 16):		
Long-term debt	138,036,499	452,370,400
Short-term debt	189,187,000	66,000,000
Payments of (Note 16):		
Long-term debt	(206,890,231)	(332,089,676)
(forward)		

Short-term debt	(247,320,900)	-
Acquisition of treasury shares	(24,314,028)	(46,601,989)
Finance costs paid	(69,082,576)	(79,229,377)
Net cash used in financing activities	(220,384,236)	60,449,358
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4,994,275)	(1,627,870)
NET INCREASE (DECREASE) IN CASH	(1,110,373,009)	(135,206,483)
CASH AT BEGINNING OF YEAR (Note 4)	1,277,986,644	231,321,649
CASH AT END OF YEAR (Note 4)	₱167,613,635	₱96,115,166

- 2 -

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

The Subsidiaries

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

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

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

Palm Thermal Consolidated Holdings, Corp. (PTCHC)

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

Blaze Capital Limited (BCL)

BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company on August 8, 2011 under the

BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges. Since its incorporation, BCL has not started its commercial operations.

Hydro Link Projects Corp. (HLPC)

HLPC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. Its primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment. Since its incorporation, the Company has not started its commercial operations.

AB Bulk Water Company, Inc. (ABBWCI)

ABBWCI is a 100% owned subsidiary of the Parent Company registered with the SEC on March 31, 2015. ABBWCI was organized primarily to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol and related activities. Since its incorporation, ABBWCI has not started its commercial operations.

Masinloc Consolidated Power, Inc. (MCPI)

MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. MCPI was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. MCPI is registered under the Foreign Investments Act of 1991 on July 6, 2007. MCPI has not yet started its commercial operations.

Simple Homes Development, Inc. (SHDI)

SHDI is a 100% owned subsidiary of the Parent Company registered with the SEC on February 26, 1997. SHDI was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities. Since its incorporation, SHDI has not started its commercial operations.

Nakeen Corporation (NC)

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

Bonsai Agri Corporation (BAC)

BAC is a 100% owned subsidiary of the Parent Company through ABERDI registered with the SEC on February 2, 1997. BAC was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and

products in both local and foreign markets. Since its incorporation, the Company has not started its commercial operations.

Vires Energy Corporation (VEC)

VEC is a 99.995% owned subsidiary of the Parent Company registered with the SEC on March 11, 2015. It was organized primarily to operate, engage in, conduct and carry on the business of exploring, developing, converting, producing, processing, and refining of power energy, fuel and/or any other source of power energy, including importation, handling, distributing and marketing at wholesale either within or outside the Philippines; to develop, manage, lease, and operate refineries for the power and fuel products or any other source of power energy; to enter into business undertaking to establish, develop, explore and operate business that will provide the technical manpower to persons and institutions engaged in aforesaid energy production; and in general to carry on and undertake such activities which may seem to the Company capable of being conveniently carried on in connection with the above purposes, or calculated, directly, to enhance the value of or render profitable, any of the Company's property or rights. Since its incorporation, the Company has not started its commercial operations. VEC is a subsidiary effective June 18, 2020 (see Note 16).

Irradiation Solutions Inc. (ISI)

ISI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on January 4, 2021. ISI was organized in providing irradiation services for all types of goods e.g., food products and non-food products through exposing such goods to ionizing radiation such as gamma rays, x-rays, or accelerated electrons from electron beam machines.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following financial accounting reliefs as issued and approved by the SEC in response to the COVID-19 pandemic:

- a. Assessing if the transaction price includes a significant financing component discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D;
- b. Treatment of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E; and,
- c. Application of International Financial Reporting Interpretations Committee (IFRIC) Agenda

Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*).

The Group has availed of the reliefs granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the above PIC Q&As until December 31, 2023.

The details and the impact of the deferral of the above financial reporting reliefs are discussed in the Changes in Accounting Policies and Disclosures section.

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2022 and December 31, 2021.

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

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

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

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

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

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

liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

	Effective Percentage of Ownership (%)		
	2022	2021	2020
ABERDI	100	100	100
NC	100	100	100
BAC*	100	100	100
PTCHC	100	100	100
HLPC*	100	100	100
ABWCI*	100	100	100
BCL*	100	100	100
SHDI*	100	100	100
MCPI**	49	49	49
VEC*	100	100	100
ISI*	100	100	–

* pre-operating subsidiaries

** non-operating subsidiary

NCI

NCI represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

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

As at September 30, 2022 and December 31, 2021, percentage of NCI pertaining to MCPI amounted to 51%. The voting rights held by the NCI are in proportion of their ownership interest.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer has the option to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired, the financial assets and financial liabilities assumed are assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, *Financial Instruments*, either in consolidated statement of comprehensive income or as a charge to OCI. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of comprehensive income.

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

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

A CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

The Group performs its impairment test of goodwill on an annual basis every December 31 or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before September 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021.

- Adoption of PIC Q&A 2020-02, *Treatment of Uninstalled Materials in the Determination of the POC* (Amendment to PIC Q&A 2018-12-E)

PIC Q&A 2020-02 was issued by PIC on December 15, 2020 and provides amendment on PIC Q&A 2018-12-E, *On Certain Materials Delivered on Site but not yet Installed*. The latter aims to provide guidance on the treatment of uninstalled materials in measuring the progress of the performance obligation. The PIC has concluded that in recognizing revenue using a cost-based input method, customized materials are to be included in the measurement of the progress of work while materials that are not customized shall be excluded.

The adoption of the Interpretation has no significant impact on the consolidated financial statements of the Group as the POC of the projects are determined based on the accomplishment and physical proportion of work done on the real estate which requires technical determination by the Group's specialist (project engineers).

- Adoption of PIC &A 2018-12-H, *Accounting for CUSA Charges*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. The PIC provides guidance on whether a real estate developer is acting as a principal or agent in goods and services that it delivers based on contract of lease with the tenants.

The Interpretation has no impact on the consolidated financial statements of the Group.

- Adoption of PIC Q&A 2020-05, *Accounting for Cancellation of Real Estate Sales* (Amendment to PIC Q&A 2018-14)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach (Approach 3) where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively upon approval of the Financial Reporting Standards Council.

The adoption of the interpretation has no significant impact on the consolidated financial statements of the Group as its current accounting for real estate sales cancellation is in accordance with Approach 3. The Group records the repossessed inventory at cost and reverses in the period of cancellation the revenues and related costs previously recognized.

Standards Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- *Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopted*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- *Amendments to PFRS 9, Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or

lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to

all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued MC No. 14-2018 and MC No. 3-2019, respectively, providing reliefs to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the SEC issued MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023 as follows:

- a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
- b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Commission en banc, in its meeting held on July 8, 2021, approved the amendment to the transitional provisions in the above MCs which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No.

2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell (CTS) might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable (ICR), provision for deferred income tax, deferred income tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its CTSs.
- b. The exclusion of land in the determination of POC would have reduced the POC of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and ICR; increased real estate inventories and would have impacted deferred income tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

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

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

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

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

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

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

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

Summary of Significant Accounting Policies

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

Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

Cash

Cash includes cash on hand and in banks.

Financial Instruments - Initial recognition and subsequent measurement

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

Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the

performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement

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

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

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

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

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

The Group's financial assets at amortized cost include cash, receivables, receivables from related parties and refundable deposits included under "Other assets" in the consolidated statements of financial position (see Notes 4, 5, 8 and 12).

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

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

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at September 30, 2022 and December 31, 2021, the Group's does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies. The classification is determined on an instrument-by-instrument basis. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the consolidated statement of comprehensive income as 'Net change in fair value of EIFVOCI'.

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

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

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Dividends are recognized in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

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

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

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

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

The Group's financial assets at FVPL include listed equity securities.

