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SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

XAVIER ESTATES UPTOWN
AIRPORT ROAD BALULANG
CAGAYAN DE ORO CITY

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

Allan Ace R. Magdaluyo	02-8631 8890
Contact Person	Company Telephone Number

2023 3rd Quarter Report - Amended

12 31	17-Q	06
Month Day Fiscal Year	FORM TYPE	Month Day Annual Meeting

Secondary License Type, if applicable

M S R D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

2,087 Common and 3 Preferred (September 30, 2023)	Php 2,479,740,606 (September 30, 2023)	- 0 -
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the **3rd quarter** ended **September 30, 2023**
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, 2023)
Preferred shares	13,264,900 (As of September 30, 2023)

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.

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PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Interim Consolidated Financial Statements (Unaudited) – Reviewed (as Exhibit 1) for the Third (3rd) Quarter ending September 30, 2023.

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

Financial Condition – Interim Consolidated (Unaudited) - Reviewed

In Philippine Peso	Unaudited 3rd Quarter September 2023	Audited 2022	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	Unaudited 3rd Quarter September 2023	Audited 2022
Current Assets	**5,795,303,242**	4,895,903,573	899,399,669	18%	50%	49%
Noncurrent Assets	**5,775,152,605**	5,109,943,219	665,209,386	13%	50%	51%
Total Assets	**11,570,455,847**	10,005,846,792	1,564,609,055	16%	100%	100%
Current Liabilities	**2,692,015,252**	2,093,509,315	598,505,937	29%	23%	21%
Noncurrent Liabilities	**1,853,126,437**	1,352,475,218	500,651,219	37%	16%	14%
Equity	**7,025,314,158**	6,559,862,259	465,451,899	7%	61%	66%
Total Liability and Equity	**11,570,455,847**	10,005,846,792	1,564,609,055	16%	100%	100%

A Brown Company, Inc. - CONSOLIDATED
Financial Condition items – September 30, 2023 vs. December 2022

The Group's total assets increased by **16% or about ₱1.6 billion** from a balance of about ₱10.006 billion as of end of the year 2022 to about **₱11.570 billion** as of September 30, 2023.

Current assets increased by 18% or about ₱899.4 million as a result of the net effect of the following:

47% or* ₱98.4M *decrease in Cash – due to the net effect of cash used from operating, investing and net cash provided from financing activities. Cash dividends from associates amounting to **₱170.7M** were generated from investments and cash inflow from receivables from related parties amounting to **₱56.2M**. Other uses of cash from investing activities include the acquisition of property, plant and equipment at **₱348.7M and** cash outflow from other non-current assets at **₱89.1M.** Financing activities include the receipt of the proceeds from short term and long-term debt amounting to **₱669.5M and ₱802.5M**, respectively and the payments made to short-term and long-term debt amounting to **₱466.4M and ₱270.6M**, respectively. Interest payments amounted to **₱124.7M.** Payment of preferred shares cash dividends amounted to **₱69.6M**. Net cash flow used from operating activities totaled **₱419.7M.** The effect of exchange rate changes on cash resulted to deduction to cash balance which amounted to **₱2.7M**.

29% or about* ₱78.4M *increase in Current Receivable due to the net effect of:

a) **35% or ₱7.0M decrease in dividend receivable -** due to the collection of dividends declared by the associates during this current period
b) **47% or ₱7.9M increase in Trade Receivable** – directly related to the collectible in trade receivables on the sale of agricultural goods and the collectibles from water income.
c) **59% or ₱94.7M increase in installment contract receivable-current -** due to increase in booked installment sales

d) **42% or ₱3.4M increase in advances to officers and employees -** due to additional cash advances
e) **27% or ₱18.4M decrease in Other receivables -** due to increase collection of advances made to affiliates and homeowners
f) **28% or ₱2.2M increase in Allowance for credit losses** - due to the increase in expected credit losses arising from the receivables from the sale of agricultural goods

27% or ₱187.1M increase in Current Contract assets - pertains to the increase in the completed portion of the contract against the amount collected from buyers that will be billed and collected within 12 months

18% or* ₱521.8M *increase in Real estate inventories – due to the net effect of the increase in land and development costs over sales of various projects. There is an increase in construction and development costs by **20% or ₱435.9M** and the increase of land for sale and development by **11% or ₱85.9M**. Additional construction costs incurred for the period amounted to **₱580.2M**; capitalized borrowing cost amounted to **₱54.1M**, deposits for land acquisition amounted to **₱176.4M** and capitalized depreciation of equipment used in the development amounted to **₱5.2M** net of cost of real estate inventory sold amounted to **₱294.1M.**

3% or* ₱6.2M *increase in Inventories – due to increase in construction materials used in development projects amounting to **₱13.8M or by 13%** though there was a slight decrease in finished agricultural goods amounting to **₱6.5M or by 7%** and **₱1.1M or by 97%** for material and other supplies.

53% or* ₱56.2M *decrease in receivables from related parties – due to collection of receivables from related parties

56% or ₱260.5M increase *in prepayments and other current assets* – due to the net effect of:
a) 75% or ₱193.4M increase in deposit for land acquisition – pertains to installment payments made to landowners of land intended for real estate project in the future
b) 25% or ₱30.5M increase in creditable withholding tax – Pertains to the corresponding creditable withholding taxes on collections during the period
c) 39% or ₱27.3M increase in prepaid expenses – pertains to the utilization of the fuel to development
d) ₱17k increase in input taxes – directly related to the increase in the balance of Input VAT passed on by the Company's suppliers and contractors in the ordinary course of its business which is applied against the Output VAT payable by the Company on the sale of its goods and services
e) 138% or ₱3.3M increase in cost to obtain contract – Due to pre-payments of commissions on real estate sales and additional booked units during the period
f) 141% or ₱5.9M increase in miscellaneous **–** pertains to the advances to suppliers and contractors.

Non-Current assets increased by 13% or about ₱665.2 million as a result of the net effect of the following:

***18% or* ₱138.8M *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 beyond the 12 months

***18% or* ₱54.1M *increase in Equity Instruments at fair value through other comprehensive income* –** due to increase of share price of equity instruments at FVOCI.

6% or ₱97.6M *increase in Investment in Associates* – due to the Group's share in the net income of the associates, net of the **₱**163.7M dividends declared for the Group during the period

₱1.3M *increase in Investment Properties* – due to additional land held for capital appreciation by 1% or **₱3.4M** which was reduced by additional **₱2.1M** depreciation of golf properties during the period

25% or ₱281.4M *increase in Property, Plant and Equipment, net* - due to the additional property and equipment purchased against the depreciation recorded by the Group
a) 587% or ₱76.1M increase in Land – due to additional acquisition of land of the new subsidiary SGAC
b) 14% or ₱4.9M decrease in Leasehold improvements – net due to depreciation
c) 8% or ₱21.1M decrease in Bearer Plants – net due to impairment of bearer plants-trees

d) 4% or ₱7.7M decrease in RBD and Fractionation Machineries - net due to depreciation
e) 128% or ₱9.5M increase in Building and Improvements - net due to ₱11.4M additions and the new recorded ₱1.9M depreciation
~~f)~~ 1% or ₱1.4M decrease in Machinery and Equipment- net due to lower new acquisitions at ₱17.3M as compared to the added ₱18.8M depreciation
g) 62% or ₱214.3M increase in Construction in Progress - net due to additional development cost of new projects e.g. Irradiation Solutions Inc. (ISI); Vires Energy Corporation (VEC) and Surigao Greens Agri Corp. (SGAC)
h) 3% or ₱826k decrease in Right-of-Use Assets – net due to amortization
i) 14% or ₱17.4M increase in Other equipment – net due to ₱38.1M new purchases which is higher than the ₱20.7M depreciation

19% or* ₱2.9M *increase in Deferred Tax Assets – due to the increase in the tax effect of the allowance for impairment loss on receivables and on PPE; PFRS 16 adjustment and retirement benefit obligation as of this period.

13% or* ₱89.1M *increase in Other Non-current Assets – due to net effect on the increase in advances to third party by 35% or ₱75.7M - pertaining to payments made by the Group to its suppliers for materials to be used for the construction of its irradiation facility and for potential joint venture partners for acceptable business projects; increase on refundable deposits – net of current portion, by 1% or ₱264k and increase in deferred input VAT by 21% or ₱13.2M.

Current liabilities increased by 29% or about ₱598.5 million as a result of the net effect of the following:

16% or* ₱178.2M *increase in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 12% or ₱89.9M increase in accounts payable – payments on the purchases made during the period is higher than the purchased made on account
b) 53% or ₱111.9M decrease in accrued expenses – due to the net effect on the decrease in accrued services by 3% or ₱1.3M and other accrued expenses by 93% or ₱118.7M and increase in accrued professional fees by 85% or ₱7.9M and with accrued payroll by ₱107k
c) 57% or ₱25.0M increase in retention payable - due to the increase in the amount withheld by the Group on contractor's billings
d) 326% or ₱173.4M increase in statutory payables - increase is due to additional output tax recognized on sales of real estate inventory
e) 28% or ₱1.8M increase in accrued interest payable - due to accrued interest payable for existing and new loan availment

43% or* ₱203.1M *increase in Short term Debt – due to the net effect on the higher availment of new short-term loan versus its payments

42% or* ₱133.2M *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

38% or* ₱84.0M *increase in Contract liabilities – pertains to the collection from real estate customers that 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 increased by 37% or about* ₱500.7 *million as a result of the net effect of the following:

41% or ₱394.5M *increase in Long-term Debt - net* – due to the availment of new long-term loans

***10% or* ₱6.9M *increase in Retirement benefit obligation* –** due to increase in retirement benefit obligation by resulting from the net effect on the increase of current service cost of **₱4.7M** and interest cost of **₱4.1M** against the increase in fair value of plan assets, mainly from the contribution to the retirement fund amounting to **₱2.7M** and actuarial losses amounting to **₱1.1M**

***31% or* ₱99.3M *increase in Deferred tax liabilities* –** mainly due to the effect of deferred taxable income on sale of real estate

Equity increased by 7% or about ₱465.5 million as a result of the net effect of the following:

***17% or* ₱414.9M *increase in the Retained Earnings* –** due to the net effect of net income earned during the period and the declaration of preferred shares cash dividends

41% or* ₱54.1M *decrease in Cumulative unrealized loss on EIFVOCI *– due to the increase in value of equity instruments at fair value through comprehensive income (EIFVOCI)*

4% or ₱815k *increase in Remeasurement loss on retirement benefit obligation* – related to the re-measurement loss on plan assets, net of income tax

41% or* ₱2.7M *decrease in Cumulative translation adjustment – related to the exchange differences in foreign currency translation

Results of Operations – Interim Consolidated (Unaudited) - Reviewed

For the Quarter

In Philippine Pesos	For the Quarter ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 2023	Unaudited September 2022	Amount	%	Unaudited September 2023	Unaudited September 2022
Real estate sales	**289,038,856**	299,128,252	(10,089,396)	-3%	**87%**	91%
Sale of agricultural goods	**36,721,998**	23,450,786	13,271,212	57%	**11%**	7%
Water service income	**7,092,377**	6,474,331	618,046	10%	**2%**	2%
REVENUES	**332,853,231**	329,053,369	3,799,862	1%	**100%**	100%
Cost of real estate sales	**88,408,176**	127,759,686	(39,351,510)	-31%	**27%**	39%
Cost of agricultural goods sold	**21,792,103**	26,335,646	(4,543,543)	-17%	**7%**	8%
Cost of water service income	**3,633,727**	4,572,780	(939,053)	-21%	**1%**	1%
COST OF SALES AND SERVICES	**113,834,006**	158,668,112	(44,834,106)	-28%	**34%**	48%
GROSS PROFIT	**219,019,225**	170,385,257	48,633,968	29%	**66%**	52%
General, Administrative and Selling Expenses	**127,063,357**	77,567,356	49,496,001	64%	**38%**	24%
Share in net income (loss) of associates	**79,799,179**	130,190,273	(50,391,094)	-39%	**24%**	40%
Interest expense	**(37,321,503)**	(6,396,969)	30,924,534	483%	**-11%**	-2%
Other income (expense) -net	**13,305,022**	10,533,875	2,771,147	26%	**4%**	3%
Other Income (Expense)	**55,782,698**	134,327,179	(78,544,481)	-58%	**17%**	41%
Income (Loss) before Income Tax	**147,738,566**	227,145,080	(79,406,514)	-35%	**44%**	69%
Provision for (Benefit from) Income Tax	**22,543,883**	30,746,961	(8,203,078)	-27%	**7%**	9%
NET INCOME (LOSS)	**125,194,683**	196,398,119	(71,203,436)	-36%	**38%**	60%
Cumulative loss translation adjustment	**(245,484)**	(640,863)	(395,379)	-62%		
Net change in fair value of EIFVOCI	**1,278,262**	(12,782,609)	14,060,871	110%		
Re-measurement gain (loss) on retirement obligation-net of tax effect	**(734,616)**	(1,270,869)	(536,253)	-42%		
OTHER COMPREHENSIVE INCOME (LOSS)	**298,162**	(14,694,341)	14,992,503	102%		
TOTAL COMPREHENSIVE INCOME (LOSS)	**125,492,845**	181,703,778	(56,210,933)	-31%		

Year-to-Date

In Pesos	Year-to-Date ending		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	Unaudited September 2023	**Unaudited September 2022**	**Amount**	%	**Unaudited September 2023**	**Unaudited September 2022**
Real estate sales	**972,897,515**	766,659,696	206,237,819	27%	**88%**	86%
Sale of agricultural goods	**111,094,508**	106,351,030	4,743,478	4%	**10%**	12%
Water service income	**20,420,873**	18,767,705	1,653,168	9%	**2%**	2%
REVENUES	**1,104,412,896**	891,778,431	212,634,465	24%	**100%**	100%
Cost of real estate sales	**294,074,250**	276,187,650	17,886,600	6%	**27%**	31%
Cost of agricultural goods sold	**84,573,086**	87,967,842	(3,394,756)	-4%	**8%**	10%
Cost of water service income	**11,585,272**	10,149,297	1,435,975	14%	**1%**	1%
COST OF SALES AND SERVICES	**390,232,608**	374,304,789	15,927,819	4%	**35%**	42%
GROSS PROFIT	**714,180,288**	517,473,642	196,706,646	38%	**65%**	58%
General, Administrative and Selling Expenses	**348,080,739**	300,966,584	47,114,155	16%	**32%**	34%
Share in net income (loss) of associates	**261,350,282**	263,383,758	(2,033,476)	-1%	**24%**	30%
Interest expense	**(65,327,327)**	(9,433,826)	55,893,501	592%	**-6%**	-1%
Other income (expense) -net	**23,084,033**	20,306,963	2,777,070	14%	**2%**	2%
Other Income (Expense)	**219,106,988**	274,256,895	(55,149,907)	-20%	**20%**	31%
Income (Loss) before Income Tax	**585,206,537**	490,763,953	94,442,584	19%	**53%**	55%
Provision for (Benefit from) Income Tax	**100,704,262**	88,856,463	11,847,799	13%	**9%**	10%
NET INCOME (LOSS)	**484,502,275**	401,907,490	82,594,785	21%	**44%**	45%
Cumulative loss translation adjustment	**(2,658,458)**	(448,889)	2,209,569	492%		
Net change in fair value of EIFVOCI	**54,063,627**	(1,294,162)	55,357,789	4278%		
Re-measurement gain (loss) on retirement obligation-net of tax effect	**(814,820)**	(2,969,333)	(2,154,513)	-73%		
OTHER COMPREHENSIVE INCOME (LOSS)	**50,590,349**	(4,712,384)	55,302,733	1174%		
TOTAL COMPREHENSIVE INCOME (LOSS)	**535,092,624**	397,195,106	137,897,518	35%		

A Brown Company, Inc. - CONSOLIDATED

Results of Operations
For the 3rd Quarter ending September 30, 2023

The Consolidated Statement of Comprehensive Income (CSCI) for the quarter ending September 30, 2023 showed an after-tax quarter net income of **₱125.2 million** compared to the **₱196.4 million** net income for the same quarter last year with a decrease of 36% or **₱71.2 million** and an after-tax year-to-date net income of **₱ 484.5 million** compared to the **₱401.9 million** net income for the same year-to-date period last year with an increase of 21% or **₱82.6 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 **₱332.9 million** with **₱113.8 million** as the cost of sales and services, which resulted to a gross profit of about **₱219.0 million.** After deducting the general, administrative and selling expenses amounting to **₱127.1 million**, and considering other income and expenses: share in the net income (loss) of associates at **₱79.8 million,** interest expense of **₱37.3 million** and other income/(expense)-net of **₱13.3 million**, the derived net income before tax was **₱147.7 million.** With **₱22.5 million** as provision for income tax for the quarter, it resulted to a net income of **₱125.2 million.**

The comparisons of the income and cost and expense accounts between the two periods - 2023 against 2022 are as follows:

1% or* ₱3.8M *increase in Revenue on a QTR and 24% or* ₱212.6M *increase on a YTD due to:

a) ***Decrease in Real estate Sales by 3% or* ₱10.1M on a QTR and *27% or* ₱206.2M increase on a YTD** – the decrease was due to the lower percentage of completion of units sold at this quarter/period as compared to the percentage of completion of units sold for same quarter/period last year. On YTD, real estate sales increased by 27% or **₱206.2M** due to the increase in additional sales booking during the period as compared to prior period and increase in the revenues recognized pertaining to the incremental sales on the booked units of prior period with POC increment in the current period based on the actual accomplishment of the units.
b) ***Increase in Sales of agricultural goods by 57% or* ₱13.3*M on a QTR and 4% or* ₱4.7M *increase on a YTD due to –***
    1. ***Increase in Sales of crude palm oil by 46% or* ₱10.2*M on a QTR and 1% or* ₱1.1M *increase on a YTD*** – this was due to the increase in quantity sold by 72% or 343.59 metric tons, from a volume of 478.65 metric tons in the 3rd quarter 2022 to 822.24 metric tons in 3rd quarter of 2023; the average selling price decreased by 15% or ₱6,837 per metric ton from ₱52,241 per metric ton for the 3rd quarter last year metric ton for the same period this year. The YTD increase in sales was due to increase in the number of metric tons sold by 43% or 660.62 metric tons from 1,524 metric tons for the nine months last year to 2,184.61 metric tons for the same period this year even if there is a decrease in average selling price by 29% or ₱18,756 per metric tons.
    2. ***Increase in Palm Olein Sales by* ₱406k *on a QTR and 5,286% or* ₱3.9M *increase on a YTD –*** this was due to the increase in quantity sold by 5.93 metric tons, from a volume of nil in the 3rd quarter of last year to 5.93 metric tons for the same period this year with the average selling price of ₱68,587 per metric tons. The YTD increase in sales was due to increase in the number of metric tons sold by 7952% or 98.05 metric tons from 1.23 metric tons for the nine months last year to 99.28 metric tons for the same period this year even if there is a decrease in average selling price by 33% or ₱19,602 per metric ton.
    3. ***Increase in sales of Palm kernel by 89% or* ₱222*k on a QTR and 9% or* ₱72k i*ncrease on a YTD –*** this was due to the increase in quantity sold by 326% or 80.92 metric tons, from a volume of 24.81 metric tons in the 3rd quarter of last year to 105.73 metric tons for the same period this year; the average selling price decreased by 56% or ₱5,557 per metric ton from ₱10,000 per metric ton for the 3rd quarter last year to ₱4,443 per metric ton for the same period this year. The YTD increase in sales was due to the increase in quantity sold by 109% or 132.11 metric tons, from a volume of 99.56 metric tons for nine months of last year to 209.14 metric tons for the same period this year even if there is a decrease in average selling price by 66% or ₱21,075 per metric ton.

4. Increase in Palm Acid Oil sales by 12% or **₱148k *on a QTR and 28% or* ₱1.1M de*crease on a YTD*** – this was due to increase in the in quantity sold by 289% or 114.72 metric tons, from a volume of 39.72 metric tons in the 3rd quarter of last year to 154.44 metric tons for the same period this year; the average selling price decreased by 71% or ₱21,327 per metric ton from ₱28,049 per metric ton for the 3rd quarter last year to ₱3,832 per metric ton for the same period this year. The YTD decrease in sales was due to the average selling price decreased by 66% or ₱21,074 per metric ton from ₱22,977 per metric ton for the nine months last year to ₱6,018 per metric ton for the same period this year.
5. **Increase in palm stearin by ₱1.3M on a QTR and 127% or ₱2.3M on YTD –** this was due to the increase in quantity sold by 38.30 metric tons, from a volume of nil in the 3rd quarter of last year to 38.30 metric tons for the same period this year with the average selling price of ₱12,140 per metric tons. The YTD increase in sales was due to increase in the number of metric tons sold by 19% or 19.50 metric tons from 101.81 metric tons for the nine months last year to 121.31 metric tons for the same period this year with an increase in average selling price by 91% or ₱16,279 per metric tons.
6. **Increase in Palm fatty acid distillate** by **₱1.1M** on a QTR **and 23% or ₱205k on YTD** – this was due to the increase in quantity sold by 35.96 metric tons, from a volume of nil in the 3rd quarter of last year to 35.96 metric tons for the same period this year with the average selling price of ₱30,000 per metric tons. The YTD increase in sales was due to increase in the number of metric tons sold by 98% or 17.75 metric tons from 18.21 metric tons for the nine months last year to 35.96 metric tons for the same period this year even if there is a decrease in average selling price by 38% or ₱18,000 per metric ton.
7. **Decrease** in **Refined, Bleached and Deodorized Oil (RBDO**) sales by 100% or **₱**15k on a QTR and 100% or **₱**1.8M on a YTD – this was due to no quantity sold in the 3rd quarter of 2023 as compared with a volume of 0.17 metric tons sold last year at an average selling price of ₱87,353 per metric ton. For the YTD decrease, this is due to no quantity sold for the nine months this year as compared to the 19.68 metric tons sold last year at an average selling price by ₱88,986 per metric ton.

c) ***Increase in Water services by 10% or ₱618k on a QTR and 9% or* ₱1.7M *increase on a YTD -*** due to higher water consumption for this quarter compared to the water services rendered for the same quarter last year as a result from additional buyers moving in to their units thereby increasing water connections and usage

28% or* 44.8*M decrease in Cost of Sales and Services on a QTR and 4% or* ₱15.9M *increase on a YTD due to:

a) ***31% or ₱39.4M decrease in cost of real estate sales on a QTR and 6% or* ₱17.9M *increase on a YTD –*** the decrease was relatively due to corresponding lots sold with its corresponding development costs as compared to the units sold for the same quarter last year, though for the year-to-date, it increased

b) ***Decrease in cost of sales of agricultural goods by 17% or* ₱4*.5M on a QTR and 4% or* ₱3.4M *decrease on a YTD –***

1. ***Decrease in cost of sales on crude palm oil by 20% or* ₱4.9*M on a QTR and 4% or* ₱3.1M *decrease on a YTD –*** this was due to the decrease in average cost of sales of crude palm oil by 53% or ₱27,845 per metric tons, from an average cost of sales of ₱52,241 per metric ton in the 3rd quarter of last year to ₱24,396 metric tons for the same period this year even though there was an increase in quantity sold by 72% or 343.59 metric tons. For YTD, the decrease was due to the decrease in average cost of sales of crude palm oil by 33% or ₱17,695 per metric tons, from an average cost of sales of ₱53,819 per metric ton in the nine months of last year to ₱36,124 metric tons for the same period this year even though there was an increase in quantity sold by 43% or 660.62 metric ton.
2. ***Increase in cost of sales on Palm Olein by* ₱224k *on a QTR and 2,620% or* ₱1.5M *increase on a YTD –*** this was due to the increase in quantity sold on palm olein by 5.93 per metric ton from nil of the 3rd quarter of last year with an average selling price of ₱37,804 per metric ton. The increase in cost of sales on palm olein on YTD is due to increase in volume sold by 7952% or 98.05 metric tons even though there was a decrease on its average cost by 66% or ₱30,632 per metric ton.

3. ***Increase in cost of sales of Palm kernel by 110% or ₱228k on a QTR and 77% or*** **₱337k on a YTD** – this was due to the increase in quantity sold by 326% or 80.92 metric tons from a volume of 24.81 metric tons in the 3rd quarter of last year to 105.73 metric tons for the same period this year with the average cost per metric ton decreased by 51% or ₱4,231 per metric ton, from the average cost of ₱5,557-per metric ton in the 3rd quarter of last year to ₱8,344 per metric ton for the same period this year.
4. ***Decrease in Palm Acid Oil cost of sales by 47% or ₱522k on a QTR and 45% or*** **₱1.3M** ***decrease on a YTD –*** this was due to the decrease by 86% or ₱24,217 in the average cost incurred per metric ton sold from ₱28,049 per metric ton in the 3rd quarter of last year to ₱3,832 per metric ton for the same quarter this year though with an increase of 289% or 114.72 metric tons in the quantity sold. The YTD decrease was due to the decrease by 74% or ₱16,959 in the average cost incurred per metric ton sold from ₱22,977 per metric ton in the nine months last year to ₱6,018 per metric ton for the same period this year though with an increase of 109% or 132.11 metric tons in the quantity sold.
5. ***Increase in cost of sales of palm stearin by ₱465k on QTR and 19% or ₱250k on YTD -*** this is due to cost of sales incurred on the 38.30 quantity sold in the 3rd quarter this year compared to none from the same quarter last year with average cost of ₱12,140 per metric ton. The YTD increase was due to the increase in the quantity sold by 19% or 19.50 metric tons and increase in average cost of ₱24.47 per metric ton.
6. **Increase in cost of sales of Palm fatty acid distillate** by ₱17k **on a QTR and decrease by 14% or ₱44k** on a YTD – this is due to cost of sales incurred on the 35.96 quantity sold in the 3rd quarter this year compared to none from the same quarter last year with average cost of ₱470 per metric ton. The YTD decrease was due to the decrease in the average cost incurred by 57% or ₱9,638 on quantity sold from ₱17,018 per metric ton for the nine months last year to ₱7,380 per metric ton for the same period this year even though the quantity sold increased by about 98% or 17.75 metric tons.
7. **Decrease in the cost of sales of Refined, Bleached and Deodorized Oil (RBDO)** by **100% or ₱9k** on a QTR and **₱1.1M** on a YTD – this is due to no quantity sold in the 3rd quarter of 2023 as compared with a volume of 0.17 metric tons sold last year at an average cost price of ₱54,553 per metric ton and with a volume of 19.68 metric tons sold for the nine months last year at an average cost price of ₱54,553 per metric ton.

c) ***Decrease in Water Services Cost by 21% or*** **₱939k** ***on a QTR and 14% or*** **₱1.4M** ***increase on a YTD –*** due to the relative decrease in water services rendered as compared for the same quarter last year, though for year-to-date it increased.

After deducting Cost of Sales and Services from Revenue, the resulting Gross Profit increased by 29% or **₱48.6M** ***on a QTR and 38% or*** **₱196.7M** ***increase on a YTD:***

64% or ₱49.5M increase in General, Administrative and Selling on a QTR and 16% or **₱47.1M** ***increase on a YTD –due to the following:***

- ***a) 190% or ₱18.3M increase on a QTR and 71% or ₱36.9M increase in Personnel cost on a YTD*** – due to salary increases to show appreciation to employees as well as help them counter the effect of inflation
- ***b) 51% or ₱7.8M increase on a QTR and 49% or ₱20.2M 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) 116% or ₱6.0M increase on a QTR and 20% or ₱5.3M decrease in Impairment Loss on a YTD*** – the quarter increase is due to the additional impairment loss recorded for Nakeen Corporation's bearer plants while the YTD decrease in provision for impairment loss was due to HLPC's CIP and MCPI's refundable deposit in 2022
- ***d) 241% or ₱14.2M increase on a QTR and 458% or ₱22.5M increase in Taxes and Licenses on a YTD*** – increase in DST on loans.
- ***e) 16% or ₱918k decrease on a QTR and 27% or ₱3.2M increase in Outside Services on a YTD*** – pertains to the increase in security services incurred in newly acquired landbanking

f) ***76% or ₱7.3M increase on a QTR and 107% or ₱25.3M increase in Depreciation and amortization on a YTD*** – due to depreciation of newly-acquired assets
g) ***763% or ₱1.7M increase on a QTR and*** **53% or *₱1.5M* increase** in **Rental expense *on a YTD*** – due to higher rental payment of office space
h) ***27% or ₱1.4M increase on a QTR and 20% or ₱2.3M decrease in Utilities and supplies on a YTD*** – due to lower consumption of utilities and supplies this period as compared to last year
i) ***11% or ₱151k decrease on a QTR and 29% or ₱1.8M decrease in Repairs and maintenance on a YTD*** – due to decrease in the maintenance of additional transportation and heavy equipment and repair of old and worn out fixed assets this period compared last year
j) ***20% or ₱1.1M decrease on a QTR and 9% or ₱1.0M decrease in Professional fees on a YTD*** – directly related to the professional services incurred by the Group for this quarter and lower retainer fees paid
k) ***27% or ₱3.7M decrease on a QTR and 25% or ₱7.4M decrease in travel and transportation on a YTD*** – directly related to the lower expenses incurred on transportation and travel for site visitation for mill and real estate projects
l) ***48% or ₱100k increase on a QTR and 13% or ₱124k increase in insurance expense on a YTD –*** includes higher payments for the nine-month period of Company's insured fixed assets
m) ***7% or ₱195k increase on a QTR and 7% or ₱584k*** **increase in retirement benefits expense on a YTD** – due to increase in current service cost and interest expense on defined benefit obligation
n) ***74% or ₱63k increase on a QTR and 6% or ₱44k decrease in Director Fees on a YTD –*** due to higher per diem paid during the current 3rd quarter as compared to the previous 3rd quarter though on a YTD, there's a lower per diem paid as number of Board and Board Committee Meetings' attendance for this period was lower as compared to the same period last year
o) ***100% or ₱50.2M decrease in Provision for inventory obsolescence on a YTD –*** the decrease is due to the provision on identified obsolete and damaged inventories in the nine-month period in 2022 with zero for the same period in 2023.
p) ***725k decrease on a QTR and 28% or ₱472k*** increase in Bad debts on a YTD – includes increase in expected credit losses
q) ***10% or ₱1.0M decrease on a QTR and 28% or ₱4.6M increase in Other Expenses on a YTD –*** includes higher payments on notarization, bank charges, training and seminars and meeting expenses on a YTD period.

39% or* ₱50*.4M decrease in Equity in net gain (loss) of an associate on a QTR and 1% or* ₱2.0M *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 2023 as compared to the 3rd quarter of 2022

483% or* ₱30.9*M increase in Interest Expense on a QTR and 592% or* ₱55.9M *increase on a YTD – interest payments on bank loans increased this quarter as compared from last year

26% or* ₱2.8M *increase in Other income-net on a QTR and 14% or* ₱2.8M *increase on a YTD – due to the net of the following - increase in rental income by 148% or ₱3.6M on a QTR and 160% or ₱3.9M on a YTD; decrease in forfeited accounts by 26% or ₱2.1M on a QTR and by 12% or ₱1.5M on YTD; increase in miscellaneous income by 7596% or ₱1.4M QTR and increase by 51% or ₱1.9M on a YTD; decrease on gain on the disposal of PPE from previous YTD amounted to ₱89k with zero for the same period this year. About 40% or 2k increase for dividend income on YTD.