(iii) Derecognition

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

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

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

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

(iv) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

The Group considers that there has been an SICR when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

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

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

Financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

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

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

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

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

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

The Group's financial liabilities measured at amortized cost as of September 30, 2022 and December 31, 2021 includes the following (see Notes 11 and 13):

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

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

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

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

(iii) Derecognition

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

Offsetting Financial Instruments

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

Real Estate Inventories

Real estate inventories consists of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these

are expected to be recovered in the future. Repossessed real estate inventories are recorded at original cost.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

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

Borrowing Costs

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

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

Other inventories

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

Agricultural produce

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

Finished agricultural goods

Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor and overhead costs. NRV is the estimated selling

price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction materials and agricultural materials and supplies

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

Deposits for Purchased Land

This represents deposits made to landowners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Group normally makes deposits before a contract to sell is executed between the Group and the landowner. These are recognized at cost. The sales contracts are expected to be executed within one year or the entity's normal operating cycle, whichever is longer.

Prepayments

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

Investments in Associates

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

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

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

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

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

Investment Property

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

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

Depreciation or amortization of an item of investment property begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

The Group depreciates and amortizes its land improvements using the straight-line method over the 10-30 years estimated useful lives.

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

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

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

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

Property, Plant and Equipment

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

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

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

The Group classifies ROU assets as part of property, plant and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the item is derecognized.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements and right-of-use assets, which are

amortized over their estimated lives or term of the lease, whichever is shorter, and bearer plants, which are depreciated using units-of-production (UOP) method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	21
Building and improvements	10 - 30
Leasehold improvements	2 - 5 or lease term, whichever is shorter
Machineries and equipment	2 - 10
Right-of-use assets	17
Other equipment	2 - 10

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

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

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

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

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

Bearer plants

Bearer plants pertain to the Group's palm oil trees used in the production or supply of fresh fruit bunches (FFB) as its agricultural produce and are expected to bear produce for more than twelve months and have a remote likelihood of being sold as a plant or harvested as agricultural produce, (except for incidental scrap sales).

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

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's investments in associates, investment properties, property plant, and equipment and other assets excluding refundable deposits (see Notes 8, 9, 10, and 12).

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

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

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

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

Equity

Capital stock and additional paid-in capital

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

underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. 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 to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Retained earnings

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

Other comprehensive income (loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of comprehensive income for the year in accordance with PFRSs. Other comprehensive income (loss) of the Group includes fair value reserve of EIFVOCI, remeasurement gains (losses) on retirement obligation, remeasurement gains (losses) on defined benefit plan of an associate, and cumulative translation adjustment.

Revenue and Cost Recognition

Revenue from contracts with customers

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

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

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

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

Buyer's equity represents a certain percentage of buyer's payments of total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Management regularly evaluates the historical cancellations and back-outs if it would still support its current collection threshold before commencing revenue recognition.

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

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

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

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

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

Sale of agricultural goods. Revenue from sale of agricultural goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and acceptance by the buyer. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, noncash consideration, and consideration payable to the customer, if any.

Variable consideration - rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in PFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

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

Water service, tapping fees, transfer fees and other water charges. Revenue is recognized over time as the customer receives and consumes the benefit from the performance of the related water services. Water services are billed every month. The Group recognizes revenue in the amount to which the Company has a right to invoice since the Group bills a fixed amount for every cubic meter of water delivered.

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

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

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

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

Contract Balances

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

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

For the Group's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. The amounts recognized as contract assets are reclassified to ICR when the monthly amortization of the customer is due for collection. It is recognized under 'Receivables' in the consolidated statement of financial position.

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

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

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

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

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

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

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or

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

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

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

Costs and Expenses

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

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

Post-employment Benefits

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

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

The following comprise the defined benefit costs:

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

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

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

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

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

Leases

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

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

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

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

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

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

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

Short-term leases. The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and transportation equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Taxes

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

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

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

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the

initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

When VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under 'Accounts and other payables' in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output

VAT), the excess is recognized as input taxes under 'Other current assets' in the consolidated statement of financial position up to the extent of the recoverable amount.

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

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

Foreign Currencies

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

Transactions and balances. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holder of the Parent Company by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing net income attributable to equity holders of the Parent Company adjusted to any after-tax amounts of preference dividends by the weighted average

number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of September 30, 2022 and December 31, 2021, the Group has no potentially dilutive common shares.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 18 to the consolidated financial statements.

Provisions

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

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

Contingencies

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

Events After the Reporting Period

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

3. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's

evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments

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

Revenue from contracts with customers

The Group is primarily engaged in real estate sales and development, sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels, and water services. The Group accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

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

Real estate revenue recognition. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) assessment of the probability that the entity will collect the consideration from the buyer; (c) determination of the transaction price; (d) application of the output method as the measure of progress in determining real estate revenue; and (e) determination of the actual costs incurred as cost of goods sold.

- *Identifying performance obligations.* The Group has various CTS covering subdivision land and residential houses and lots. The Group concluded that the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, Group accounts for them as a single performance obligation because they are not distinct in the context contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the buyer.
- *Existence of a contract.* The Group's primary document for a contract with a customer for real estate sales is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a customer under PFRS 15.

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

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

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

The Group requires a collection threshold of 10% of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

Revenue recognition - sales of agricultural goods and water services. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

- *Identifying performance obligations.* The Group accounts for all of the goods or services in each contract with customer as a single performance obligation capable of being distinct.
- *Recognition of revenue as the Group satisfies the performance obligation of sale of agricultural goods and water services.* The Company concluded that the revenue for sale of palm oil and other palm products to be recognized at a point in time when the goods are delivered and water services to be recognized over time as the customer receives and

consumes the benefit from the performance of the related water services and it has a present right to payment for the services rendered.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold or services rendered.

- *Method to estimate variable consideration and assess constraint for agricultural goods.* The Group uses historical experience from the past 12 months to determine the expected value of rights to return and constrain the consideration accordingly. The Group updates its assessment of expected returns and refund liability. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at September 30, 2022 and December 31, 2021, no refund liability was recognized in the consolidated statements of financial position.

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

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

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

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

In line with the impact of COVID-19, the collectability of accounts with customers continues to be closely monitored by the Group. A material change in the provision for impairment of trade receivables has not been identified.

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

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

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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

Distinction between real estate inventories, investment properties and owner-occupied properties. The Group determines whether a property will be classified as real estate inventories, investment properties or owner-occupied properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and whether the property generates cash flow largely independent of the other assets held by an entity.

Real estate inventories comprise of property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction. Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Owner-occupied properties classified and presented as property, plant and equipment, generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Determination of acquisition of group of assets as a business in accordance with PFRS 3. Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of

providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

On June 18, 2020, the Parent Company signed a share purchase agreement to acquire 99.995% ownership interest in VEC. The Group assessed that the acquired group of assets and liabilities constitute a business since VEC has existing inputs and substantive processes which together have the ability to contribute to the creation of outputs.

Significant influence on Palm Concepcion Power Corporation (PCPC), Peakpower Energy, Inc. (PEI) and East West Rail Transit Corporation (EWRTC). In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20% to 50% of the voting rights of an investee is presumed to give the Group a significant influence. The Group considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

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

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

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

Ownership interest in MCPI represent 49%. The Group has control over MCPI considering that critical decision making position in deciding over the strategic policies and relevant activities of MCPI are occupied by the representatives of the Group.

Impairment of nonfinancial assets, excluding property, plant and equipment. The Group assesses impairment on investments in associates, investment properties, and other assets excluding refundable deposits and considers the following important indicators considering the impact of COVID-19 pandemic:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or,

- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

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

In September 30, 2022 and December 31, 2021, management has not identified any impairment indicators on the nonfinancial assets, excluding property, plant and equipment. The carrying values of the nonfinancial assets excluding property, plant and equipment follow:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial assets:		
Cash in banks (Note 4)	₱160,742,540	₱1,270,363,094
Receivables (Note 5)	670,117,080	486,385,603
Receivables from related parties	54,458,549	126,310,274
Refundable deposits	8,502,919	48,759,913
Contract assets (Notes 12)	488,206,872	670,027,456
	₱1,382,027,961	₱2,601,846,340

Management's Use of Estimates and Assumptions

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

Revenue recognition on real estate projects. The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate sales are recognized based on the POC which is measured principally on the basis of the estimated completion of a physical proportion of the contract work which requires technical determination by management's specialists (project engineers) and involves significant judgment and estimation. In view of the restricted mobility due to the coronavirus pandemic, the progress of the Group's performance obligation is affected which resulted to lower POC in 2021.

The Group also includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended September 30, 2022 and September 30, 2021, the real estate sales recognized over time amounted to ₱476 million and ₱260. million, respectively.

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

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

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

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

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

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

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables and contract assets from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance

for ECLs.

As at September 30, 2022 and December 31, 2021, the allowance for ECL recognized in the consolidated statements of financial position amounted to ₱4.3 million (see Note 5).

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

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2021. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱2.702 million and ₱2,090 million as of September 30, 2022 and December 31, 2021, respectively (see Note 6).

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

As at September 30, 2022 and December 31, 2021, the aggregate fair values of the financial assets amounted to ₱2.271 million and ₱2,280 million, respectively, and of the financial liabilities amounted to ₱2.23 million and ₱2,277 million, respectively (see Note 17).

Impairment of property, plant and equipment. The Group performs annual impairment review of property, plant and equipment. Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of the assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. In addition, the assumptions may be subjected to higher level of estimation uncertainty due to the impact of COVID-19. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group.

In 2021 and 2020, the Group has assessed that its bearer plants has indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages.

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of September 30, 2022 and December 31, 2021. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions which included the impact of COVID, such as future FFB production, FFB prices, direct costs, and discount rate.

Estimating total units of output for bearer plants. The Group estimates the total units of output for its bearer plants based on its average yield over which the bearer plants are expected to be available for use. The estimated total units of output are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the bearer plants, and in consideration of the lease term under the contracts providing the Group for the rights to use parcels of land. In addition, the estimate is based on collective assessment of internal technical evaluation and experience.

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of September 30, 2022 and December 31, 2021, the Group's retirement obligation amounted to ₱72.3 and ₱69.2 million, respectively.

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

4. **Cash**

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱0.9 million and ₱0.6 million in September 30, 2022 and December 31, 2021, respectively.

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	₱6,871,096	₱7,623,550
Cash in banks	160,742,540	1,270,363,094
	₱167,613,636	₱1,277,986,644

5. Receivables

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ICR	₱222,658,209	₱ 228,685,223
Trade receivables	18,538,136	23,439,474
Dividend receivable	-	80,000,000
Advances to officers and employees	3,783,258	3,196,438
Other receivables	428,920,735	155,325,328
	673,900,339	490,646,463
Less allowance for credit losses	4,260,860	4,260,860
	669,639,479	486,385,603
Less noncurrent portion	84,788,501	46,999,426
	₱584,850,978	₱ 439,386,177

ICR consists of accounts collectible in equal monthly installments with various terms up to a maximum of two years, and bear interest ranging from 10% to 18% in 2022 and 2021. The ICRs are interest-bearing except for those with installment terms within two years. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

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

Dividend receivable pertains to the cash dividends declared by the associate, PCPC, which is due and demandable.

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

Other receivables pertain to advances made to homeowners' association of one of the projects and nontrade receivables. These receivables are noninterest-bearing and are due within one (1) year.

6. Real Estate Inventories

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Land for sale and development	₱442,956,460	₱ 519,645,964
Construction and development costs	2,259,094,072	1,570,369,490
	₱2,702,050,532	₱ 2,090,015,454

The rollforward of this account follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the year	₱2,090,015,454	₱1,573,049,067
Construction costs incurred	831,599,079	477,483,328
Borrowing costs capitalized (Note 16)	40,048,555	61,716,946
Depreciation expense capitalized (Note 12)	3,022,283	12,425,583
Purchase of land		34,588,513
Transfers from deposits for land acquisition (Note 8)		299,980,155
Transfers to investment properties (Note 11)		-149,537,684
Cost of real estate sales	-262,634,838	-219,690,454
Balance at the end of the year	₱2,702,050,532	₱2,090,015,454

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in September 30, 2022 and December 31, 2021.

Land for sale and development represents real estate subdivision projects in which the Group has been granted License to Sell (LTS) by the Department of Human Settlements and Urban Development. It also includes raw land inventories that are under development and those that are about to undergo development.

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

Collateralized properties

Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Group's short-term and long-term debts (see Note 13). As at September 30, 2022 and December 31, 2021, the carrying values of the collateralized real estate inventories amounted to ₱329 million.

7. **Other Inventories - at cost**

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Finished agricultural goods	₱53,556,870	₱88,261,898
Construction materials	1,793,087	86,267,235
Agricultural materials and other supplies	1,627,435	1,627,435
	₱56,977,392	₱176,156,568

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

Agricultural materials and other supplies pertain to fertilizers, fuel and oil and other consumables.

8. **Other Assets**

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current:		
Deposits for purchased land	₱751,133,645	₱158,739,048
Creditable withholding taxes	89,583,212	97,573,712
Prepaid expenses	21,224,584	70,384,277
Costs to obtain contracts (Note 20)	14,367,820	12,725,634
Refundable deposits	47,457,448	7,462,263
Miscellaneous	-	721,284
	₱923,766,708	₱347,606,218
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Noncurrent:		
Advances to third party	₱95,263,575	₱202,718,999
Refundable deposits - net of current portion	8,502,919	41,297,650
Deferred input VAT	4,097,352	33,719,522
Goodwill	43,007	43,007
	₱107,906,853	₱277,779,178

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

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

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

Costs to obtain contracts pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are amortized as marketing expense under "General, administrative and selling expenses" in the consolidated statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

Advances to third party pertain to advances made by the Parent Company to potential joint venture partners for acceptable business projects. The advances are to be applied to the cost of the business project.

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

Miscellaneous pertains to advances to suppliers and contractors.

9. Investments in Associates

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PCPC	₱1,090,984,378	₱1,130,305,211
PEI	376,750,332	368,181,859
EWRTC	53,462,010	53,512,844
	₱1,521,196,720	₱1,551,999,914

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition cost, beginning and end of year	₱1,105,595,917	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of year	446,403,997	324,963,478
Equity in net earnings	133,196,806	273,498,337
Dividends	(164,000,000)	(152,442,000)
Equity in other comprehensive income (loss)	-	384,182

	415,600,803	446,403,997
	₱1,521,196,720	₱1,551,999,914

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PCPC	₱70,679,167	₱146,957,116
PEI	62,568,473	126,697,063
EWRTC	-50,834	-155,842
	₱133,196,806	₱273,498,337

Investment in PCPC

The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC.