After deducting General, Administrative and Selling Expenses and Other Income (Expenses), the resulting Income Before Income Tax decreased by 35% or* ₱79.4M *on a QTR and 19% or* ₱94.4M *increase on a YTD

27% or* ₱8.2*M increase in Provision of Income Tax on a QTR and 13% or* ₱11.8M *increase in Provision for Income Tax Expense on a YTD – due to increased taxable income from increased collections compared to the same YTD period last year

62% or* ₱395k *decrease in Cumulative translation loss adjustment on a QTR ***and 492% or* ₱2.2M *increase on a YTD*** – related to the exchange differences in foreign currency translation

110% or* ₱14.1M *increase in Net change in the fair value of EIFVOCI on a QTR and 4278% or* ₱55.4M *increase on a YTD - due to the increase in market value of equity instruments at fair value through other comprehensive income during the period

42% or ₱*536k decrease in Re-measurement loss on retirement benefits obligation, net of tax on a QTR and 73% or* ₱2.2M *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 09/30/2023	Unaudited 09/30/2022	Audited 12/31/2022
Current ratio[1]	2.15:1	2.64:1	2.34:1
Quick ratio[2]	0.19:1	0.27:1	0.28:1
Solvency ratio[3]	0.12:1	0.14:1	0.19:1
Total Debt to Equity ratio[4]	0.65:1	0.48:1	0.53:1
Asset to Equity ratio[5]	1.65:1	1.48:1	1.53:1
Interest coverage ratio[6]	5.61x	7.55x	8.82x
Return on Equity[7]	7.13%	6.56%	10.14%
Return on Assets[8]	4.49%	4.49%	6.82%
Profit Margin ratio[9]	43.87%	45.07%	41.8%

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

Current Ratio
The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its statement of financial position (balance sheet) to satisfy its current debt and other payables.

Acid test Ratio or Quick Ratio
The acid-test, or quick ratio, compares a company's most short-term assets to its most short-term liabilities to see if a company has enough cash to pay its immediate liabilities, such as short-term debt.

Solvency Ratio
Solvency ratio is one of the various ratios used to measure the ability of a company to meet its long-term debts. Moreover, the solvency ratio quantifies the size of a company's after-tax income, not counting non-cash depreciation expenses, as contrasted to the total debt obligations of the firm. Also, it provides an assessment of the likelihood of a company to continue congregating its debt obligations.

Debt-to-equity Ratio

The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. The debt-to-equity ratio is a particular type of gearing ratio.

Asset-to-equity Ratio

The asset to equity ratio reveals the proportion of an entity's assets that has been funded by shareholders. A low ratio indicates that a business has been financed in a conservative manner, with a large proportion of investor funding and a small amount of debt. A high asset to equity ratio can indicate that a business can no longer access additional debt financing, since lenders are unlikely to extend additional credit to an organization in this position.

Interest Coverage Ratio

The interest coverage ratio measures the number of times a company can make interest payments on its debt before interest and taxes (EBIT). In general, the lower the interest coverage ratio is, the higher the company's debt burden, which increases the possibility of bankruptcy.

Return on Assets (ROA)

The Return on Assets (ROA) figure gives investors an idea of how efficient the company uses the assets it owns to generate profits. The higher the ROA number, the better, because the company is earning more money on less investment.

Return on equity (ROE)

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. It is considered a measure of a corporation's profitability in relation to stockholders' equity. Whether ROE is deemed good or bad will depend on what is normal among a stock's peers. A good rule of thumb is to target an ROE that is equal to or just above the average for the peer group.

Net Profit Margin

The net profit margin is a ratio formula that compares a business profits to its total expenses. The net profit margin allows analysts to gauge how effectively a company operates. The higher the net profit margin, the more money a company keeps.

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.

Teakwood Hills Phase 3 occupies three (3) hectares in the northern portion of the upscale property. It is coined as Belle del Mar *(Charm of the Sea)* as it overlooks the waters. It offers lots for sale at 180sqm to 316sqm. The horizontal development 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.

Coral Resort Estates Phase 2 is situated in the southern part of Coral Resort Estates. It covers approximately 4 hectares comprising of lots for sale ranging from 180 to 398 sqm. **Coral Resort Estates Phase 3** with approximately 5 hectares offers saleable lots with an area ranging from 180 to 380 sqm. Phase 2 is 100% complete while Phase 3 is 77% complete.

Coral Resort offers a one-of-a-kind experience to its residents, away from the city, and nature's breeze at its greatest. Residents get the best spot of the breathtaking infinite view of the blue sea while enjoying the coolness of the fresh breeze.

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 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 96%.

Xavier Estates Phase 6 – Ignatius Enclave 2 located in the lower tier of the Balulang scape. It features house and lot units. These single detached two-storey units have floor area of 120 sqm and are located in 120 sqm lot areas. House could also be built in bigger lots ranging from 150 sqm to 415 sqm. The horizontal development is 99% complete while the vertical development is at 62%.

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 100%. The project has 74 units.

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 98% complete.

Mountain Pines Farm 2 is located in Brgy. Kalugmanan, Manolo Fortich in the Province of Bukidnon. This is the first residential farm-lot type or the gentleman's farm concept. Presenting sweater-weather at 1,200 meters above sea level it is located in the cool pine tree-bordered confines at the foothills of Mt Kitanglad Range. It is a stone's throw away from Mindanao's famous adventure forest park and is surrounded by well-appointed high value crop farms.Total land area covers approximately 20 hectares with saleable lots with maximum lot cuts at 1,600sqm. It features a clubhouse and community center with parks and open spaces.

Adelaida Meadow Residences is situated in Brgy Bancasi, less than a kilometer away from Butuan City Airport. It is within the 7-kilometer radius of schools, malls, churches and hospitals in the downtown area. It lies 5 kilometers from Caraga's first paspalum te golf course, the West Highlands Golf Club. It offers single detached house and lot packages in 120 sqm lot area. Buyers have a choice between two model houses: Amethyst and Sapphire. Amethyst is a two-storey modern house with a total of 64.88 sqm floor area. The master's bedroom, kitchen, dining, living room, and terrace are in the ground floor. While there are 2 bedrooms in the second floor with its own balconies. Sapphire is a two-storey modern house with a 117.5 sqm floor area. The kitchen, dining, living room, and one bedroom are located in the ground floor. The second floor hosts the master's bedroom, another bedroom and a 15sqm balcony where parties and family bonding activities can be held al fresco. This gated community has its parks and playground and community facility.

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 97%.

Adelaida Mountain Residences is a new master planned integrated community rising in the cool hills of Tanay, Rizal. It overlooks views of Sierra Madre Mountains and the Laguna Lake. Being anywhere around 400 to 500 meters above sea level, weather stays relatively cool. With approximately 12 hectares of development, saleable lots range from 252sqm to 834sqm. The horizontal development is at 97% complete.

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 94%.

Adelaida Homes is the 1st socialized housing project of ABCI in Luzon, specifically situated in Brgy. Sampaloc, Tanay, Rizal. It opened with 137 house and lot units. The row houses have a lot area that starts at 40sqm and floor area that starts at 26sqm. The horizontal development is 100% complete while the vertical development is at 96%.

Similar to Adelaida Mountain Residences, these properties are very accessible to most places of interest like town malls, restaurants, town markets, churches and tourist attractions like swim resorts, eco parks, falls and others within 200m to less than 10km in distance from the project site.

Recent Projects:

After the introduction to the market of the Company's projects like Coral Resort Estates Phase 2 and Phase 3; Teakwood Hills Phase 3; Ignatius Enclave 2; Adelaida Homes and Adelaida Mountain Residences, the recent addition to the Company's real estate portfolio projects include Mountain Pines Farm 2 and Adelaida Meadow Residences.

Real Estate Revenue:

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

Palm Oil Mill

A total of 4,150.00 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed (by SGAC) for the 3rd Quarter of 2023, compared to 1,883.86 metric tons in the same period of last year (by ABERDI). This has an average of 1,383.33 metric tons of fresh fruit bunch processed per month as against 627.95 metric tons of the same period last year. The yield for the 3rd quarter of this year was 789.34 metric tons of crude palm oil with an average oil extraction rate of 19.02% as compared to 353.90 metric tons having an average extraction rate of 17.52% for the same period last year. There was no production of CPO by ABERDI since the focus was in the production of Crude Palm Oil (CPO) by SGAC.

The kernels that were produced totalled to 302.15 metric tons as compared to 16.75 metric tons of the same 3rd quarter of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 3rd Quarter of 2023, there was no operation of the refinery due to repairs and maintenance, thus, no production of RBDO.

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 2023, there was no production of palm olein and palm stearin due to the repairs and maintenance of the fractionation plant.

Surigao Greens Agri Corp. (SGAC)

Surigao Greens Agri Corp. was incorporated on February 11, 2023, with SEC Registration No. 2023020085735-42. ABCI has subscribed one hundred percent (100%) of SGAC's outstanding capital stock at incorporation. SGAC's primary purpose is to engage in the business of processing, milling and refining palm oil to manufacture crude palm oil, Refined Beached Deodorized Palm Oil, Palm Olein, and other products and to distribute such products on a wholesale or retail basis, provided that the Corporation shall not solicit accept or take investments/placements from the public and neither shall it issue investment contracts.

Surigao Greens Agri Corp. (SGAC) has executed an Asset Purchase Agreement consisting of several parcels of land with total land area of Seventy Thousand (70,000) square meters and a Palm Oil Milling Plant located in Tambis, Barobo, Surigao del Sur. The Palm Oil Milling Plant consists of a factory building and machineries with a rated capacity of 10 metric tons (MT) per hour.

The purchase of the Palm Oil Milling Plant in Surigao del Sur will allow access to an existing and operational and cost-efficient crude palm oil milling plant that is able to source palm oil fresh fruit bunches from nearby plantation farms in the region (Surigao and Agusan).

The acquisition will also provide operational and supply chain synergies with existing palm oil milling and refinery facilities in Impasug-ong, Bukidnon that are currently operated by A Brown Energy and Resources Development Inc. (ABERDI), another A Brown subsidiary. Operational and cost-cutting synergies within the group can be realized by having access to more palm oil fresh fruit bunches from nearby plantations, reduced logistics and transport costs, and being better positioned to pursue further growth opportunities in the Group's palm oil business.

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 Saranggani and the municipalities of Polomolok and Tupi in South Cotabato.

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

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

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

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

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

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

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

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

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

Outlook for the Year and Onwards

Real Estate Business:

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, on-going 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

<u>COVID-19 Global Health Crisis</u>

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.

In May 2023, the head of the UN World Health Organization (WHO) has declared ‘with great hope” an end to COVID-19 as a public health emergency, stressing that it does not mean the disease is no longer a global threat.

<u>Impact on Real Estate Sales</u>

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

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 2023, about 3,699.085 (gross area) hectares were already acquired for development in this region, 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.

The Company is also looking to pursue further growth opportunities in the Group's palm oil business in Surigao and Agusan region. Surigao Greens Agri Corp. (SGAC), a newly incorporated subsidiary of A Brown Company, has executed an Asset Purchase Agreement consisting of several parcels of land with total land area of Seventy Thousand (70,000) square meters and a Palm Oil Milling Plant located in Tambis, Barobo, Surigao del Sur. The Palm Oil Milling Plant consists of a factory building and machineries with a rated capacity of 10 metric tons (MT) per hour. The purchase of the Palm Oil Milling Plant in Surigao del Sur will allow access to an existing and operational and cost-efficient crude palm oil milling plant that is able to source palm oil fresh fruit bunches from nearby plantation farms in the region (Surigao and Agusan).

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.

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 were 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. As of September 30, 2023, construction progress is at 82% and commercial operation of the facility is targeted by March 2024.

Natural Gas Power Plant Project:

Vires Energy Corporation –100% owned by ABCI

ABCI acquired 99.995% of the outstanding capital of Vires Energy Corporation ("VEC") from Argo Group Pte. Ltd. of Singapore in June 2020. It was incorporated on March 11, 2015 with SEC Registration No.

CS201504660. In March 2023, ABCI acquired the remaining 0.005% of the shares of VEC, thus, increasing its ownership to 100%.

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 base load power off-take agreements. The power plant project is in a position to be in commercial operations by January 2028.

Renewable Energy Projects:

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

Hydro Link Projects Corp. (HLPC) was registered with the Securities and Exchange Commission on 6 May 2010 with SEC Registration No. CS201006733. Its primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation, and repair of related mechanical and electric equipment.

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.

On July 24, 2023, Hydro Link Projects Corp. (HLPC) has approved the amendments of its Article of Incorporation (AOI). The amendments include changing the name of the Corporation to "Northmin Renewables Corp. (NRC)", changing the primary purpose to "to invest in renewable energy projects and all other energy related investments"; change of principal office of the Subsidiary; and increasing the authorized capital to One Hundred Million (P100,000,000). The amendments are still pending approval by the Securities and Exchange Commission.

Hydro Link Projects Corp. (HLPC) was notified on December 6, 2023 of the Department of Energy's award for the Wind Energy Service Contracts for the Bukidnon Wind Power Project and the Misor Wind Power Project. The service contracts are effective November 28, 2023. HLPC has been duly registered as a Renewable Energy Developer of Bukidnon Wind Power Project located in Malaybalay City, Cabanglasan and San Fernando, Bukidnon which is covered by Wind Energy Service Contract No. 2023-10-333 and of Misor Wind Power Project located in Balingoan, Claveria, Salay, Sugbongcogon, Kinoguitan, Talisayan, and Medina, Misamis Oriental which is covered by Wind Energy Service Contract No. 2023-10-335. HLPC is appointed by the Department of Energy as having the exclusive right to explore, develop, and utilize the Wind Energy Resources within the applied contract areas. With the award of the service contract, HLPC will proceed with pre-development activities and studies to ascertain the feasibility of the applied areas.

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 will tap the water resources of Lumayagan River and aims to supply about 40 million liters 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 already been granted by the National Water Resources Board (NWRB). Likewise, the Environmental Compliance Certificate (ECC) has been secured from the Department of Environment and Natural Resources (DENR). The Watershed Management Study was also completed with the involvement of different LGU sectors and stakeholders.

The project will provide potable water through a bulk supply agreement with a water distribution company such as the Cagayan de Oro Water District (COWD), the biggest local water distribution company.

ABWCI is currently reviewing project parameters of the Lumayagan River source and is exploring the viability of tapping other bulk water sources aside in Cagayan de Oro City.

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. BCL has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for The East-West Rail Project (EWRP).

The (EWRP) is a proposed 9.67-km railway line starting at Lerma St. in Sampaloc, Manila and terminating at University Ave. in Diliman, Quezon City. The proposed line will serve the Espana Blvd.-Quezon Ave. corridor located in the City of Manila and Quezon City.

The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.), submitted an unsolicited proposal to the Philippine National Railways to finance, build and then operate and maintain the East West Rail Project.

The Consortium has already sought endorsement from the respective hosts LGUs' (Manila and Quezon City) and the No Objection Clearance, in support to their previous no objection in 2017 (Manila) and 2018 (Quezon City).

The Consortium is currently working on updating the proposal to align with the changes in the revised 2022 Implementing Rules and Regulations of the BOT Law. The updated project documents will present an updated technical proposal, ridership post-pandemic era, project cost, and other pertinent changes as will be presented to the current PNR Board and subsequently for PNR endorsement to NEDA Board.

Joint Venture with GET Philippines on ABC Electric Shuttle Service

On February 21, 2023, the Board of Directors of A Brown Company, Inc. **("ABCI")** has authorized the Corporation to enter into a joint venture with GET Philippines, Inc. **("GET")** to create, promote, operate and manage the ABC Electric Shuttle Service as a clean, efficient, modern and green mass transport system in Cagayan de Oro **('the Project").**

GET will incorporate and set up a new company **("JV Co.")** to be jointly owned with ABCI for the purpose of initially owning ten (10) Community Optimized Managed Electric Transport (COMET) electric vehicles that will be deployed for the Project.

On December 12, 2023, the Board of Directors of A Brown Company, Inc. **("ABCI")** has approved some proposed amendments to the Joint Venture Agreement with GET Philippines, Inc. ("GET").

The following terms of the Joint Venture Agreement will be amended:

1.) The JV Co. will now have an authorized capital stock of Thirty Million Pesos (Php30,000,000.00) divided into Thirty Million (30,000,000) shares with par value of One Peso (Php1.00), instead of the previously planned authorized capital stock of One Hundred Million Pesos (Php100,000,000.00).

2.) Upon incorporation, the initial subscription to JV Co.'s shares shall be Ten Million Pesos (Php10,000,000.00), which is a reduction from the initial planned subscription of Forty-Five Million Pesos (Php45,000,000.00).

3.) GET will no longer be the sole initial subscriber to the JV Co.'s authorized capital stock upon incorporation with a subsequent transfer of fifty percent (50%) of its shareholdings to ABCI, as originally planned.

4.) Thus, upon incorporation, each of GET and ABCI will now initially subscribe to Five Million (5,000,000) shares each at a subscription price of Twenty-Two Million Five Hundred Thousand Pesos (Php22,500,000,00). The additional paid-in capital ("APIC") in the amount of Seventeen Million Five Hundred Thousand Pesos (Php17,500,000,00) shall be paid into JV Co. either upon incorporation or immediately after its incorporation.

    The JV Co. will be owned upfront by GET and ABCI in equal shares of fifty percent (50%) each.

5.) GET has an option to make its equity contribution in the JV Co. in the form of new COMET electric vehicles in lieu of cash.

6.) Upon incorporation, the fifth member of the Board shall initially be vacant and the Board seat shall be reserved to be filled by an independent director, as defined under Title III Section 22 of the Revised Corporation Code, who shall be jointly nominated by ABCI and GET after incorporation.

The reduction in the capitalization of the JV Co. at incorporation has been agreed upon by ABCI and GET to reduce the filing fees and the documentary stamp taxes.

Masinloc Consolidated Power, Inc. (MCPI) - 49% owned by ABCI

MCPI was registered with the Securities and Exchange Commission on 4 July 2007 with SEC Registration No. CS200710562. Its primary purpose is to engage in, conduct and carry on the business of construction, planning, purchasing, management and operation of power plants and the purchase, generation, production, supply and sale of electricity, to enter into all kinds of contracts for the accomplishment of the aforementioned purpose.

On March 22, 2023, Masinloc Consolidated Power, Inc. (MCPI) has secured the approval of the Securities and Exchange Commission (SEC) on the shortening of its corporate term from fifty (50) years from and after the date of incorporation to seventeen years (17) years from and after the date of issuance of the Certificate of Incorporation, or on 3 July 2024.

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. After the change of leadership as the result of 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 (2018=100) of the country for the year 2022 was 5.8%, way higher than the 2021 and 2020 average inflation rate of 3.9% and 2.4%, respectively. The 2018 rate was slightly lower at 5.2% as compared to the 2022 rate as the Philippine Statistics Authority (PSA) data showed.

Compared with their respective average inflation rates in 2021, the indices of the following commodity groups recorded higher annual mark-ups in 2022: transport, 12.9 percent; housing, water, electricity, gas and other fuels, 6.4 percent; food and non-alcoholic beverages, 5.9 percent; restaurants and accommodation services, 4.1 percent; Furnishings, household equipment and routine household maintenance, 3.2 percent; Personal care, and miscellaneous goods and services, 3.0 percent; clothing and footwear, 2.6 percent; recreation, sports and culture, 2.3 percent; and education services, 1.8 percent. On the contrary, average inflation during the year were slower in the indices of alcoholic beverages and tobacco at 7.9 percent; health at 2.6 percent; and financial services at 8.2 percent. The information and communication index maintained its 2021 average inflation of 0.6 percent.

Excluding selected food and energy items in the headline inflation, the average core inflation for 2022 was posted at 3.9 percent, while 3.0 percent in 2021.

For 2023, the Development Budget Coordination Committee (DBCC) expects inflation to gradually ease to 2.5 to 4.5 percent before returning to the target range of 2.0 to 4.0 percent in 2024. The BSP attributes the projected deceleration in inflation to three main factors—the expected easing in global oil and non-oil prices, the negative base effects from the transport fare adjustments in 2022, and the impact of BSP's cumulative policy rate adjustments. Inflation is expected to taper off in 2023 although upside risks remain. Likewise, monetary tightening that came as a response to curb inflation, is expected to drag economic growth. 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.

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.

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.

As part of the 8-point Socioeconomic Agenda of the Marcos Administration and as laid out in the Philippine Development Plan (PDP) 2023-2028, the government will continue to prioritize addressing the impact of inflation as it remains to be a challenge not only in the country, but throughout the globe. NEDA Secretary Arsenio M. Balisacan likewise noted the timely decision of President Ferdinand R. Marcos, Jr. to extend the validity of the reduced import rate duties on various products such as pork, rice, corn, and coal until December 2023.

The Philippine economy grew by 7.6 percent in 2022 exceeding the government's revised growth target of 6.5 to 7.5 percent for the year and was higher than the 5.6 percent growth in 2021. The 2022 GDP growth was the highest since 1976. This was also 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 in 2020 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 despite the COVID-19 since the country is already transitioning towards returning to the pre-pandemic "normal" with restrictions on mobility continually being eased. The sectors which contributed the most to the growth were wholesale and retail trade, repair of motor vehicles and motorcycles, manufacturing and construction.

The NEDA Chief said that the PH economy's growth remains robust as the government continues to intensify its efforts to restore the economy to its high-growth trajectory, creating more and better-quality jobs & speeding up poverty reduction. The pandemic risk management and the easing of mobility restrictions have created a positive economic outlook, boosting economic activity and creating more jobs despite external headwinds. The resumption of face-to-face classes, the boost in the activities of small and large enterprises alike, and the resurgence of local tourism causing ripple effects towards the recovery of all the other sectors affected by the pandemic. The growth in domestic demand was met by expansion in the services and industry sectors, with production in most sub-sectors back to their pre-pandemic levels, adding the economic growth came with more jobs, resulting in "vibrant labor market conditions," with the country's unemployment rate down. In terms of the volumes of economic activity for many sectors, we have recovered already, but some others, particularly in the trade, tourism (have yet to recover).

For 2023, the government targets 6 to 7 percent GDP growth slower than the 7.6% uptick in 2022 due to the expected slowdown of the global economy. The forecast is an optimistic outlook despite headwinds. The country's bustling manufacturing sector, record-low unemployment, and stable and resilient banking system can alleviate buffers against external headwinds and indicate a resilient economy.

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.

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.

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.

Source: NEDA Reports, PNA Report and Various News Articles

<u>Amendment to Articles of Incorporation and By-Laws</u>

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).

On November 3, 2023, the Board of Directors approved the offer and sale to the public of up to 15,000,000 Non-Voting Preferred Shares (the "**Offer**"), to be issued and offered under the Corporation's 50,000,000 Preferred Shares Shelf Registration under MSRD Order No. 76 series of 2021 (the "**Shelf Registration**"). The Board likewise authorized Management to cause the preparation and filing of (i) a Registration Statement and Offer Supplement in relation to the Offer under the Shelf Registration; (ii) a Listing Application with the Philippine Stock Exchange ("**PSE**") for the Offer; (iii) the approval of all the disclosures contained in the Registration Statement, the Offer Supplement, and Listing Application to be filed with the Securities and Exchange Commission and the PSE. In connection with the Offer, the amendment of the Company's unaudited interim financial statements for the six months ended June 30, 2022 and June 30, 2023 was submitted. The amendment is being made arising from the review of the Company's financial statements as part of the Offer.

The Company filed on November 7, 2023 with the Securities and Exchange Commission an Amended Registration Statement together with a Preliminary Offer Supplement for the issuance of 10,000,000 Preferred

Shares with an oversubscription option of 5,000,000 Preferred Shares to be offered at an issue price of Php100.00 per share (the "**Offer Shares**"). The Offer Shares will be issued from the Company's 50,000,000 Preferred Shares shelf registration under MSRD Order No. 76 Series of 2021.

Uses of Proceeds from "Series A" Preferred Shares Offering

For the year ending December 31, 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

Purpose	Per Offer Supplement	Net Proceeds	Balance for Disbursement - December 31, 2021	Actual Disbursements - Annual - 2022	Balance for Disbursement - December 31, 2022
Development of Real Estate Projects	600.00	600.00	600.00	600.00	-
Landbanking	400.00	400.00	325.98	325.98	-
Finance Future Funding Requirements for ISI	350.00	200.00	112.64	112.64	-
General Corporate Purposes	150.00	105.87	103.66	103.66	-
	1,500.00	**1,305.87**	**1,142.28**	**1,142.28**	**-**

As of the 3rd Quarter Report ending September 30, 2022 on the disbursement on the proceeds, the Company reported the entire proceeds being fully utilized.

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% x Php 100.00 x 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.

The following are the dividend declarations of the Company on "Series A" preferred shares in 2023:

Declaration Date	Record Date	Payment Date
February 3, 2023	February 17, 2023	March 1, 2023
February 3, 2023	May 3, 2023	May 29, 2023
February 3, 2023	August 1, 2023	August 29, 2023
February 3, 2023	October 31, 2023	November 29, 2023

On October 19, 2023, it was disclosed that the Record Date for the 29 November 2023 cash dividend was to be adjusted from 31 October 2023 to 03 November 2023 on account of the declaration of 30 October 2023 as a non-working holiday because of the Barangay and Sangguniang Kabataan Elections.

The cash dividend for this period – for 2023 will be paid out of the Corporation's unrestricted retained earnings as of 31 December 2022.

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 forward-looking statements contained in this Quarter Report are based upon what management of the Company believes are reasonable assumptions at the date of this report. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such 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. QUINITO
Chief Finance Officer

Date: December 27, 2023

A BROWN COMPANY, INC.

December 27, 2023

The Securities and Exchange Commission
The SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Bel-Air, Makati City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **A Brown Company, Inc. and its Subsidiaries** (the "Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at September 30, 2023 and December 31, 2022 and for the nine-month periods ended September 30, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has reviewed the consolidated financial statements of the Group in accordance with Philippine Standard on Review Engagements and in its report to the stockholders.

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this DEC 27 2023 day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Competent Evidence of Identity	Date of Issue	Place of Issue
Walter W. Brown	P0742117C	June 30, 2022	DFA – NCR Central
Robertino E. Pizarro	P8882731B	February 8, 2022	DFA – Cagayan de Oro
Marie Antonette U. Quinito	P6933691B	June 5, 2021	DFA – Cagayan de Oro

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Book No. IV
Series of 2023

KYLE DAVID A. DEE
Appointment No. M-305
Notary Public for Makati City
Until December 31, 2023
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 80641
PTR No. 9573211/Makati City/01-07-2023
IBP No. 260994/Makati City/01-05-2023
MCLE Exempted ...

SGV
Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated financial statements of A Brown Company, Inc. and its subsidiaries (collectively referred to as "the Group"), which comprise the interim consolidated statement of financial position as at September 30, 2023, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month periods ended September 30, 2023 and 2022, and material accounting policy information and other explanatory notes. Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic.

Emphasis of Matter - Basis of Preparation

We draw attention to Note 2 of the interim condensed consolidated financial statements which indicates that the interim condensed consolidated financial statements have been prepared in accordance with PAS 34, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the September 30, 2023 interim condensed consolidated financial statements are discussed in detail in Note 2. Our report is not modified in respect of this matter.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026
PTR No. 9564678, January 3, 2023, Makati City

December 27, 2023

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱111,490,928**	₱209,847,156
Receivables (Note 4)	**346,334,136**	267,890,499
Contract assets (Note 11)	**871,242,239**	684,156,555
Receivables from related parties (Note 4)	**50,660,359**	106,811,847
Real estate inventories (Note 5)	**3,483,158,085**	2,961,366,258
Other inventories (Note 6)	**206,477,244**	200,284,318
Other current assets (Note 7)	**725,940,251**	465,546,940
Total Current Assets	**5,795,303,242**	4,895,903,573
Noncurrent Assets		
Contract assets - net of current portion (Note 11)	**923,835,985**	784,993,918
Equity instruments at fair value through other comprehensive income (EIFVOCI)	**355,094,062**	301,030,435
Investments in associates (Note 8)	**1,836,241,720**	1,738,605,677
Investment properties (Note 9)	**456,671,680**	455,420,654
Property, plant and equipment (Note 9)	**1,421,040,313**	1,139,609,766
Deferred tax assets (Note 15)	**18,460,838**	15,578,575
Other noncurrent assets (Note 7)	**763,808,007**	674,704,194
Total Noncurrent Assets	**5,775,152,605**	5,109,943,219
TOTAL ASSETS	**₱11,570,455,847**	₱10,005,846,792
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 10)	**₱1,262,254,840**	₱1,084,061,250
Short-term debt (Note 12)	**675,166,000**	472,019,208
Current portion of long-term debt (Note 12)	**450,818,388**	317,602,384
Contract liabilities (Notes 11)	**303,776,024**	219,826,473
Total Current Liabilities	**2,692,015,252**	2,093,509,315
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 12)	**1,353,756,218**	959,274,404
Retirement benefit obligation	**75,067,011**	68,155,571
Deferred tax liabilities - net (Note 15)	**424,303,208**	325,045,243
Total Noncurrent Liabilities	**1,853,126,437**	1,352,475,218
Total Liabilities	**4,545,141,689**	3,445,984,533

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 13)		
Common stock	**₱2,477,668,925**	₱2,477,668,925
Preferred stock	**13,264,900**	13,264,900
Additional paid-in capital (Note 13)	**1,931,178,758**	1,931,178,758
Retained earnings (Note 13)	**2,795,821,490**	2,380,947,983
Fair value reserve of EIFVOCI	**(78,976,731)**	(133,040,358)
Remeasurement loss on retirement benefit obligation - net of tax	**(22,273,216)**	(21,458,396)
Remeasurement loss on defined benefit plan of an associate	**(139,540)**	(139,540)
Cumulative translation adjustment	**3,895,009**	6,553,467
Treasury shares (Note 13)	**(94,932,275)**	(94,932,275)
	7,025,507,320	6,560,043,464
Noncontrolling interest	**(193,162)**	(181,205)
Total Equity	**7,025,314,158**	6,559,862,259
TOTAL LIABILITIES AND EQUITY	**₱11,570,455,847**	₱10,005,846,792

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2023	2022 (Note 19)	**2023**	2022 (Note 19)
REVENUE (Note 14)				
Real estate sales	**₱972,897,515**	₱766,659,696	**₱289,038,856**	₱299,128,252
Sale of agricultural goods	**111,094,508**	106,351,030	**36,721,998**	23,450,786
Water service	**20,420,873**	18,767,705	**7,092,377**	6,474,331
	1,104,412,896	891,778,431	**332,853,231**	329,053,369
COSTS OF SALES AND SERVICES				
Cost of real estate sales (Note 5)	**294,074,250**	276,187,650	**88,408,176**	127,759,686
Cost of agricultural goods sold	**84,573,086**	87,967,842	**21,792,103**	26,335,646
Cost of water service revenue	**11,585,272**	10,149,297	**3,633,727**	4,572,780
	390,232,608	374,304,789	**113,834,006**	158,668,112
GROSS PROFIT	**714,180,288**	517,473,642	**219,019,225**	170,385,257
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES	**348,080,739**	300,966,584	**127,063,357**	77,567,356
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates (Note 8)	**261,350,282**	263,383,758	**79,799,179**	130,190,273
Interest expense (Note 12)	**(65,327,327)**	(9,433,826)	**(37,321,503)**	(6,396,969)
Other income - net	**23,084,033**	20,306,963	**13,305,022**	10,533,875
	219,106,988	274,256,895	**55,782,698**	134,327,179
INCOME BEFORE INCOME TAX	**585,206,537**	490,763,953	**147,738,566**	227,145,080
PROVISION FOR INCOME TAX (Note 15)				
Current	**3,134,004**	2,432,635	**1,405,468**	661,375
Deferred	**97,570,258**	86,423,828	**21,138,415**	30,085,586
	100,704,262	88,856,463	**22,543,883**	30,746,961
NET INCOME	**₱484,502,275**	₱401,907,490	**₱125,194,683**	₱196,398,119