The following table sets out the summarized financial information of PCPC as of September 30, 2022 and December 31, 2021:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets		
Current assets	₱3,293,201,206	₱3,183,042,154
Noncurrent assets	8,591,583,569	8,911,628,206
Less liabilities		
Current liabilities	1,179,306,650	1,942,607,687
Noncurrent liabilities	4,644,892,992	4,781,706,684
Equity	6,060,585,133	5,370,355,989
Group's carrying amount of the investment	₱1,090,984,378	₱1,130,305,211

	For the Nine Months Ended September 30	
	2022	2021
Revenue	₱3,255,498,042	₱524,069,797
Costs and expenses	2,902,102,205	146,429,661
Net income	353,395,837	377,640,136
Other comprehensive loss	-	-
Total comprehensive income	₱353,395,837	₱377,640,136

Investment in PEI

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

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

The following table sets out the summarized financial information of PEI as of September 30, 2022 and December 31, 2021:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets		
Current assets	₱407,985,995	₱476,704,629
Noncurrent assets	2,229,101,091	2,244,115,776
Less liabilities		
Current liabilities	265,878,682	686,811,523
Noncurrent liabilities	365,898,439	247,808,068
Equity	₱2,005,309,966	₱1,786,200,814
Group's carrying amount of the investment	₱376,750,332	₱368,181,859

	For the Nine Months Ended September 30	
	2022	2021
Revenue	₱494,935,281	₱234,320,607
Costs and expenses	182,092,913	67,432,051
Net income	312,842,367	166,888,556
Other comprehensive income	-	-
Total comprehensive income	₱312,842,367	₱166,888,556

Investment in EWRTC

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

In 2020, the PNR has re-granted the Original Proponent Status (OPS) to the Consortium. The Project was endorsed again to the National Economic and Development Authority (NEDA) for evaluation and approval by the Investment Coordination Committee (ICC). As of December 31,

2021, the Consortium has completed and submitted the latest requirements of the ICC, including the Environmental Impact Statement. In 2021, the Consortium has secured local endorsements from the local government unit hosts. The Consortium continues to work on securing the Environmental Compliance Certificate and remains in active discussions with foreign entities for possible entry and investment in the project. The following table sets out the summarized financial information of EWRTC as of September 30, 2022 and December 31, 2021:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets		
Current assets	₱42,563,828	₱39,006,517
Noncurrent assets	12,670,313	11,611,380
Less liabilities		
Current liabilities	502,886,087	460,708,044
Capital deficiency	-₱447,651,945	-₱410,090,147

10. Investment Properties and Property, Plant and Equipment

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment properties	₱449,433,520	₱449,402,314
Property, plant and equipment	₱1,258,280,020	₱921,133,741

Investment Properties

The account includes land held for capital appreciation amounting to ₱299 million as of September 30, 2022 and December 31, 2021; and land and building held for lease amounting to ₱148 million as of September 30, 2022 and December 31, 2021.

Property, Plant and Equipment

Property, plant and equipment includes land, leasehold improvements, bearer plants, refined bleached deodorized and fractionation machineries, buildings and improvements, machineries and equipment, construction in progress, right of use assets and other equipment.

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying, excluding the specific impairment as of September 30, 2022. The recoverable amount was computed using discounted cash flows approach.

11. Accounts and Other Payables

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade payables	₱574,388,982	₱474,740,425
Accrued expenses	116,145,023	197,008,429
Retention payable	168,418,506	38,407,226
Statutory payables	33,947,953	27,076,973
Accrued interest payable	2,883,267	2,883,267
	₱895,783,731	₱740,116,320

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

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

Retention payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor's billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

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

Accrued interest payable is normally settled within 30 days.

12. Contract Assets and Liabilities

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in POC, less reclassification to ICR.

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

When the Group's current collection threshold is reached by the buyer, revenue is recognized, and these deposits and down payments are recorded as either ICR or contract asset depending

on the right to demand collection. The excess of collections over the recognized revenue is applied against the receivables or contract assets in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the collection threshold and from increase in POC.

The Group's contract assets and liabilities as at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current portion of contract assets	₱488,206,872	₱185,102,035
Noncurrent portion of contract assets	650,888,046	484,925,421
Contract assets	1,139,094,919	670,027,456
Contract liabilities	₱223,444,988	₱169,402,619

13. Loans Payable

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

The Parent Company entered into loan agreements with the following banks: Union Bank of the Philippines (UBP), Development Bank of the Philippines (DBP), United Coconut Planters Bank (UCPB), China Bank Corporation (CBC), BPI Family Savings Bank (BPIF), May Bank Philippines (MBI), and Philippine Bank of Communication (PBCOM). The Parent Company also entered into loan agreements from a financial services company, Caterpillar Financial Services Phils. Inc. (CFSPI), from its affiliate, Brown Resources Corporation (BRC), and from a shareholder.

Short-term debt

Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest rates ranging from 5.5% to 8.5% and 4.5% to 9.0% in 2021 and 2020, respectively, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
DBP	₱161,238,000	₱174,936,500
UBP	90,000,000	100,000,000
CBC	100,000,000	95,000,000
PBCOM	19,800,000	39,600,000
UCPB	6,289,120	25,924,520
Shareholder Loan	-	8,000,000
	₱377,327,120	₱443,461,020

Long-term debt

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

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
UBP	₱489,286,441	₱468,500,000
DBP	246,294,000	260,000,000
Shareholder Loan	198,986,360	240,404,064
UCPB	25,908,200	46,976,000
CBC	29,099,411	26,863,833
BPIF	-	6,415,428
CFSPI	2,026,865	3,295,684
	₱991,601,277	1,052,455,009
Less current portion	226,160,371	201,643,018
	₱765,440,905	₱850,811,991

Interest expense (excluding capitalized borrowing costs) recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱12.5 million and ₱35.7 million for the three months ended September 30, 2022 and 2021, respectively.

Borrowing costs for the three months period ended September 30, 2022 and 2021 amounted to ₱53 million and ₱23 million, respectively, are capitalized as part of real estate inventories. The capitalization rate used to determine the borrowing costs eligible for capitalization is 4.43% and 6.34% for the three months period ended September 30, 2022 and 2021, respectively (see Note 5).

14. **Equity**

Common stock

As of September 30, 2022 and December 31, 2021, the Group's common stock consists of:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
<i>Common</i>		
Authorized shares	3,250,000,000	3,250,000,000
Par value per share	1	1
Issued shares	2,477,668,925	2,477,668,925
Outstanding shares	2,373,467,911	2,398,912,911
Value of shares issued	2,398,897,919	2,477,668,925

On October 12, 2017, the BOD approved the conversion of the Group's debt to Brownfield Holdings Incorporated amounting to ₱250,000,000 and deposits for future subscription of Valueleases, Inc. and RME Consulting, Inc. amounting to ₱200,000,000 to equity at ₱1.1 per share resulting to increase the number of issued shares by 398,230,088 shares.

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

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

Preferred stock

On April 12, 2021, the BOD approved the amendment of the Articles of Incorporation of the Parent Company to reclassify and divide the authorized capital stock into: (i) 3,250,000,000 common shares with a par value of ₱1.0 per share; and (ii) 50,000,000 preferred shares with a par value of ₱1.0 per share.

On May 25, 2021, the BOD authorized the shelf registration of 50 million preferred shares, and the offer and sale of up to 15 million preferred shares at an offer price of ₱100.0 per share.

On October 5, 2021, the SEC approved the Company's proposal to create preferred shares by reclassifying its authorized capital stock from the current 3.3 billion common shares to 3.25 billion common shares and 50.0 million preferred shares.

On November 12, 2021, the Company secured the approval from PSE and SEC for the offer and sale of 15.0 million cumulative, non-voting, non-participating, non-convertible, redeemable "Series A" preferred shares at the option of the Parent Company. The "Series A" preference shares are entitled to fixed rate cash dividends at 7% per annum, payable quarterly in arrears on March 1, August 29 and November 29 each year. The offering allowed the Parent Company to raise ₱1.3 billion as new capital.

The details of the Parent Company's preferred stock as at September 30, 2022 follow:

Authorized shares	50,000,000
Par value per share	₱1.0
Issued shares	13,264,900
Outstanding shares	13,264,900
Value of shares issued	₱13,264,900

Record of Registration of Securities with the SEC

Common Stock

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities which are offered to the public: SEC-BED Order No. 1179 issued on December 17, 1993 of 200.0 million shares at an issue price of ₱4.5 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares.

There were 2,088 and 2,090 stockholders as of September 30, 2022 and December 31, 2021, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.73 on September 30, 2022 and ₱0.79 on December 31, 2021.

Preferred Stock

The SEC issued the following orders related to the Group's registration and issuance of its "Series A" preferred shares securities which are offered to the public: (1) SEC MSR Order No. 76 s. 2021 ("Order of Registration") for the shelf registration of up to 50.0 million cumulative, non-voting, non-participating, non-convertible, and redeemable perpetual preferred shares; and (2) Permit to Offer Securities for Sale ("Permit to Sell") covering the Initial Offer Shares dated November 12, 2021.