(Forward)

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2023	2022 (Note 19)	**2023**	2022 (Note 19)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment	**(₱2,658,458)**	(₱448,889)	**(₱245,484)**	(₱640,863)
Items that will not be reclassified to profit or loss in subsequent periods:				
Net change in fair value of EIFVOCI	**54,063,627**	(1,294,162)	**1,278,262**	(12,782,609)
Remeasurement loss on defined benefit plan - net of tax effect	**(814,820)**	(2,969,333)	**(734,616)**	(1,270,869)
	50,590,349	(4,712,384)	**298,162**	(14,694,341)
TOTAL COMPREHENSIVE INCOME	**₱535,092,624**	₱397,195,106	**₱125,492,845**	₱181,703,778
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱484,514,232**	₱405,357,416	**₱125,198,811**	₱196,401,002
Noncontrolling interest	**(11,957)**	(3,449,926)	**(4,128)**	(2,883)
	₱484,502,275	₱401,907,490	**₱125,194,683**	₱196,398,119
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company	**₱535,104,581**	₱400,645,032	**₱125,496,973**	₱181,706,661
Noncontrolling interest	**(11,957)**	(3,449,926)	**(4,128)**	(2,883)
	₱535,092,624	₱397,195,106	**₱125,492,845**	₱181,703,778
Basic/Diluted Earnings per Share (Note 13)	**0.18**	0.14	**0.04**	0.07

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Total Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Remeasurement Loss on Retirement Obligation - net of tax	Remeasurement Loss on Defined Benefit Plan of an Associate	Cumulative Translation Adjustment	Treasury Shares	Total	Noncontrolling interest	Total
At January 1, 2023	**₱2,477,668,925**	**₱13,264,900**	**₱1,931,178,758**	**₱2,380,947,983**	**(₱133,040,358)**	**(₱21,458,396)**	**(₱139,540)**	**₱6,553,467**	**(₱94,932,275)**	**₱6,560,043,464**	**(₱181,205)**	**₱6,559,862,259**
Net income	–	–	–	**484,514,232**	–	–	–	–	–	**484,514,232**	**(11,957)**	**484,502,275**
Other comprehensive income (loss)	–	–	–	–	**54,063,627**	**(814,820)**	–	**(2,658,458)**	–	**50,590,349**	–	**50,590,349**
Total comprehensive income (loss)	–	–	–	**484,514,232**	**54,063,627**	**(814,820)**	–	**(2,658,458)**	–	**535,104,581**	**(11,957)**	**535,092,624**
Dividend declaration	–	–	–	**(69,640,725)**	–	–	–	–	–	**(69,640,725)**	–	**(69,640,725)**
At September 30, 2023	**₱2,477,668,925**	**₱13,264,900**	**₱1,931,178,758**	**₱2,795,821,490**	**(₱78,976,731)**	**(₱22,273,216)**	**(₱139,540)**	**₱3,895,009**	**(₱94,932,275)**	**₱7,025,507,320**	**(₱193,162)**	**₱7,025,314,158**
At January 1, 2022	₱2,477,668,925	₱13,264,900	₱1,931,178,758	₱1,834,803,085	(₱194,659,340)	(₱27,250,541)	(₱347,343)	₱6,498,274	(₱70,618,247)	₱5,970,538,471	₱3,286,953	₱5,973,825,424
Net income (Note 19)	–	–	–	405,357,416	–	–	–	–	–	405,357,416	(3,449,926)	401,907,490
Other comprehensive income (loss) (Note 19)	–	–	–	–	(1,294,162)	(2,969,333)	–	(448,889)	–	(4,712,384)	–	(4,712,384)
Total comprehensive income (loss) (Note 19)	–	–	–	405,357,416	(1,294,162)	(2,969,333)	–	(448,889)	–	400,645,032	(3,449,926)	397,195,106
Dividend declaration	–	–	–	(69,647,026)	–	–	–	–	–	(69,647,026)	–	(69,647,026)
Acquisitions of treasury shares (Note 13)	–	–	–	–	–	–	–	–	(24,314,028)	(24,314,028)	–	(24,314,028)
At September 30, 2022	₱2,477,668,925	₱13,264,900	₱1,931,178,758	₱2,170,513,475	(₱195,953,502)	(₱30,219,874)	(₱347,343)	₱6,049,385	(₱94,932,275)	₱6,277,222,449	(₱162,973)	₱6,277,059,476

See accompanying Notes to Interim Condensed Consolidated Financial Statements

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

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱585,206,537**	₱490,763,953
Adjustments for:		
Equity in net earnings of associates (Note 8)	**(261,350,282)**	(263,383,758)
Interest expense (Note 12)	**65,327,327**	9,433,826
Depreciation	**48,913,408**	23,766,330
Impairment loss (Notes 7 and 9)	**21,569,977**	77,072,213
Net changes in retirement benefit obligation	**8,556,447**	7,972,689
Interest income	**(362,769)**	(1,806,514)
Dividend income	**(5,354)**	(3,812)
Gain on sale of property, plant and equipment	**–**	(89,285)
Operating income before working capital changes	**467,855,291**	343,725,642
Decrease (increase) in:		
Receivables	**(85,438,283)**	139,029,654
Contract assets	**(325,927,751)**	(524,034,730)
Real estate inventories	**(516,583,930)**	(491,832,515)
Other inventories	**(3,787,979)**	95,066,743
Other current assets	**(263,839,351)**	(786,443,391)
Increase in:		
Accounts and other payables	**223,672,686**	367,441,589
Contract liabilities	**83,949,551**	54,061,349
Net cash used in operations	**(420,099,766)**	(802,985,659)
Interest received	**362,769**	1,806,514
Net cash flows used in operating activities	**(419,736,997)**	(801,179,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates (Note 8)	**170,714,239**	164,000,000
Additions to property, plant and equipment (Note 9)	**(348,695,558)**	(280,275,675)
Proceeds from sale of property, plant and equipment (Note 9)	**–**	89,285
Collections of receivables from related parties (Note 4)	**56,151,488**	17,079,806
Decrease (increase) in other noncurrent assets	**(89,103,813)**	74,296,687
Net cash flows used in investing activities	**(210,933,644)**	(24,809,897)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 18)		
Availments of:		
Long-term debt	**802,496,889**	138,036,499
Short-term debt	**669,530,000**	189,187,000
Payments of:		
Long-term debt	**(270,551,434)**	(192,335,247)
Short-term debt	**(466,383,208)**	(255,320,900)
Interest	**(124,672,221)**	(69,341,259)
Preferred share dividends	**(69,640,725)**	(69,647,026)
Debt issue cost	**(5,806,430)**	(930,000)
Acquisition of treasury shares (Note 13)	**–**	(24,314,028)
Net cash flows from (used in) financing activities	**534,972,871**	(284,664,961)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(2,658,458)**	(448,889)

(Forward)

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
NET DECREASE IN CASH	**(₱98,356,228)**	(₱1,111,102,892)
CASH AT BEGINNING OF PERIOD	**209,847,156**	1,277,986,644
CASH AT END OF PERIOD (Note 3)	**₱111,490,928**	₱166,883,752

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED 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.

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

The Parent Company's common and preferred shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE) (see Note 13).

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

Group Information

The Parent Company, through its subsidiaries, also ventured into palm oil milling, power generation and holdings of investments. The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries of the Group:

			Effective Percentage of Ownership (%)	
	Nature of Business	Place of Incorporation	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing and Agriculture	Philippines	**100**	100
Nakeen Corporation (NC)	Agriculture	Philippines	**100**	100
Bonsai Agri Corporation (BAC)*	Agriculture	Philippines	**100**	100
Surigao Greens Agri Corporation (SGAC)	Manufacturing	Philippines	**100**	–
Palm Thermal Consolidated Holdings Corp. (PTCHC)	Holdings	Philippines	**100**	100
Hydro Link Projects Corp. (HLPC)*	Power	Philippines	**100**	100
AB Bulk Water Company, Inc. (ABWCI)*	Water services	Philippines	**100**	100
Blaze Capital Limited (BCL)*	Infrastructure	British Virgin Islands	**100**	100
Simple Homes Development, Inc. (SHDI)*	Real estate	Philippines	**100**	100
Masinloc Consolidated Power, Inc. (MCPI)**	Power	Philippines	**49**	49
Vires Energy Corporation (VEC)*	Power	Philippines	**100**	100
Irradiation Solutions, Inc. (ISI)*	Irradiation Services	Philippines	**100**	100

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

On February 11, 2023, the SEC has approved the incorporation of SGAC with an authorized share capital of ₱50.0 million divided into 50.0 million shares with a par value of ₱1.0 per share. The Parent Company has subscribed to 12,500,000 common shares representing one hundred percent (100%) of capital stock at incorporation.

Approval of Interim Condensed Consolidated Financial Statements
The accompanying interim condensed consolidated financial statements of the Group as of September 30, 2023 and for the nine months period ended September 30, 2023 and 2022 were approved and authorized for issue by the Board of Directors (BOD) on December 27, 2023.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The accompanying interim condensed consolidated financial statements have been prepared using the historical cost basis, except for EIFVOCI that are carried at fair value. The interim condensed 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.

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

The interim condensed consolidated financial statements of the Group have been prepared for inclusion in a prospectus in relation to a planned capital raising activity.

Statement of Compliance
The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, as modified by the application of the following reporting reliefs issued and approved by SEC under Memorandum Circular No. 34-2020 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 interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2022, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of reliefs granted by the above SEC Memorandum Circular (MC).

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

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, 2023. 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 new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

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

- 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.

- 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.

- 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).

<u>Standards Issued but Not Yet Effective</u>
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 interim condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.

- 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, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

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 Parent Company 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 Philippine Accounting Standards (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 Parent Company 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 parent company financial statements.

Significant Accounting Judgment, Estimates and Assumptions

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements.

3. Cash

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	**₱4,391,316**	₱13,867,018
Cash in banks	**107,099,612**	195,980,138
	₱111,490,928	₱209,847,156

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates.

4. Receivables

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ICR	**₱256,341,062**	₱161,658,616
Dividend receivable	**13,000,000**	20,000,000
Trade receivables	**24,577,675**	16,707,537
Advances to officers and employees	**11,666,589**	8,224,199
Other receivables	**50,738,085**	69,105,684
	356,323,411	275,696,036
Less allowance for credit losses	**9,989,275**	7,805,537
	₱346,334,136	₱267,890,499

ICR consists of accounts collectible in equal monthly installments with various terms up to a maximum of two years, and bear interest ranging from 14% to 18% in 2023 and 2022, depending on the project and units. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Dividend receivable pertains to the cash dividends declared by the associates, PEI, which are due and demandable.

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.

In 2023, the Group assigned accounts receivable with recourse as collateral with its short-term loan discounting agreement with a bank. The outstanding balance of the assigned accounts receivable amounted to ₱220.2 million as of September 30, 2023 (see Note 12).

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.

Movement in the allowance for impairment is as follows:

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
Balances at beginning of year	**₱7,805,537**	₱6,094,110
Provision for expected credit losses	**2,183,738**	1,711,427
Balances at end of year	**₱9,989,275**	₱7,805,537

Receivables from related parties
Receivable from related parties pertains to cash advances of the Group's associates, PEI and EWRTC, that are settled in cash. These are noninterest-bearing and are due and demandable.

As of September 30, 2023, the outstanding receivable from PEI, which was classified under "Receivable from related parties" in the consolidated statement of financial position amounting to ₱56.9 million on December 31, 2022, has been collected and settled. Receivable from EWRTC amounted to ₱50.7 million and to ₱49.9 million as of September 30, 2023 and December 31, 2022, respectively.

5. **Real Estate Inventories**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Land for sale and development	**₱893,213,273**	₱807,287,382
Construction and development costs	**2,589,944,812**	2,154,078,876
	₱3,483,158,085	₱2,961,366,258

The rollforward of this account are as follows:

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
Balance at beginning of the period	**₱2,961,366,258**	₱2,090,015,454
Construction and development costs incurred	**580,239,316**	803,472,006
Transfer from deposit for land acquisition (Note 7)	**176,355,465**	394,235,788
Borrowing costs capitalized (see Note 12)	**54,063,399**	75,270,157
Purchase of land	–	67,640,630
Depreciation expense capitalized	**5,207,897**	8,454,484
Cost of real estate sales	**(294,074,250)**	(477,722,261)
	₱3,483,158,085	₱2,961,366,258

The real estate inventories are carried at cost. No real estate inventories are recorded at amounts lower than cost as of September 30, 2023 and December 31, 2022.

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, and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized to inventories for the nine months ended September 30, 2023 and 2022 amounted to ₱54.1 million and ₱61.2 million, respectively (see Note 12). The capitalization rate used to determine the borrowing costs eligible for capitalization in 2023 and 2022 is 8.03% and 6.89%, respectively.

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 12). As at September 30, 2023 and December 31, 2022, the carrying values of the collateralized real estate inventories amounted to ₱1.5 billion and ₱0.3 billion, respectively.

6. **Other Inventories -** At Cost

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Construction materials	**₱123,029,741**	₱109,257,514
Finished agricultural goods	**83,412,597**	89,849,239
Agricultural materials and other supplies	**34,906**	1,177,565
	₱206,477,244	₱200,284,318

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.

For the nine months ended September 30, 2022, the Group recognized inventory loss of ₱50.2 million in the interim consolidated statement of comprehensive income to account for the identified obsolete and damaged finished agricultural goods inventories.

7. **Other Assets**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:		
Deposits for land acquisition	**₱450,246,278**	₱256,818,694
Creditable withholding taxes	**153,115,944**	122,676,007
Prepaid expenses	**96,960,714**	69,650,459
Input VAT	**9,022,894**	9,005,833
Costs to obtain contracts	**5,682,530**	2,383,406
Refundable deposits	**827,263**	827,263
Miscellaneous	**10,084,628**	4,185,278
	₱725,940,251	₱465,546,940

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Noncurrent		
Deposits for land acquisition - net of current portion	**₱347,339,831**	₱347,339,831
Advances to third party and others	**290,999,348**	215,311,840
Input VAT	**76,287,196**	63,134,788
Refundable deposits - net of current portion	**49,138,625**	48,874,728
Goodwill	**43,007**	43,007
	₱763,808,007	₱674,704,194

Deposits for purchased land pertain to installment payments made by the Group to the sellers of lands based on the sales contract. The lands are intended to be held for sale, for development in the future and for land banking. The Group made additional deposits for its land acquisition amounting to ₱373.2 million and ₱501.1 million as of September 30, 2023 and December 31, 2022, respectively. The Group made transfers of land from deposits to real estate inventories amounting to ₱176.4 million and ₱394.2 million as of September 30, 2023 and December 31, 2022, respectively (see Note 5). The Group also made transfers of land from deposits for land acquisition to investment properties upon transfer of control of the land to the Group amounting to ₱3.4 million and ₱8.8 million as of September 30, 2023 and December 31, 2022, respectively (see Note 9).

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 within one (1) year.

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 parties pertain to payments made by the Group to its suppliers for materials to be used for the construction of its irradiation facility and for potential joint venture partners for acceptable business projects. The advances to potential joint venture partners are to be applied to the cost of the business project.

Input VAT pertains to the 12% indirect taxes passed on to the Company by its supplier and contractors in the course of its business on its acquisition of goods and services under Philippine taxation laws and regulations. Input tax is applied against output VAT.

Refundable deposits pertain to deposits for installations of water and electric utility.

For the nine months ended September 30, 2022, refundable deposits written-off amounting to ₱6.7 million were recognized in the interim consolidated statement of comprehensive income.

Miscellaneous pertains to advances to suppliers and contractors.

8. Investments in Associates

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
PCPC	**₱1,311,764,394**	₱1,266,109,455
PEI	**471,120,882**	419,080,852
EWRTC*	**53,356,444**	53,415,370
	₱1,836,241,720	₱1,738,605,677

**EWRTC has not yet started its commercial operations as of September 30, 2023.*

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
Acquisition cost, beginning and end of period	**₱1,105,595,917**	₱1,105,595,917
Accumulated equity in net earnings:		
Balances at beginning of period	**633,009,760**	446,403,997
Equity in net earnings	**261,350,282**	316,397,960
Dividends	**(163,714,239)**	(130,000,000)
Equity in other comprehensive income	–	207,803
Balances at the end of the period	**730,645,803**	633,009,760
	₱1,836,241,720	₱1,738,605,677

In 2022, PEI and PCPC declared cash dividends to the Group amounting to ₱80.0 million and ₱50.0 million, respectively. For the nine months ended September 30, 2023, PEI and PCPC declared cash dividends to the Group amounting to ₱53.7 million and ₱110.0 million, respectively.

Dividends received from associates amounted to ₱170.7 million and ₱164.0 million for the nine months ended September 30, 2023 and 2022, respectively.

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

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
PCPC	**₱155,654,940**	₱168,045,829
PEI	**105,754,269**	95,394,106
EWRTC	**(58,927)**	(56,177)
	₱261,350,282	₱263,383,758

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, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets	**₱3,232,623,931**	₱3,779,595,880
Noncurrent assets	**7,443,877,393**	8,204,610,014
Less liabilities		
Current liabilities	**818,942,984**	2,351,887,255
Noncurrent liabilities	**3,580,247,760**	3,583,282,754
Equity	**₱6,277,310,580**	₱6,049,035,885
Group's carrying amount of the investment	**₱1,311,764,394**	₱1,266,109,455

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Revenue	**₱6,031,288,263**	₱6,255,406,992
Costs and expenses	**5,253,013,565**	5,415,177,849
Net income	**778,274,698**	840,229,143
Other comprehensive income	**–**	–
Total comprehensive income	**₱778,274,698**	₱840,229,143

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, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets	**₱380,106,074**	₱508,221,440
Noncurrent assets	**2,163,383,343**	2,160,678,487
Less liabilities		
Current liabilities	**141,955,438**	511,946,078
Noncurrent liabilities	**100,638,055**	116,252,017
Equity	**₱2,300,895,924**	₱2,040,701,832
Group's carrying amount of the investment	**₱471,120,882**	₱419,080,852

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Revenue	**₱754,245,070**	₱794,884,425
Costs and expenses	**225,473,726**	317,913,893
Net income	**528,771,344**	476,970,532
Other comprehensive income	**–**	–
Total comprehensive income	**₱528,771,344**	₱476,970,532

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 and maintenance of the East-West Rail Project.

As of September 30, 2023 this project has not yet started its commercial operations as it is still in process on obtaining the needed approvals and permits to start its construction.

9. Investment Properties and Property, Plant and Equipment

	September 30, 2023 (Unaudited)	December 31 2022 (Audited)
Investment properties	**₱456,671,680**	₱455,420,654
Property, plant and equipment	**₱1,421,040,313**	₱1,139,609,766

Investment Properties
The account includes land held for capital appreciation amounting to ₱313.4 million and ₱310.0 million as of September 30, 2023 and December 31, 2022, respectively, and land and building held for lease amounting to ₱143.3 million and ₱145.4 million as of September 30, 2023 and December 31, 2022, respectively.

Total additions to investment properties amounted to ₱3.4 million and ₱8.8 million as of September 30, 2023 and December 31, 2022, respectively (see Note 7).

The fair values of land and building as of September 30, 2023 and December 31, 2022, as determined by an independent appraiser using a combination of Market Data and Income Approach, amounted to ₱762.2 million and ₱758.8 million, respectively.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach are categorized as Level 3 in the fair value hierarchy as at September 30, 2023 and December 31, 2022. The significant unobservable input to the valuation is the price per square meter.

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

The fair value of the building was arrived using the Cost Approach. This is a comparative approach that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. This valuation approach is categorized as Level 3 in the fair value hierarchy as at September 30, 2023 and December 31, 2022. The significant unobservable input to the valuation is the price per square meter.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

Rental income generated from land held under lease included under “Other income” in the consolidated statements of comprehensive income amounted to ₱2.4 million for nine months ended September 30, 2023 and 2022. Direct operating expense related to land held for lease included under “General, administrative and selling expenses” in the consolidated statements of comprehensive income amounted to ₱2.2 million for nine months ended September 30, 2023 and 2022.

Property, Plant and Equipment

September 30, 2023 (Unaudited; Nine Months)	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1	₱12,967,297	₱65,501,304	₱366,513,856	₱253,060,820	₱56,993,298	₱305,413,645	₱287,879,709	₱30,535,735	₱364,780,373	₱1,743,646,037
Additions	76,124,242	–	477,561	–	11,459,706	17,303,418	38,103,492	–	214,340,906	357,809,325
At September 30	89,091,539	65,501,304	366,991,417	253,060,820	68,453,004	322,717,063	325,983,201	30,535,735	579,121,279	2,101,455,362
Accumulated depreciation										
At January 1	–	29,596,836	11,989,939	44,935,552	49,538,300	195,368,061	165,846,967	2,671,314	–	499,946,969
Depreciation	–	4,898,237	–	7,731,358	1,947,872	18,753,493	20,665,406	826,475	–	54,822,841
At September 30	–	34,495,073	11,989,939	52,666,910	51,486,172	214,121,554	186,512,373	3,497,789	–	554,769,810
Allowance for impairment										
At January 1	–	–	85,440,060	–	–	–	–	–	18,649,242	104,089,302
Addition	–	–	21,555,937	–	–	–	–	–	–	21,555,937
At September 30	–	–	106,995,997	–	–	–	–	–	18,649,242	125,645,239
Net Book Value	₱89,091,539	₱31,006,231	₱248,005,481	₱200,393,910	₱16,966,832	₱108,595,509	₱139,470,828	₱27,037,946	₱560,472,037	₱1,421,040,313

December 31, 2022 (Audited; One Year)	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Right of Use Assets	Construction in Progress	Total
Cost										
At January 1	₱12,967,297	₱65,501,304	₱365,877,108	₱253,060,820	₱56,581,732	₱275,799,358	₱233,829,033	₱30,535,735	₱164,110,122	₱1,458,262,509
Additions	–	–	636,748	–	411,566	29,614,287	54,425,693	–	200,670,251	285,758,545
Disposals	–	–	–	–	–	–	(375,017)	–	–	(375,017)
At December 31	12,967,297	65,501,304	366,513,856	253,060,820	56,993,298	305,413,645	287,879,709	30,535,735	364,780,373	1,743,646,037
Accumulated depreciation										
At January 1	–	23,065,853	11,784,606	34,803,721	48,699,373	188,631,477	148,781,973	2,535,977	–	458,302,980
Depreciation	–	6,530,983	205,333	10,131,831	838,927	6,736,584	17,440,011	135,337	–	42,019,006
Disposals	–	–	–	–	–	–	(375,017)	–	–	(375,017)
At December 31	–	29,596,836	11,989,939	44,935,552	49,538,300	195,368,061	165,846,967	2,671,314	–	499,946,969
Allowance for impairment										
At January 1	–	–	64,729,932	–	–	–	–	–	14,095,856	78,825,788
Addition	–	–	20,710,128	–	–	–	–	–	4,553,386	25,263,514
At December 31	–	–	85,440,060	–	–	–	–	–	18,649,242	104,089,302
Net Book Value	₱12,967,297	₱35,904,468	₱269,083,857	₱208,125,268	₱7,454,998	₱110,045,584	₱122,032,742	₱27,864,421	₱346,131,131	₱1,139,609,766

As of September 30, 2023 and December 31, 2022, the Group has assessed that its bearer plants have indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. For the nine months ended September 30, 2023 and 2022, the Group recognized impairment loss of ₱21.6 million and ₱15.5 million, respectively, to account for the estimated fruit loss due to some trees not reaching the optimal fruiting stages in accordance with the industry standard yield.

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, 2023 and December 31, 2022. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future fresh fruit bunches production, prices, direct costs and using an average discount rate of 8.56% and 9.67% - 11.14% in 2023 and 2022, respectively.

Borrowing costs capitalized as construction in progress in relation to the Tanay E-Beam & Cold Storage Facility Project amounted to ₱8.6 million and nil for the nine months ended September 30, 2023 and 2022, respectively (see Note 12).

The Group's investment properties and property, plant and equipment are not used as collateral to its short-term and long-term debts.

10. **Accounts and Other Payables**

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade payables	**₱858,659,170**	₱768,765,412
Statutory payables	**226,699,254**	168,258,043
Retention payable	**68,913,686**	43,881,497
Accruals:		
Services	**46,432,793**	47,731,657
Payroll	**26,691,451**	26,584,351
Professional fees	**17,273,551**	9,356,568
Interest	**8,310,863**	6,514,943
Others	**9,274,072**	12,968,779
	₱1,262,254,840	₱1,084,061,250

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

Statutory payables pertain to the output tax on the sale of real estate units, dues for remittance to the Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and Bureau of Internal Revenue. These are noninterest-bearing and are normally settled within one year.

Retention payables 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.

Others pertain to rentals, administrative expenses and other recurring expenses incurred by the Group.

11. 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 interim 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, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion of contract assets	**₱871,242,239**	₱684,156,555
Noncurrent portion of contract assets	**923,835,985**	784,993,918
Contract assets	**₱1,795,078,224**	₱1,469,150,473
Contract liabilities	**₱303,776,024**	₱219,826,473

Revenue recognized from amounts included in contract liabilities amounted to ₱63.0 million and ₱73.4 million for the nine months ended September 30, 2023 and 2022, respectively.

Other income recognized from forfeited reservation sales and advances payments amounted to ₱10.8 million and ₱12.3 million for the nine months ended September 30, 2023 and 2022, respectively.

12. 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), Land bank of the Philippines (LBP), China Bank Corporation (CBC), BPI Family Savings Bank (BPIF) 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), 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 5.50% to 9.50% and 5.50% to 8.25% in 2023 and 2022, 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, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
LBP	**7.00% - 8.00%**	**₱189,000,000**	7.00% - 8.25%	₱29,660,208
DBP	**5.50% - 7.90%**	**183,966,000**	5.50% - 6.00%	189,159,000
CBC	**5.75% - 8.00%**	**150,000,000**	5.75% - 6.25%	150,000,000
UBP	**6.50% - 8.75%**	**95,000,000**	6.25% - 8.25%	90,000,000
PBCOM	**8.25% - 9.50%**	**57,200,000**	8.25%	13,200,000
		₱675,166,000		₱472,019,208

Interest expense on short-term debt (excluding capitalized borrowing costs) recognized in the interim consolidated statements of comprehensive income amounted to ₱24.0 million and ₱3.4 million for the nine months ended September 30, 2023 and 2022, respectively.

Borrowing costs from short-term loans for the nine months ended September 30, 2023 and 2022 amounted to ₱9.8 million and ₱14.1 million, respectively, are capitalized as part of real estate inventories.

In 2023, the Group assigned accounts receivable with recourse as collateral with its short-term loan discounting agreement with a bank. The outstanding balance of the assigned accounts receivable amounted to ₱220.2 million as of September 30, 2023 (see Note 4).

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, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Annual Interest Rate	**Amount**	Annual Interest Rate	Amount
UBP	**6.50% - 9.82%**	**₱627,366,101**	6.50% - 9.82%	₱749,181,355
LBP	**7.00% - 8.00%**	**463,408,200**	7.00%	22,783,200
CBC	**6.00% - 10.59%**	**334,391,915**	6.00% - 10.51%	76,069,100
DBP	**6.00%**	**230,044,000**	6.00%	246,294,000
CFSPI	**11.00%**	**164,590**	11.00%	1,580,235
Shareholder loan	**6.00%**	**156,570,203**	6.00%	184,091,664
		1,811,945,009		1,279,999,554
Less unamortized debt issue cost		**7,370,403**		3,122,766
		1,804,574,606		1,276,876,788
Less current portion		**450,818,388**		317,602,384
Noncurrent portion		**₱1,353,756,218**		₱959,274,404

Loans from UBP are comprised of loans subject to fixed interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 6.50% to 9.82% payable for 5 years.

On October 28, 2022, the Parent Company entered into a loan agreement with UBP for a term loan that grants a maximum aggregate principal of ₱330.0 million available for drawing within 1 year from the date of approval. Interest rate is fixed at BVAL plus 2% spread and floor rate of 8%, whichever is higher, payable monthly. The Group has availed ₱300.0 million during 2022. On June 23, 2023, the remaining ₱30.0 million of the term loan was availed carrying a nominal interest rate of 8.00% and effective interest of 8.34%, payable in monthly installments for 5 years.

Loans from LBP are payable in quarterly installments for 5 years secured by real estate mortgage which are subject to fixed interest rate of 7.00% to 8.00%.

On November 29, 2022, the Parent Company entered into a loan agreement with LBP for a term loan that grants a maximum aggregate principal of ₱500.0 million available for drawing within 1 year from the date of signing of loan documents. On March 27, 2023, the maximum aggregate principal of ₱500.0 million was availed with this agreement carrying a nominal interest rate of 8.00% and effective interest of 8.33%, payable in quarterly installments for 5 years.

Loans from CBC are payable in monthly installments for 2 to 5 years pertaining to secured loans subject to fixed annual interest rates ranging from 6.00% to 10.59%.

On September 30, 2022, ISI was granted a 10-year ₱400.0 million credit facility by CBC of various drawdown depending on the percentage of completion of its E-Beam and Cold Storage Facility project, with interest rate of 8.00% payable quarterly. The Group has availed ₱50.0 million during 2022. On March 20, May 25, June 30, and September 13, 2023, ₱80.0 million, ₱4.2 million, ₱80.0 million, and ₱80.0 million, respectively, was granted with this agreement carrying a nominal interest rate of 8.00% and effective interest of 8.26% to 8.27%. Principal is payable in quarterly amortizations starting after the grace period of 13 quarters of the first drawdown on December 19, 2022 and will mature on December 19, 2032.

For the nine months ended September 30, 2023, the Group has availed ₱26.7 million as various car loans from CBC carrying a nominal interest rate of 9.51% to 10.59%, payable in monthly installments for 2 to 5 years.

Loan from DBP is payable in quarterly installments for 6 years secured by real estate mortgage which is subject to a fixed annual interest rate of 6.0%.

Loan from CFSPI is payable in monthly installments for 3 years, unsecured, and subject to a fixed annual interest rate of 11%.

On January 13, 2019, the Parent Company signed into an agreement with the shareholder to restructure the remaining balance of its original short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. This loan is now payable in monthly installments for 12 years, unsecured and subject to a fixed annual interest rate of 6.0%. For the nine months ended September 30, 2023, availments from shareholders amounted to ₱1.6 million payable in monthly installments.

Interest expense on long-term debt (excluding capitalized borrowing costs) recognized in the interim consolidated statements of comprehensive income amounted to ₱39.8 million and ₱5.8 million for the nine months ended September 30, 2023 and 2022, respectively.

Borrowing costs from long-term loans for the nine months ended September 30, 2023 and 2022 amounted to ₱44.3 million and ₱47.1 million, respectively, are capitalized as part of real estate inventories, while ₱8.6 million and nil, respectively, are capitalized as construction in progress under property, plant and equipment (see Note 9).

The capitalization rate used to determine the borrowing costs eligible for capitalization attributed to the general borrowings is 8.03% and 6.89% for the nine months period ended September 30, 2023 and 2022, respectively (see Note 5).