On November 29, 2021, there were 13,264,900 "Series A" preferred shares that were issued and listed in the PSE with "BRNP" as its ticker symbol.

As of September 30, 2022 and December 31, 2021, there were three (3) registered "Series A" preferred stockholders in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱100.40 and ₱105.00 on September 30, 2022 and December 31, 2021, respectively.

Additional paid-in capital (APIC)

In relation to the issuance of preferred shares by the Parent Company in 2021, the Group has recognized APIC for the excess proceeds of subscriptions over the par value, net of transaction costs. Incremental costs directly attributable to the issue of new shares such as underwriter fees, legal fees, and other professional fees are presented in equity as a deduction from APIC amounting to ₱20.0 million, net of tax.

As of September 30, 2022 and December 31, 2021, APIC amounted to ₱1,931.3 million.

Treasury shares

In 2016, the Group has acquired all of the unissued fractional shares arising from the stock dividend declaration in 2013, constituting an aggregate of 1,014 shares. These 1,014 shares were reflected as subscribed and issued shares and recognized as treasury shares at cost equal to par value of ₱1.

On August 17, 2020, the BOD of the Parent Company has approved the implementation of a share buyback program of up to ₱50.0 million worth of the Parent Company's common shares. On May 25, 2021, the initial approved budget of the program has been extended from ₱50.0 million to ₱100.0 million as recommended and approved by the BOD.

In 2021, the Parent Company has bought back from the market a total of 78,756,014 shares or ₱70.6 million. These treasury shares are recorded at cost and are not entitled for dividends.

The movement in the Parent Company's treasury shares follows:

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Shares	Amount	Shares	Amount
At January 1	78,756,014	₱70,618,247	25,664,014	₱21,236,419
Additions	26,545,000	24,314,028	53,092,000	49,381,828
At December 31	105,301,014	₱94,932,275	78,756,014	₱70,618,247

15. Income Taxes

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

	For the Nine Months Ended September 30	
	2022	2021
RCIT	₱2,862,295	-₱4,310,318
MCIT	4,916,168	₱363,314
	₱7,778,463	-₱3,947,004

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax reported in the consolidated statements of comprehensive income follows:

	For the Nine Months Ended September 30	
	2022	2021
Income before income tax	₱496,927,959	₱369,177,894
Provision for income tax computed at statutory rate	124,231,990	22,710,989
Adjustments for equity in net earnings of associates	(33,299,202)	(41,972,460)
Remeasurements to prior period taxes relating to changes in tax rates:		
Deferred income tax	(58,991,232)	
Nondeductible expenses	3,501,970	7,044,895
Change in unrecognized deferred tax assets	(89,832)	(113,640)
Interest income already subjected to final tax	(230,656)	(20,868)
	₱35,123,038	-₱2,515,051

The components of net deferred tax liabilities as of September 30, 2022 and December 31, 2021 follow:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	-₱315,158,855	-₱244,414,568
Prepaid commission	-3,182,930	-3,182,930
Unrealized foreign exchange gain	-7,517	-7,517
	-318,349,302	-247,605,015
Deferred tax assets on:		
NOLCO	34,576,852	32,996,584
Fair value adjustment arising from business combination	13,301,338	13,301,338
Retirement benefit liability	8,782,346	8,782,346
MCIT	-	1,386,523
Allowance for impairment on receivables	698,549	698,549
	57,359,085	57,165,340
In equity:		
Remeasurement loss on retirement benefit plan	8,384,100	8,384,100
NOLCO on preferred share issue costs recognized in APIC	6,671,734	6,671,734
Cumulative translation adjustment	-1,671,013	-1,901,848
	13,384,821	13,153,986
Deferred tax liabilities - net	-₱247,605,396	-₱177,285,689

The components of net deferred tax assets as of September 30, 2022 and December 31, 2021 follow:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	₱7,981,508	₱7,981,508
ROU asset	1,539,539	1,539,539
Retirement benefit obligation	676,928	676,928
Allowance for impairment on receivables	824,977	824,977
	11,022,952	11,022,952
In equity:		
Remeasurement loss on retirement benefit plan	506,745	506,745
Deferred tax assets	₱11,529,697	₱11,529,697

Unrecognized deferred tax assets

The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized amounting to P34.6 million as of September 30, 2022 and December 31, 2021, respectively. These come from the following subsidiaries: ABERDI, BAC, PTCHC, ABBWCI, HLPC, SHDI, MCPI, VEC and ISI.

NOLCO. The details of NOLCO are as follow:

Year Incurred	Expiry Date	At December 31, 2020	Addition	Expired	At December 31, 2021
2018	December 31, 2021	P54,814,014	P-	(P54,814,014)	P-
2019	December 31, 2022	55,285,830	-	-	55,285,830
2020	December 31, 2025	41,586,606	-	-	41,586,606
2021	December 31, 2026	-	197,089,044	-	197,089,044
		P151,686,450	P197,089,044	(P54,814,014)	P293,961,480

MCIT. The details of excess MCIT are as follow:

Year Incurred	Expiry Date	At December 31, 2020	Addition	Expired	At December 31, 2021
2018	December 31, 2021	P373,900	P-	(P373,900)	P-
2019	December 31, 2022	304,879	-	-	304,879
2020	December 31, 2023	386,117	-	-	386,117
2021	December 31, 2024	-	1,536,172	-	1,536,172
		P1,064,896	P1,536,172	(P373,900)	P2,227,168

16. Business Combination

Acquisition of VEC

On June 18, 2020, the Parent Company signed a share purchase agreement with Argo Group Pte. Ltd., to acquire Argo Group Pte. Ltd.'s 99.995% ownership interest in VEC for a total consideration of P50.2 million pertaining to the transfer of the Parent Company's EIFVPL through a deed of assignment of shares.

The following are the fair values of the identifiable assets and liabilities assumed:

Assets:	
Cash	P51,507
Receivables	1,674,693
Other current assets	1,537,086
Property and equipment (Note 10)	78,575,418
	<u>81,838,704</u>
Liabilities:	
Trade and other payables	29,009,627
Total net assets acquired	<u>52,829,077</u>
Acquisition cost	(50,170,000)
Gain on bargain purchase	<u><u>P2,659,077</u></u>
Cash flow on acquisition:	
Cash acquired with the subsidiary	<u><u>P51,507</u></u>

The valuation had not been completed by the date the financial statements were approved for issue by the BOD on April 23, 2021. The purchase price allocation resulted in gain on bargain purchase of P2.7 million which is presented under "Gain on bargain purchase" in the 2020 consolidated statement of comprehensive income. VEC was sold at a discount since Argo Group Pte. Ltd. is no longer interested in pursuing its liquified natural gas projects and was keen to divest its investment related to such.

The accounting for business combination was determined provisionally in 2020 as allowed by PFRS 3.

In 2021, the Group determined that the provisional amounts are final and that no adjustments shall be made in the consolidated financial statements.

17. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables (excluding advances to officers and employees), receivables from related parties, EIFVPL, EIFVOCI and refundable deposits included under “Other assets”. This also includes financial liabilities comprising accounts and other payables (excluding statutory payables), short-term and long-term debts. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Group’s business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group’s results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Group’s overall risk management strategies and for approval of risk strategies and policies under the direction of the Group’s BOD.

The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

There were no changes in the Group’s financial risk management objectives and policies in 2022 and 2021.