The movement of the unamortized debt issue cost follows:

	September 30, 2023 (Unaudited; Nine Months)	December 31, 2022 (Audited; One Year)
At January 1	**₱3,122,766**	₱–
Additions	**5,806,430**	3,555,000
Amortization	**(1,558,793)**	(432,234)
At December 31	**₱7,370,403**	₱3,122,766

The repayment schedule of long-term debt follows:

Year	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
2023	**₱115,917,041**	₱318,604,203
2024	**458,199,742**	345,586,596
2025 – 2032	**1,237,828,226**	615,808,755
	₱1,811,945,009	₱1,279,999,554

Real estate inventories amounting to ₱1.5 billion and ₱0.3 billion have been collateralized against short-term and long-term debts as of September 30, 2023 and December 31, 2022 (see Note 5).

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

13. **Equity**

Common stock

As of September 30, 2023 and December 31, 2022, the Group's common stock consists of:

	Authorized Capital Stock	Number of Outstanding Shares
Subscribed and issued common shares, ₱1 par value	3,250,000,000	2,477,668,925
Less treasury shares		105,301,014
		2,372,367,911

Preferred Stock

The details of the Parent Company's preferred stock as at September 30, 2023 and December 31, 2022 follow:

Authorized shares	50,000,000
Par value per share	₱1.00
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 ₱4.50 per share; SEC-BED Order No. 847 issued on August 15, 1994 of 230.0 million shares; and, SEC-CFD Order No. 64 issued on March 12, 1996 of 530.0 million shares.

There were 2,087 and 2,088 common stockholders as of September 30, 2023 and December 29, 2022, respectively in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.69 and ₱0.73 on September 29, 2023 and December 29, 2022, respectively.

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 MSRD 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. The "Series A" preference shares are entitled to fixed rate cash dividends at 7% per annum, payable quarterly in arrears on March 1, May 29, August 29, and November 29 each year.

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, 2023 and December 31, 2022, 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 ₱99.00 and ₱100.00 on September 29, 2023 and December 28, 2022, respectively.

Additional Paid-In Capital (APIC)

APIC pertains to the excess proceeds over the par value of the issued shares. APIC for common shares amounted to ₱638.0 million as of September 30, 2023 and December 31, 2022.

In 2021, the Group has recognized APIC for preferred shares for the excess proceeds of subscriptions over the par value amounting to ₱1,313.2 million in relation to the issuance of preferred shares by the Parent Company. 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 income tax benefit.

As of September 30, 2023 and December 31, 2022, APIC on preferred shares amounted to ₱1,293.2 million.

Treasury shares

In 2016, the Group has acquired all of the unissued fractional common 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 ₱1.00.

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.

As of September 30, 2023 and December 31, 2022, the Parent Company has bought back from the market a total of 105,301,014 common shares or ₱94.9 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, 2023		December 31, 2022	
	Common Shares	**Amount**	Common Shares	Amount
Beginning	**105,301,014**	**₱94,932,275**	78,756,014	₱70,618,247
Additions	**–**	**–**	26,545,000	24,314,028
Ending	**105,301,014**	**₱94,932,275**	105,301,014	₱94,932,275

<u>Retained Earnings</u>
Retained earnings amounting to ₱2,795.8 million and ₱2,380.9 million as of September 30, 2023 and December 31, 2022, respectively, include the accumulated equity in undistributed net earnings of consolidated subsidiaries. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

<u>Declaration of Dividends</u>
On February 2, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2021 or a total of ₱23.2 million to all preferred stockholders of record as of February 16, 2022, paid in arrears on March 1, 2022.

On April 29, 2022, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2021 to all preferred stockholders of record as of May 17, 2022 payable on May 30, 2022, all preferred stockholders of record August 3, 2022 payable on August 30, 2022 and all preferred stockholders of record as of November 3, 2022 payable on November 29, 2022. The Group has declared and paid dividends amounting to ₱69.6 million.

On February 3, 2023, the BOD declared a cash dividend for its preferred share amounting to ₱1.75 per share out of the Group's unrestricted retained earnings as of December 31, 2022 to all preferred stockholders of record as of February 17, 2023, payable on March 1, 2023, all preferred stockholders of record as of May 3, 2023, payable on May 29, 2023, all preferred stockholders of record as of August 1, 2023, payable on August 29, 2023 and all preferred stockholders of record as of November 3, 2023, payable on November 29, 2023. As of September 30, 2023, the Group has declared and paid dividends amounting to ₱69.6 million.

Earnings per share

Basic and diluted earnings per share amounts attributable to common equity holders of the Parent Company are as follows:

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Net income attributable to the owners of the Parent Company	**₱484,514,232**	₱405,357,416
Less: Cumulative preferred dividends, net of tax	**62,676,653**	62,682,323
Net income attributable to the common shareholders of the Parent	**421,837,579**	342,675,093
Weighted average number of outstanding shares*	**2,372,367,911**	2,378,806,757
Basic/Diluted earnings per share	**₱0.18**	₱0.14

**Weighted average common shares consider the effect of treasury shares*

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

For the nine months ended September 30, 2023 and 2022, there were no issued and outstanding share options that could potentially dilute the Group’s earnings per share.

14. Revenue from Contracts with Customers

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	
	2023	2022 (Note 19)
Type of product:		
Real estate sales		
Lot-only units	**₱488,984,758**	₱428,704,118
House and lot units	**483,912,757**	337,955,578
Sale of agricultural goods		
Crude palm oil	**98,280,223**	97,144,100
Palm olein	**3,931,096**	72,991
Palm stearin	**4,148,250**	1,824,045
Palm acid oil	**2,772,774**	3,873,180
Palm kernel nut	**745,765**	–
Palm kernel	**137,600**	811,586
Refined bleached deodorized oil	–	1,751,240
Palm fatty acid distillate	**1,078,800**	873,888
Water service	**20,420,873**	18,767,705
	₱1,104,412,896	₱891,778,431

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.

15. Income Taxes

The provision for current income tax of the Group pertains to regular corporate income tax (RCIT) and minimum corporate income tax (MCIT) as follows:

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
RCIT	**₱635,766**	₱259,226
MCIT	**2,498,238**	2,173,409
	₱3,134,004	₱2,432,635

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

	For the Nine Months Ended September 30	
	2023	2022 (Note 19)
Income before income tax	**₱585,206,537**	₱490,763,953
Provision for income tax computed at statutory rate	**146,301,634**	122,690,988
Adjustments for:		
Equity in net earnings of associates	**(65,337,571)**	(65,845,940)
Change in unrecognized deferred tax assets	**12,966,795**	12,748,992
Nondeductible expenses	**6,795,705**	19,492,763
Interest income already subjected to final tax	**(22,301)**	(230,340)
	₱100,704,262	₱88,856,463

The components of net deferred tax liabilities as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	**(₱526,241,387)**	(₱380,324,442)
Unamortized debt issue cost	**(1,395,384)**	(780,692)
Costs to obtain contracts	**(1,420,633)**	(595,851)
Unrealized foreign exchange gain	**(3,810)**	(158,933)
	(₱529,061,214)	(₱381,859,918)

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets on:		
NOLCO	**₱56,110,987**	₱13,062,224
Fair value adjustment arising from business combination	**13,301,338**	13,301,338
Retirement benefit obligation	**11,537,427**	10,202,221
MCIT	**8,452,114**	6,087,308
Allowance for impairment on receivables	**698,549**	698,549
	90,100,415	43,351,640
In equity:		
Remeasurement loss on retirement benefit plan	**7,319,072**	7,047,465
Preferred share issue costs recognized in APIC	**6,671,734**	6,671,734
Cumulative translation adjustment	**666,785**	(256,164)
	14,657,591	13,463,035
Deferred tax liabilities – net	**(₱424,303,208)**	(₱325,045,243)

The components of deferred tax assets as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets on:		
Allowance for impairment loss on property, plant and equipment	**₱14,125,187**	₱11,925,547
Allowance for impairment on receivables	**1,798,770**	1,252,835
Lease adjustments	**1,576,117**	1,560,476
Retirement benefit obligation	**1,110,178**	989,131
	18,610,252	15,727,989
In equity:		
Remeasurement loss on retirement benefit plan	**(149,414)**	(149,414)
Deferred tax assets – net	**₱18,460,838**	₱15,578,575

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 as of September 30, 2023 and December 31, 2022 since management does not expect these to be realized before expiration, as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
NOLCO	**₱178,494,326**	₱125,377,766
Excess MCIT	**1,020,710**	887,279

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives Enterprises (CREATE) Act
Pursuant to the CREATE Act and Revenue Memorandum Circular (RMC) No. 69-2023, the MCIT rate shall revert back from 1% to 2% effective July 1, 2023. As illustrated in RMC No. 69-2023, it appears that MCIT due will be computed based on the assumption that the gross taxable income as of September 30, 2023 was earned evenly during the period. As such, the Group's relevant MCIT rate for the quarter ended September 30, 2023 is 1.33%.

16. 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, 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 2023 and 2022.

The main risks arising from the use of financial instruments are credit risk, liquidity risk, interest rate risk and equity price 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 ICRs. 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 refundable deposits, 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.

For financial assets recognized on the interim 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.

The aging analysis per class of financial assets as at September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)						
		Neither Past	**Past Due But not Impaired**				
	Total	**Due nor Impaired**	**Less than 30 Days**	**30-60 Days**	**61-90 Days**	**More than 90 Days**	**Impaired**
Financial assets:							
Cash in banks	**₱107,099,612**	**₱107,099,612**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables	**356,323,411**	**338,119,636**	**2,217,915**	**2,053,625**	**1,642,900**	**2,300,060**	**9,989,275**
Receivable from related parties	**50,660,359**	**50,660,359**	–	–	–	–	–
Refundable deposits	**49,965,888**	**49,965,888**	–	–	–	–	–
	₱564,049,270	**₱545,845,495**	**₱2,217,915**	**₱2,053,625**	**₱1,642,900**	**₱2,300,060**	**₱9,989,275**

	December 31, 2022 (Audited)						
			Past Due But not Impaired				
	Total	Neither Past Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks	₱195,980,138	₱195,980,138	₱–	₱–	₱–	₱–	₱–
Receivables	275,696,036	264,613,375	1,602,840	535,176	569,554	569,554	7,805,537
Receivable from related parties	106,811,847	106,811,847	–	–	–	–	–
Refundable deposits	49,701,991	49,701,991	–	–	–	–	–
	₱628,190,012	₱617,107,351	₱1,602,840	₱535,176	₱569,554	₱569,554	₱7,805,537

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, this is backed up by contracts to sell and collaterals. Further, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. In addition, the Group also has credit lines available if immediate payment is needed. 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, 2023 and December 31, 2022 based on contractual undiscounted payments:

	September 30, 2023 (Unaudited)			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	**₱111,490,928**	**₱–**	**₱–**	**₱111,490,928**
Receivables	**13,000,000**	**333,334,136**	**–**	**346,334,136**
EIFVOCI	**–**	**–**	**355,094,062**	**355,094,062**
Receivables from related parties	**50,660,359**	**–**	**–**	**50,660,359**
Refundable deposits	**–**	**827,263**	**49,138,625**	**49,965,888**
Total financial assets	**175,151,287**	**334,161,399**	**404,232,687**	**913,545,373**
Contract assets	**–**	**871,242,239**	**923,835,985**	**1,795,078,224**
	175,151,287	**1,205,403,638**	**1,328,068,672**	**2,708,623,597**
Financial Liabilities				
Accounts and other payables*	**₱–**	**₱1,035,555,586**	**₱–**	**₱1,035,555,586**
Short-term debt				
Principal	**–**	**675,166,000**	**–**	**675,166,000**
Interest	**–**	**42,769,345**	**–**	**42,769,345**
Long-term debt				
Principal	**–**	**452,945,872**	**1,358,999,137**	**1,811,945,009**
Interest	**–**	**17,307,483**	**51,928,620**	**69,236,103**
	–	**2,223,744,286**	**1,410,927,757**	**3,634,672,043**
Net Inflow (Outflow)	**₱175,151,287**	**(₱1,018,340,648)**	**(₱82,859,085)**	**(₱926,048,446)**

** Excluding statutory payables*

	December 31, 2022 (Audited)			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	₱209,847,156	₱–	₱–	₱209,847,156
Receivables	20,000,000	247,890,499		267,890,499
EIFVOCI	–	–	301,030,435	301,030,435
Receivables from related parties	106,811,847	–	–	106,811,847
Refundable deposits	–	827,263	48,874,728	49,701,991
Total financial assets	336,659,003	248,717,762	349,905,163	935,281,928
Contract assets	–	684,156,555	784,993,918	1,469,150,473
	336,659,003	932,874,317	1,134,899,081	2,404,432,401
Financial Liabilities				
Accounts and other payables*	₱–	₱915,803,207	₱–	₱915,803,207
Short-term debt				
Principal	–	472,019,208	–	472,019,208
Interest	–	29,900,724	–	29,900,724
Long-term debt				
Principal	–	318,604,203	961,395,351	1,279,999,554
Interest	–	12,174,163	36,735,864	48,910,027
	–	1,748,501,505	998,131,215	2,746,632,720
Net Inflow (Outflow)	₱336,659,003	(₱815,627,188)	₱136,767,866	(₱342,200,319)

** Excluding statutory payables*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

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

Increase (decrease) in basis points	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
200	**(₱30,391,367)**	(₱19,976,583)
100	**(15,195,683)**	(9,988,292)
(100)	**15,195,683**	9,988,292
(200)	**30,391,367**	19,976,583

Equity Price Risk. The Group's equity investments on golf and club shares, classified as FVOCI, are susceptible to market price risk arising from uncertainties about future values of the investment securities.

As of September 30, 2023 and December 31, 2022, the Group's exposure to equity price risk with respect to EIFVOCI is minimal.

Fair Value of Financial Assets and Liabilities

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, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash	**₱111,490,928**	**₱111,490,928**	₱209,847,156	₱209,847,156
Receivables	**346,334,136**	**346,334,136**	267,890,499	267,890,499
Receivables from related parties	**50,660,359**	**50,660,359**	106,811,847	106,811,847
EIFVOCI	**355,094,062**	**355,094,062**	301,030,435	301,030,435
Refundable deposits	**49,965,888**	**49,965,888**	49,701,991	49,701,991
	₱913,545,373	**₱913,545,373**	₱935,281,928	₱935,281,928
Financial Liabilities				
Accounts and other payables*	**₱1,035,555,586**	**₱1,035,555,586**	₱915,803,207	₱915,803,207
Short-term debt	**675,166,000**	**675,166,000**	472,019,208	472,019,208
Long-term debt	**1,811,945,009**	**1,819,688,585**	1,279,999,554	1,399,827,840
	₱3,522,666,595	**₱3,530,410,171**	₱2,667,821,969	₱2,787,650,255

** Excluding statutory payables*

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 2 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 7.9% to 8.3% and 5.9% to 8.4% as of September 30, 2023 and December 31, 2022, respectively. The Group classifies the fair value of its long-term debt under Level 3.a

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, 2023, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
EIFVOCI	₱355,094,062	₱–	₱355,094,062	₱–
Disclosed at fair value:				
Long-term debt	1,819,688,585	–	–	1,819,688,585

During the period ended September 30, 2023, 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.