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

Credit Risk

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

The Group trades only with recognized, creditworthy third parties. The Group’s receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Group’s debt financial assets are not subject to collateral and other credit enhancement except for real estate receivables. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group’s respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil

considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

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

The Group's maximum exposure to credit risk is equal to the carrying values of its debt financial assets and contract assets except for ICRs as discussed above. The table below shows the credit quality and aging analysis of the Group's financial assets and contract assets:

The aging analysis per class of financial assets as at September 30, 2022 and December 31 is as follows:

	September 30, 2022(Unaudited)					
	Total	Neither Past		Past Due But not Impaired		
		Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days
Financial assets:						
Cash in banks	P160,742,540	P160,742,540	-	-	-	-
Receivables	670,117,080	594,521,607	P5,967,736	P456,554	P253,127	P69,038,215
Receivables from related parties	54,458,549	54,458,549	-	-	-	-
Refundable deposits	8,502,919	8,502,919	-	-	-	-
Contract assets	488,206,872	488,206,872	-	-	-	-
	P1,382,027,961	P1,306,432,488	P5,967,736	P365,397	P224,125	P69,038,215

	December 31, 2021 (Audited)					
	Total	Neither Past		Past Due But not Impaired		
		Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days
Financial assets:						
Cash in banks	P1,270,363,094	P1,270,363,094	-	-	-	-
Receivables	492,479,713	405,134,428	P2,780,662	P2,313,202	P1,339,901	P74,817,410
Receivables from related parties	126,310,274	126,310,274	-	-	-	-
Refundable deposits	48,759,913	48,759,913	-	-	-	-
Contract assets	670,027,456	670,027,456	-	-	-	-
	P2,707,940,451	P2,529,966,941	P4,560,386	P3,556,569	P2,199,063	P163,396,632

The following are the details of the Group's assessment of credit quality and the related ECLs as at September 30, 2022 and December 31, 2021.

General approach

- *Cash* – These are of high quality as the amounts are deposited in reputable banks which have good bank standing and is considered to have low credit risk. Accordingly, management assessed that no ECL relating to the cash of the Group is recognized.
- *Receivables (except ICR and trade receivables), receivables from related parties and refundable deposits* – These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables and deposits of the Group is recognized. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.

Simplified approach

- *ICR and contract assets* – These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables of the Group is recognized. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.
- *Trade receivables* – These are high grade since these pertain to receivables from customers who have established good credit standing with the Company. The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. Accordingly, management assessed and recognized ECL relating to trade receivables amounting to nil and ₱2.8 million in 2021 and 2020, respectively. Trade receivables are regarded as short-term and while there are certain accounts that are past-due, the Group evaluates the credit risk with respect to trade receivables as low as there were no history of default payments.

For financial assets recognized on the consolidated statements of financial position, the gross exposure to credit risk equals their carrying amount except for ICR and contract assets where exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the

inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

The tables below summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of its financial liabilities as of September 30, 2022 and December 31, 2021 based on contractual undiscounted payments:

	September 30, 2022(Unaudited)			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	P160,742,540			P160,742,540
Receivables	584,850,978		P1,223,883,419	1,808,734,397
EIFVOCI	-	-	265,781,453	265,781,453
Refundable deposits	-	7,462,263		7,462,263
	745,593,519	7,462,263	1,489,664,872	2,242,720,653
Financial Liabilities				
Accounts and other payables*	172,367,156	689,468,623	-	861,835,778
Short-term debt				
Principal		377,327,120	-	377,327,120
Interest	-	28,091,666	-	28,091,666
Long-term debt				
Principal	-	226,160,371	765,440,905	991,601,277
Interest	-		44,242,484	44,242,484
	172,367,156	1,321,047,780	809,683,390	2,303,098,325
Net Inflow (Outflow)	P573,226,363	-P1,313,585,517	P679,981,482	-P60,377,672

December 31, 2021 (Audited)				
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	P1,277,986,644			P1,277,986,644
Receivables	78,389,003	P360,997,174	P46,999,426	486,385,603
EIFVOCI	-	-	239,411,453	239,411,453
Receivables from related parties	126,310,275	-	-	126,310,275
Refundable deposits	-	7,462,263	41,297,650	48,759,913
	1,482,685,922	368,459,437	327,708,529	2,178,853,888
Financial Liabilities				
Accounts and other payables *	309,451,474	403,587,873	-	713,039,347
Short-term debt				
Principal	8,000,000	435,461,020	-	443,461,020
Interest	-	28,091,666	-	28,091,666
Long-term debt				
Principal	-	201,643,018	850,811,991	1,052,455,009
Interest	-	7,704,967	32,510,317	40,215,284
	317,451,474	1,076,488,544	883,322,308	2,277,262,326
Net Inflow (Outflow)	P1,165,234,448	-P708,029,107	P555,613,779	-P98,408,438

* Excluding statutory payables amounting to P60,802,146

* Excluding statutory payables amounting to P27,076,973

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

The following table presents a comparison by category of carrying values and estimated fair values of the Group's financial instruments as at September 30, 2022 and December 31, 2021:

	September 30, 2022(Unaudited)		December 31, 2021 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Cash	P160,742,540	P160,742,540	P1,277,986,644	P1,277,986,644
Receivables	1,808,734,397	1,808,734,397	486,385,603	486,385,603
Receivables from related parties	54,458,549	54,458,549	126,310,274	126,310,274
EIFVOCI	265,781,453	239,411,453	239,411,453	239,411,453
Refundable deposits	8,502,919	8,502,919	48,759,913	48,759,913

	2,298,219,858	2,271,849,858	2,178,853,887	2,178,853,887
Financial Liabilities				
Accounts and other payables*	855,280,793	855,280,793	713,039,347	713,039,347
Short-term debt	377,327,120	377,327,120	443,461,020	443,461,020
Long-term debt	998,156,262	998,156,262	1,052,455,009	1,150,981,511
	₱2,230,764,175	₱2,230,764,175	₱2,208,955,376	₱2,307,481,878

* Excluding statutory payables amounting to ₱60,802,146 and ₱27,076,973 in 2022 and 2021, respectively.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash, receivables (except ICR), accounts and other payables and short term-debt.* The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.
- *ICR.* The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates (Level 3 input).
- *Receivables from related parties.* Carrying amounts of receivables from related parties which are collectible on demand approximate their fair values. Receivables from related parties are unsecured and have no foreseeable terms of repayments.
- *EIFVOCI.* For unquoted equity securities, the fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 3 input).
- *Refundable deposits.* The fair values of refundable deposits are not determinable since the timing of each refund is not reasonably predictable, hence presented at cost.
- *Long-term debt.* The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 5.4% to 7.5% in 2021 and 2020. The Group classifies the fair value of its long-term debt under Level 3.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at September 30, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. Segment Information

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of September 30, 2022.
- Holding - Holding of properties of every kind and description.
- Consumer - Provide irradiation services for all types of goods. However, there was no commercial operations yet as of September 30, 2022.

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

For the years ended September 30, 2022 and December 31, 2021, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

	For the Period Ending September 30, 2022					
	Real Estate		Power and		Eliminations	Consolidated
	Development	Agricultural	Utilities	Holding		
Revenue	793,217	106,654	-	-	-	899,871
Costs and expenses	272,784	103,919	-	-	-	376,703
Gross profit	520,433	2,735	-	-	-	523,168
General, administrative and selling expenses	(157,990)	(27,941)	(3,361)	(219)	2,168	(187,343)
Other income (expenses)	161,837	2,236	30,000	-	(43,672)	150,401
Income (loss) before income tax	524,280	(22,970)	26,639	(219)	(30,804)	496,926

Provision for (benefit from) income tax:						
Current	2,862	-	-	-	-	2,862
Deferred	4,916	-	-	-	-	4,916
	7,778	-	-	-	-	7,778
Net income (loss)	P516,502	-P22,970	P26,639	-P219	-P30,804	P489,148
Net income attributable to:						
Owners of the Parent Company	516,502	(22,970)	26,647	(219)	(30,804)	489,156
Non-controlling interests	-	-	(8)	-	-	(8)
	P516,502	-P22,970	P26,639	-P219	-P30,804	P489,148

For the Period Ending September 30, 2022

	Real Estate Development	Agricultural	Power and Utilities	Holding	Eliminations	Consolidated
Other information						
Segment assets	P9,191,569	P1,437,491	P182,151	P1,048,394	-P2,543,404	P9,316,201
Deferred tax assets	2,648	8,859	-	23		11,530
Total Assets	P9,194,217	P1,446,350	P182,151	P1,048,417	-P2,543,404	P9,327,731
Segment liabilities	P2,703,829	P1,337,393	P116,561	P859,487	-P2,390,675	P2,626,595
Deferred tax liabilities	247,603	-	-	-	-	247,603
Total Liabilities	P2,951,432	P1,337,393	P116,561	P859,487	-P2,390,675	P2,874,198

For the Year Ended December 31, 2021

	Real Estate Development	Agricultural	Power and Utilities	Holding	Consumer	Eliminations	Consolidated
Revenue	653,289	56,980	-	-	-	-	710,269
Costs and expenses	229,270	42,482	-	-	-	-	271,752
Gross profit	424,019	14,498	-	-	-	-	438,517
General, administrative and selling expenses	(198,880)	(56,118)	(2,599)	(1,795)	(9,742)	3,769	(265,365)
Other income (expenses)	146,618	(13,530)	271,899	79,994	5	(235,490)	249,494
Income (loss) before income tax	371,757	(55,150)	269,299	78,199	(9,738)	(231,721)	422,647
Provision for (benefit from) income tax:							
Current	(2,643)	329	0	-	-	-	(2,313)
Deferred	38,109	(1,104)	(0)	-	-	365	37,370
	35,466	(775)	0	-	-	365	35,057
Net income (loss)	336,291	(54,375)	269,299	78,199	(9,738)	(232,086)	387,590

Net income attributable to: Owners of the Parent Company	336,291	(54,375)	269,328	78,199	(9,738)	(232,115)	387,590
Non-controlling interests	-	-	(29)	-	-	29	-
	336,291	(54,375)	269,357	78,199	(9,738)	(232,144)	387,590

For the Year Ended December 31, 2021

	Real Estate Development	Agricultural	Power and Utilities	Holding	Consumer	Eliminations	Consolidated
Other information							
Segment assets	8,456,142	1,210,483	1,528,612	1,121,514	93,809	(3,794,546)	8,616,013
Deferred tax assets	-	8,503	3	23	-	31,926	40,455
Total Assets	8,456,142	1,218,986	1,528,615	1,121,537	93,809	(3,762,620)	8,656,469
	-	-	-	-	-	-	-
Segment liabilities	2,413,454	1,138,069	41,679	845,257	78,546	(2,042,645)	2,474,360
Deferred tax liabilities	202,030	-	2	-	-	15,950	217,982
Total Liabilities	2,615,484	1,138,069	41,681	845,257	78,546	(2,026,695)	2,692,343

19. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities

September 30, 2022(Unaudited)

	Beginning Balance	Availments	Payments	Ending Balance
Short-term debt	₱ 443,461,020	₱189,187,000	-₱255,320,900	₱377,327,120
Long-term debt	1,052,455,009	138,036,499	(198,890,231)	991,601,277
	₱ 1,495,916,029	₱327,223,499	-₱454,211,131	₱1,368,928,397

December 31, 2021 (Audited)

	Beginning Balance	Availments	Payments	Ending Balance
Short-term debt	₱ 414,177,400	₱ 157,065,000	(₱ 127,781,380)	₱ 443,461,020
Long-term debt	820,856,568	547,171,200	-315,572,759	1,052,455,009
	₱ 1,235,033,968	₱ 704,236,200	(₱ 443,354,139)	₱ 1,495,916,029

Others include reclassification of interest expense and capitalized borrowing costs.

The Group's noncash investing and financing activities pertain to the following:

- In September 30, 2022 and September 30, 2021, capitalized borrowing cost amounted to ₱ 53 million and ₱23 million, respectively.

20. Revenue from Contracts with Customers

Revenue Disaggregation

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	For the Nine Months Ended September 30	
	2022	2021
<i>Type of product:</i>		
Real estate sales		
Lot-only units	₱608,164,998	₱254,691,942
House and lot units	165,706,597	186,357,005
Water service	19,345,004	18,750,557
Sale of agricultural goods		
Crude palm oil	97,144,100	17,389,251
Palm acid oil	3,873,180	1,495,260
Palm stearin	1,824,045	1,762,946
RBDO	1,751,240	
Palm fatty acid distillate	873,888	1,266,540
Palm kernel	811,587	654,732
Palm olien	72,991	13,164,710
FFB	302,574	
	₱899,870,203	₱495,532,944

The real estate sales and water service revenue are revenue from contracts with customers that are recognized over time while revenue from sale of agricultural goods are recognized at a point in time.

Contract Balances

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
ICR	₱222,658,209	₱330,518,474
Current portion of contract assets	488,206,872	185,102,035
Noncurrent portion of contract assets	650,888,046	484,925,421
Costs to obtain contracts	14,367,820	12,725,634
Contract liabilities	223,444,988	169,402,619

ICR are from real estate sales which are collectible in equal monthly installments with various terms up to a maximum of two years, and bear interest ranging from 10% to 18% in 2021 and 2020. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already demandable for collection or when the remaining balance of the total contract price once the equity payments have been settled by the customer is already collectible for collection from the bank for real estate sales under bank financing. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Cost to obtain contract are derecognized if sales are subsequently cancelled. The balances below pertain to the costs to obtain contracts:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance Beginning	₱12,725,634	₱16,005,309
Additions	13,193,027	44,428,940
Amortization	-11,550,841	-47,708,615
Balance Ending	₱14,367,820	₱12,725,634

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on percentage of completion. The movement in contract liability is mainly due to sales reservations and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in POC.

Performance Obligation

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

Real estate sales

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

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme

would include payments of 10% to 25% of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

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

21. Other Matters

Impasug-Ong and Kalabugao Plantations

The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

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

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

The responsibilities of KASAMAKA with regards to the project follow:

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

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

Opol Plantation

The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with KMBT.

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

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

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

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

In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested. The royalty fee is included as part of the costs of purchase of FFB recognized under "Other inventories - at cost" in the consolidated statements of financial position.

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures in various levels throughout the country has caused disruption in the Group's business activities. The Group has adjusted its operations in accordance with the required measures and safety protocols.

Construction and real estate development activities have resumed at various level of activities following safety protocols mandated by the national and local government.

A BROWN COMPANY, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position as of September 30, 2022 and December 31, 2021

Consolidated Statements of Comprehensive Income for the Period Ended
September 30, 2022 and September 30, 2021

Consolidated Statements of Changes in Equity for the Period Ended
September 30, 2022 and December 31, 2021 and September 30, 2021

Consolidated Statements of Cash Flows for the Period Ended
September 30, 2022 and September 30, 2021

Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES

INDEX TO THE SUPPLEMENTARY SCHEDULES

Annex I: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex II: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex III: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

Annex IV: Schedule of Financial Soundness Indicators

Annex V: Schedule for Listed Companies with Recent Offering Securities to the Public (Series A – Preferred Shares Offering)