17. 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.
- Holding - Holding of properties of every kind and description.
- Services - Provide irradiation services for all types of goods

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

For the nine months ended September 30, 2023 and 2022, 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 Nine Months Ended September 30, 2023						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenues	₱993,318	₱111,095	₱–	₱–	₱–	₱–	₱1,104,413
Costs and expenses	305,660	84,573	–	–	–	–	390,233
Gross profit	687,658	26,522	–	–	–	–	714,180
General, administrative and selling expenses	(242,658)	(98,573)	(3,663)	(385)	(5,034)	2,232	(348,081)
Other income (expenses)	(46,630)	6,519	555,130	–	30	(295,942)	219,107
Income (loss) before income tax	398,370	(65,532)	551,467	(385)	(5,004)	(293,710)	585,206
Provision for (benefit from) income tax	102,817	(1,721)	–	–	–	(392)	100,704
Net income (loss)	₱295,553	(₱63,811)	₱551,467	(₱385)	(₱5,004)	(₱293,318)	₱484,502
Net income attributable to:							
Owners of the Parent Company	₱295,553	(₱63,811)	₱551,479	(₱385)	(₱5,004)	(₱293,318)	₱484,514
Non-controlling interests	–	–	(12)	–	–	–	(12)
	₱295,553	(₱63,811)	₱551,467	(₱385)	(₱5,004)	(₱293,318)	₱484,502

	As of September 30, 2023						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	₱11,123,445	₱1,279,894	₱1,811,377	₱1,046,529	₱462,464	(₱4,171,714)	₱11,551,995
Deferred tax assets	–	13,901	–	–	–	4,560	18,461
Total Assets	₱11,123,445	₱1,293,795	₱1,811,377	₱1,046,529	₱462,464	(₱4,167,154)	₱11,570,456
Segment liabilities	₱3,778,012	₱1,378,432	₱50,888	₱855,231	₱419,590	(₱2,361,314)	₱4,120,839
Deferred tax liabilities	436,964	–	3	–	80	(12,744)	424,303
Total Liabilities	₱4,214,976	₱1,378,432	₱50,891	₱855,231	₱419,670	(₱2,374,058)	₱4,545,142

	For the Nine Months Ended September 30, 2022 (Note 19)						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenues	₱785,427	₱106,351	₱–	₱–	₱–	₱–	₱891,778
Costs and expenses	286,337	87,968	–	–	–	–	374,305
Gross profit	499,090	18,383	–	–	–	–	517,473
General, administrative and selling expenses	(163,224)	(128,297)	(14,678)	(339)	(1,780)	7,352	(300,966)
Other income (expenses)	10,714	2,260	457,443	–	65	(196,225)	274,257
Income (loss) before income tax	346,580	(107,654)	442,765	(339)	(1,715)	(188,873)	490,764
Provision for (benefit from) income tax	86,901	(1,930)	–	–	–	3,886	88,857
Net income (loss)	₱259,679	(₱105,724)	₱442,765	(₱339)	(₱1,715)	(₱192,759)	₱401,907
Net income attributable to:							
Owners of the Parent Company	₱259,679	(₱105,724)	₱446,215	(₱339)	(₱1,715)	(₱192,759)	₱405,357
Non-controlling interests	–	–	(3,450)	–	–	–	(3,450)
	₱259,679	(₱105,724)	₱442,765	(₱339)	(₱1,715)	(₱192,759)	₱401,907

	As of December 31, 2022						
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	₱9,780,304	₱1,181,316	₱1,704,753	₱1,065,751	₱241,398	(₱3,983,254)	₱9,990,268
Deferred tax assets	–	11,411	–	–	–	4,168	15,579
Total Assets	₱9,780,304	₱1,192,727	₱1,704,753	₱1,065,751	₱241,398	(₱3,979,086)	₱10,005,847
Segment liabilities	₱2,997,934	₱1,228,878	₱41,834	₱853,463	₱193,520	(₱2,194,689)	₱3,120,940
Deferred tax liabilities	336,783	–	2	–	80	(11,820)	325,045
Total Liabilities	₱3,334,717	₱1,228,878	₱41,836	₱853,463	₱193,600	(₱2,206,509)	₱3,445,985

18. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities

For the nine months ended September 30, 2023

	Beginning Balance	**Availments**	**Payments**	**Others**	**Ending Balance**
Short-term debt	**₱472,019,208**	**₱669,530,000**	**(₱466,383,208)**	**₱–**	**₱675,166,000**
Long-term debt	**1,279,999,554**	**802,496,889**	**(270,551,434)**	**–**	**1,811,945,009**
Debt issue cost	**(3,122,766)**	**–**	**(5,806,430)**	**1,558,793**	**(7,370,403)**
Interest payable	**6,514,943**	**–**	**(124,672,221)**	**126,468,141**	**8,310,863**
	₱1,755,410,939	**₱1,472,026,889**	**(₱867,413,293)**	**₱128,026,934**	**₱2,488,051,469**

For the nine months ended September 30, 2022

	Beginning Balance	Availments	Payments	Others	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	(192,335,247)	–	998,156,261
Debt issue cost	–	–	(930,000)	224,583	(705,417)
Interest payable	2,883,267	–	(69,341,259)	70,606,866	4,148,874
Treasury shares	(70,618,247)	–	(24,314,028)	–	(94,932,275)
	₱1,428,181,049	₱327,223,499	(₱542,241,434)	₱70,831,449	₱1,283,994,563

Others include interest expense and capitalized borrowing costs.

The Group's noncash investing and financing activities pertain to the following:

- Dividend receivable amounting to ₱13.0 million and nil as of September 30, 2023 and 2022, respectively.
- Capitalized borrowing cost on real estate inventories amounting to ₱54.1 million and ₱61.2 million for the nine months ended September 30, 2023 and 2022, respectively (see Note 5).

- Capitalized borrowing cost on property, plant and equipment amounting to ₱8.6 million and nil for the nine months ended September 30, 2023 and 2022, respectively (see Note 9).
- Capitalized depreciation expense amounting to ₱5.2 million and ₱6.3 million for the nine months ended September 30, 2023 and 2022, respectively.
- The Group transferred from real estate inventory to investment property amounting to ₱3.4 million and nil for the nine months ended September 30, 2023 and 2022, respectively (see Notes 7 and 9).

19. Other Matters

a. Seasonality of Interim Operations

The operations of real estate are dependent on market conditions and the timing of project launches depending on several factors such as completion of plans, permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of the project launch.

Operations of the power plants are generally affected by the seasonality of the demands for power consumption. As such demand is not consistent within the full year, the Group usually expects high demand during the summer season.

On the other hand, for the operations of its subsidiaries which engages in trading agricultural products, these are generally affected by the climatic seasonality in which the crops needed for the products are dependent on their season of harvest.

Any unexpected change in seasonal aspects will have no material effect on the Group's financial condition or results of its operations.

b. Subsequent Events

1. Planned Preferred Shares Offering

On November 3, 2023, the BOD approved the offer and sale to the public of up to 15,000,000 Non-voting Preferred Shares, to be issued and offered under the Corporation's 50,000,000 Preferred Shares Shelf Registration under MRSD Order No. 76 series 2021.

The Board likewise authorized Management to cause the preparation and filing of (i) a Registration Statement and Offer Supplement in relation to the Offer under the Shelf Registration; (ii) a Listing Application with the Philippines Stock Exchange ("PSE") for the Offer; (iii) the approval of all the disclosure contained in the Registration Statement, the Offer Supplement, and Listing Application to be filed with the Securities and Exchange Commission and the PSE.

Consequently, the Company filed on November 7, 2023 an Amended Registration Statement together with a Preliminary Offer Supplement for the issuance of 10,000,000 Preferred Shares with an oversubscription option of 5,000,000 Preferred Shares to be offered at an issue price of Php100.00 per share (the "Offer Shares").

2. Department of Energy (DOE) Wind Energy Service Contracts

On December 6, 2023, the Department of Energy (DOE) has awarded Hydro Link Projects Corp. for the Wind Energy Service Contracts for the Bukidnon Wind Power Project and the Misor Wind Power Project. The service contracts are effective November 28, 2023. HLPC is appointed by the Department of Energy as having the exclusive right to explore, develop, and utilize the Wind Energy Resources within the applied contract areas located in Malaybalay City, Cabanglasan, and San Fernando, in the Province of Bukidnon and Balingoan, Claveria, Salay, Sugbongcogon, Kinoguitan, Talisayan, and Medina, in the Province of Misamis Oriental. With the award of the service contract, HLPC will proceed with the pre-development activities and studies to ascertain the feasibility of the applied areas.

Furthermore, last July 24, 2023, the Group has approved the amendments of its subsidiary Hydro Link Projects Corp. (HLPC) of its articles of incorporation (AOI) changing the name of the Corporation to “Northmin Renewables Corp. (NRC)”, changing the primary purpose to “to invest in renewable energy projects and all other energy related investments”; changing of principal office of the Subsidiary; and increasing the authorized capital stock ₱100.00 million. As of December 27, 2023, the SEC is yet to approve the aforementioned amendments in the AOI and proposed increase in the authorized capital stock .

c. Restatement

The unaudited interim consolidated statement of comprehensive income for the nine months ended September 30, 2022 filed by the Group under SEC form 17-Q with the Philippine Stock Exchange in compliance with Section 17 of the Securities Regulations Code (SRC) and SRC Rule 17(2)(b) was restated due to the impact of December 31, 2022 annual audit adjustments to the September 30, 2022 quarterly report. As such, the adjustments resulted to ₱8.1 million decrease in revenues, ₱123.7 million increase in costs and general and administrative expenses, ₱130.2 million increase in equity in net earnings of associates, ₱4.6 million decrease in other income, ₱20.5 million decrease in other comprehensive income and consequently a ₱81.1 million increase in provision for income tax, ₱87.2 million decrease in net income, ₱87.2 million decrease in retained earnings as of September 30, 2022 and ₱0.04 decrease in basic/diluted earnings per share previously reported in the interim consolidated statements of comprehensive income and changes in equity. Moreover, the unaudited interim consolidated statement of cash flows for the nine months ended September 30, 2022 was also restated resulting to ₱0.9 million increase in net cash flows used in operating activities, ₱59.9 million decrease in net cash flows from investing activities, ₱64.3 million increase in net cash flows used in financing activities, and ₱4.5 million decrease in effect of exchange rates changes on cash, resulting to ₱0.7 million additional net decrease in cash. The adjustments have no impact on the consolidated statement of financial position as of December 31, 2022 presented as comparative period.

Except for the items above, there were no material, non-recurring adjustments made during the period that would require appropriate disclosures.

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working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have reviewed in accordance with Philippine Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the interim condensed consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 and have issued our report thereon dated December 27, 2023. Our review was made for the purpose of expressing a conclusion on the basic interim condensed consolidated financial statements taken as whole. The schedules listed in the Index to the Interim Condensed Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic interim condensed consolidated financial statements. These schedules have been subjected to the procedures applied in the review of the basic interim condensed consolidated financial statements and, based on our review, nothing has come to our attention that causes us to believe that the information required to be set forth therein in relation to the basic interim condensed consolidated financial statements taken as a whole has not been prepared, in all material respects, in accordance with Philippine Accounting Standard 34, *Interim Financial Reporting,* as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the interim condensed consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
Tax Identification No. 198-819-157
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026
PTR No. 9564678, January 3, 2023, Makati City

December 27, 2023

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have reviewed in accordance with Philippine Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the interim condensed consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group) as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 and have issued our report thereon dated December 27, 2023. Our review was made for the purpose of expressing a conclusion on the interim condensed consolidated financial statements taken as whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the interim condensed consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic interim condensed consolidated financial statements prepared in accordance with PAS 34, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the interim condensed consolidated financial statements. The interim components of these financial soundness indicators have been traced to the Group's unaudited interim condensed consolidated financial statements as at September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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December 27, 2023

A BROWN COMPANY, INC. AND SUBSIDIARIES

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF SEPTEMBER 30, 2023

Schedule	Contents

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
SEPTEMBER 30, 2023

	Number of shares or principal amount of bonds and notes	Amount shown in the interim consolidated statement of financial position	Income received or accrued
Cash	–	₱111,490,928	₱49,025
Receivables			
Dividend receivable	–	13,000,000	–
Trade receivable	–	24,577,675	–
ICR	–	256,341,062	313,744
Receivable from related parties	–	50,660,359	–
Advances to officers and employees	–	11,666,589	–
Other receivables	–	50,738,085	–
EIFVOCI	29,387,017	355,094,062	5,354
Refundable deposits	–	49,965,888	–
	29,387,017	₱923,534,648	₱368,123

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, 2023

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.						

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

Intercompany receivable and payable

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱156,328,999	(₱128,783,630)	₱27,545,369
ABERDI	46,122,002	(12,727,867)	33,394,135
ABBWCI	–	(15,484,042)	(15,484,042)
SHDI	–	(2,171,593)	(2,171,593)
BAC	–	(1,661,695)	(1,661,695)
NC	25,863,897	(4,241,828)	21,622,069
BCL	–	(28,314,475)	(28,314,475)
MCPI		(201,755)	(201,755)
ISI	73,000	(2,278,535)	(2,205,535)
VEC	–	(4,731,491)	(4,731,491)
SGAC	7,209,013	(35,000,000)	(27,790,987)
Total Eliminated Receivables/Payables	₱235,596,911	(₱235,596,911)	₱–

Deposit for future stock subscription (DFFS) classified as liability

	Receivable Balance	Payable Balance	Current Portion
ABCI	₱1,991,106,844	₱–	₱1,991,106,844
ABERDI	248,047,978	(950,357,660)	(702,309,682)
NC	–	(248,037,603)	(248,037,603)
HLPC	–	(35,000,000)	(35,000,000)
PTCHC	–	(749,427,698)	(749,427,698)
BCL	–	(12,109,713)	(12,109,713)
ISI	–	(109,100,000)	(109,100,000)
VEC	–	(95,922,148)	(95,922,148)
SGAC	–	(39,200,000)	(39,200,000)
Total Eliminated DFFS	₱2,239,154,822	(₱2,239,154,822)	₱–

SCHEDULE D

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
SEPTEMBER 30, 2023

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Not applicable						

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2023

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 interim consolidated statement of financial position	Amount shown under caption "long-term debt" in related interim consolidated statement of financial position
Term Loan	₱2,852,081,349	₱450,818,388	₱1,353,756,218

SCHEDULE F

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
SEPTEMBER 30, 2023

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	₱184,091,664	₱156,570,203

A BROWN COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

SEPTEMBER 30, 2023

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
		Not applicable		

A BROWN COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
SEPTEMBER 30, 2023

	Number of shares			Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related interim consolidated statement of financial position caption	Number of shares reserved for options warrants, conversion and other rights	Affiliates	Directors, officers and employees	Others
Common stock	3,250,000,000	2,372,367,911	–	1,351,556,468	216,929,848	803,881,595
Preferred stock	50,000,000	13,264,900	–	–	44,000	13,220,900
	3,300,000,000	2,385,632,811	–	1,351,556,468	216,973,848	817,102,495

A BROWN COMPANY, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2023

Unappropriated retained earnings as of December 31, 2022	₱2,274,547,568
Less: Deferred tax assets	(31,275,302)
Unappropriated retained earnings, as adjusted, beginning	₱2,243,272,266
Net income actually earned/realized for the nine months ended September 30, 2023	479,386,411
Net income based on the face of the financial statements	
Less: Non-actual/unrealized income	–
Equity in income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (mark-to-market gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP – gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–
Add: Non-actual losses	
Increase in deferred income tax liabilities (excluding those recognized in OCI)	100,452,167
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP – loss	–
Loss on fair value adjustment of investment property (after tax)	–
	579,838,578
Add (less):	
Treasury shares	(94,932,275)
Cash dividend declarations during the period	(69,640,725)
	(164,573,000)
Unappropriated retained earnings as of September 30, 2023 available for dividend declaration	₱2,658,537,844

SCHEDULE J

A BROWN COMPANY, INC. AND SUBSIDIARIES
FINANCIAL RATIOS
SEPTEMBER 30, 2023

Ratios	Formula	September 30, 2023	September 30, 2022
Current ratio	Current assets / Current liabilities	**2.15**	2.64
Acid test ratio	Quick assets / Current liabilities	**0.19**	0.27
Solvency ratio	Net income + Depreciation / Total liabilities	**0.12**	0.14
Debt to equity ratio	Total liabilities / Total equity	**0.65**	0.48
Asset to equity ratio	Total assets / Total equity	**1.65**	1.48
Interest rate coverage ratio	EBITDA / Total interest paid	**5.61**	7.55
Return on equity	Net income / Average total equity	**0.07**	0.07
Return on assets	Net income / Average total assets	**0.04**	0.04
Net profit margin	Net income / Net revenue	**0.44**	0.45

SCHEDULE K

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, 2023