A BROWN COMPANY, INC. AND SUBSIDIARIES

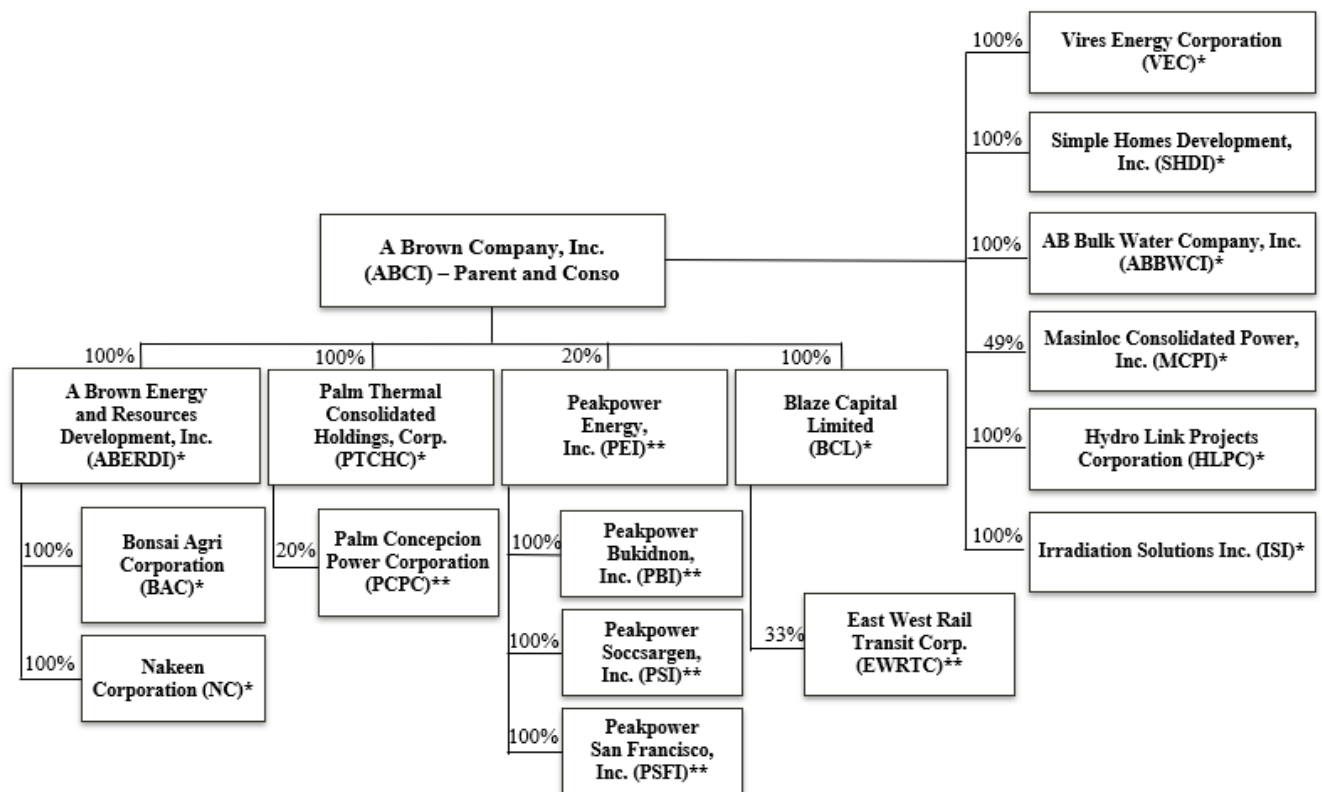
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION**
September 30, 2022

Unappropriated Retained Earnings, as adjusted to	₱1,834,803,085
available for dividend distribution, beginning	
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	489,149,496
Less: Non-actual/unrealized income net of tax	-
Equity in net income of associate/joint venture	-
Add (Less):	
Treasury shares	-94,932,275
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND	₱2,229,020,306

A BROWN COMPANY, INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

September 30, 2022



*Subsidiary

**Associate

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
September 30, 2022

	Number of shares or principal amount of bonds and notes	Amount shown in the consolidated statement of financial position	Income received or accrued
Cash	-	₱167,613,635	₱298,197
Receivables	-		
Dividend receivable	-	-	-
Trade receivable	-	18,538,136	-
ICR	-	222,658,209	12,794,719
Other receivables	-	432,703,993	-
EIFVPL	-	-	-
EIFVOCI	29,387,017	265,781,453	-
Receivables from related parties	-	-	-
Refundable deposits	-	47,457,448	-
	29,387,017	₱2,281,751,560	13,092,915

A BROWN COMPANY, INC. AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)****September 30, 2022**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
<i>Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.</i>						

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM
RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
September 30, 2022

Intercompany receivable and payable

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱35,931,775		-
ABERDI	33,331,407		-
BWCI		-₱15,362,265	-
MCPI		(29,400)	-
SHDI		(1,877,484)	-
BAC		(1,516,178)	-
NC		(3,611,648)	-
BCL		(42,134,716)	-
ISI		-	-
VEC		(4,731,491)	-
Total Eliminated Receivables/Payables	₱69,263,182	-₱69,263,182	-

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance		Payable Balance	Current Portion
ABCI	₱ 1,888,268,466		-	-
ABERDI	248,047,978	-₱	885,782,269	-
NC	-		-248,047,978	-
HLPC	-		-26,084,253	-
PTCHC	-		-749,427,698	-
BCL	-		-12,909,913	-
ISI			-153,242,185	-
VEC			-60,822,148	-
Total Eliminated DFFS	₱ 2,136,316,444	-₱	2,136,316,444	-

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
September 30, 2022

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related consolidated statement of financial position	Amount shown under caption "long-term debt" in related consolidated statement of financial position
Term Loan	₱1,956,073,049	₱226,160,371	₱765,440,905

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
September 30, 2022

Indebtedness to related parties (Long-term loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
Shareholders	₱240,404,064	₱198,986,360

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF
OTHER ISSUERS
September 30, 2022

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
Not applicable				

ANNEX III - SCHEDULE G

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
September 30, 2022

Title of Issue	Number of shares		Number of shares reserved for options warrants, conversion and other rights	Number of shares held by		
	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption		Affiliates	Directors, officers and employees	Others
Common stock	3,250,000,000	2,372,367,911	–	1,351,556,468	215,389,848	805,421,595
Preferred stock	50,000,000	13,264,900	–	–	30,000	13,234,900
Total	3,300,000,000	2,385,632,811	–	1,351,556,468	215,419,848	818,656,495

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
September 30, 2022

Below are the financial ratios that are relevant to the Group for the periods ended September 30, 2022 and ended September 30, 2021

Ratios	Formula	September 30, 2022	September 30, 2021
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.78	2.81
Acid test ratio	$\frac{\text{Quick assets}}{\text{Current liabilities}}$	0.38	0.83
Solvency ratio	$\frac{\text{Net income} + \text{Depreciation}}{\text{Total liabilities}}$	0.17	0.15
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.45	0.55
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.45	1.55
Interest rate coverage ratio	$\frac{\text{EBITDA}}{\text{Total interest paid}}$	7.47	5.31
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	0.08	0.08
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	0.03	0.05
Net profit margin	$\frac{\text{Net income}}{\text{Net revenue}}$	0.54	0.74

ANNEX V

A BROWN COMPANY, INC. AND SUBSIDIARIES
SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING SECURITIES
TO THE PUBLIC
(SERIES A - PREFERRED SHARES OFFERING)
FOR THE QUARTER AND AS OF THE PERIOD ENDED SEPTEMBER 30, 2022

The information below is in connection with the preferred shares issued by A Brown Company, Inc. and listed on the Philippine Stock Exchange on November 29, 2021.

1. Gross and net proceeds as disclosed in the final prospectus

	Base Offer	Oversubscription Option	Total
Gross proceeds	₱ 1,000,000,000	₱ 500,000,000	₱ 1,500,000,000
Net proceeds	₱ 972,206,809	₱ 494,126,842	₱ 1,466,333,651

2. Actual gross and net proceeds

Gross proceeds	₱ 1,326,490,000
Net proceeds	₱ 1,305,873,507

3. Each expenditure item where the proceeds were used

	As of June 30, 2022	For the Quarter - September 30, 2022	As of September 30, 2022
Development for Real Estate Projects	₱ 433,732,395	₱ 166,267,605	₱ 600,000,000
Landbanking	255,400,455	144,599,545	400,000,000
Finance Future Funding Requirements for ISI	200,000,000	-	200,000,000
General Corporate Purposes	105,869,384	4,123	105,873,507
Total	₱ 995,002,234	₱ 310,871,273	₱ 1,305,873,507

4. Balance of the proceeds as of September 30, 2022

₱ -