

2023

EXPANDING HORIZONS
BUILDING FUTURES



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BUILDING FUTURES



ADELADA MEADOW RESIDENCES

Butuan City

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ABOUT THE COVER

Our cover showcases a year of progress and innovation, with every real-estate project a testament to our commitment to building thriving communities. Framed within the silhouette of lush plant leaves, our work reflects not only growth but also our steadfast dedication to creating a sustainable future for generations to come.

VISION

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

PROPERTY

Making dreams come true for happier families.

AGRIBUSINESS

To be the country's leader in producing basic products sustainably for the world.

ENERGY AND UTILITIES

Energizing the country's development.

MISSION

We commit to deliver excellent products and services that will ensure growth, financial stability and sustainability by:

Thinking innovatively, building lasting relationships and acting with genuine concern for all our stakeholders and the environment;

Responsibly utilizing and managing the resources for the development of products and services for love of the common good;

Incessantly providing means for its workers to develop their potentials to the fullest; and

Living the company's shared values of integrity; passion for excellence and love for work; and family-spirit in everything we do.

VALUES

PASSION FOR EXCELLENCE AND LOVE FOR WORK

Order and Discipline; Initiative; Innovativeness and Enterprising; Sound Judgement; Optimism and Efficiency; Competence and Professionalism;

FAMILY SPIRIT

Unity; Loyalty and Concern; Respect and Humility; Cheerfulness; Generosity

INTEGRITY

Love for GOD and others; Moral Integrity; Honesty and Credibility; Stewardship; Prudence

JOINT CHAIRMAN & PRESIDENT'S REPORT

Dear Stockholders,

I am pleased to report to you a consolidated net income of **Php546 Million** for the year 2023.

Consolidated revenues recorded for the Full Year 2023 were at a record high of **Php1.62 Billion**, higher by 7% vs Php1.52 Billion for 2022.

Ending December 31, 2023, Consolidated Total Assets increased to **Php11.71B**, 17% higher compared to the end of 2022. Consolidated Equity increased to **Php7.07B** with Debt-to-Equity ratio at a healthy level of **0.66**.

REAL ESTATE

We want to sustain our growth momentum in the real estate space. We are proud to announce a Php 2.62 B Reservation sales figure for 2023.

Real estate presence in both the vertical and horizontal segments will be sustained and expanded. New market opportunities continue to knock on our doors and we want to maximize these prospects.

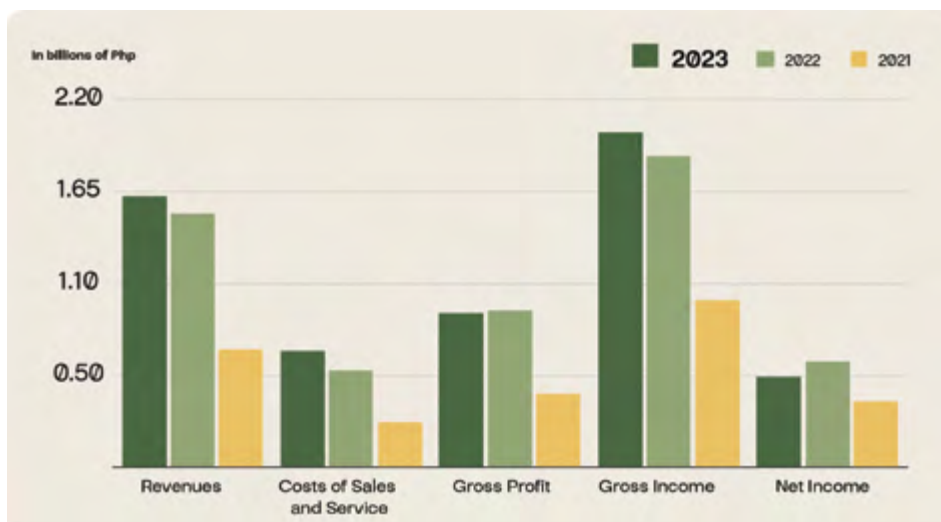
For 2024 and beyond, we will focus on the following strategies:

- Pursue townships for the middle and high-end markets that focus on wellness and healthy living environments.
- A healthy mix of horizontal and vertical projects to balance cash flow and maximize profit margin.
- Venture into commercial and office developments which will provide recurring income; and
- Continue and sustain landbanking activities to provide for future growth. As of 2023, Brown reports a 512-hectare landbank able to sustain real estate development projects for the next decade.

Township Developments

These include:

- **Mountain Pines Farm Estates** in Bukidnon, a 280-hectare project designed for wellness, tourism, and retirement. Plans for a golf course are underway, as well as additional land acquisitions to enrich our mountain city development.
- **Epic Tanay Township Development** in Tanay, Rizal, a 300 hectare development boasting mountain views. Ongoing developments include the initial phase of Epic Leisure Lots and the third phase of Adelaida Mountain Residences.



Other city developments include:

- **West Coast Greenfield** in Buenavista, Agusan del Norte. A Central Business District and Residences township that cater to the communities in the Caraga Region
- **Xavier South Ridge Estates** in Barangay Bayanga, Cagayan de Oro City, a nature-themed environment highlighted by the uptown suburbs vibe
- **Uptown Metropolis** in Uptown Cagayan de Oro which is the driving force that elevated the uptown area as the next emerging center in the region.

Vertical Projects:

- **Coral Bay Suite's The Royale and The Navy Towers** in Initao, Misamis Oriental
- **Highland Fairway Suites** in West Highlands, Butuan City: The region's first condominium overlooking fairway lots

POWER

A Brown's investments in power, recorded as equity in net earnings of associates contributed Php 340M to the consolidated net income, a 7.4% increase vs Php316M recorded for 2022. Operating associates Palm Concepcion Power Corporation. proudly reports a record yearly net income for 2023.

A Brown is working on a portfolio of fully owned greenfield power projects. The strategy is to develop these projects up to shovel ready stage and pursue project finance or strategic partners for funding strategies. These include investments in the following projects:

- Fully owned Vires Energy Corp is the proponent of the 450MW Floating LNG-fired power project in Barangay Simlong, Batangas City. The project is in its pre-development stage and is being positioned to be in commercial operations by 2029. Vires Energy is currently seeking a long-term gas supply contract and baseload power off-take agreements.
- Fully owned Northmin Renewables Corp. was awarded by the Department of Energy on December 6 2023 wind energy service contracts for the Bukidnon Wind Power Project and the Misamis Oriental Wind Power Project. Northmin Renewables is finalizing the configuration for the start of the wind monitoring campaign within this year 2024.

IRRADIATION AND COLD STORAGE

ISI E-Beam (ISI) is excited to commence the commercial operations of its E-Beam and Cold Storage Facility in Tanay, Rizal, scheduled for August 2024. As of today, construction activities have been completed. Testing commissioning it at its final stages and will be completed by this month, July 2024.

This advanced facility will employ electron-beam technology to decontaminate food and sterilize medical equipment, aiming to ensure local produce meets stringent global export requirements for quality and safety.

ISI is seen to contribute to A Brown's bottom line beginning 2025.

CASH DIVIDEND

The Board of Directors has approved a cash dividend of Php 0.025 / share, payable on August 15, 2024 to shareholders as of record on August 1, 2024.

This is the first cash dividend declared by the company since 2010, or 14 years. This move reflects Your Company's commitment to delivering value to its shareholders.

CLOSING

In conclusion, I would like to express gratitude to our financial partners, brokers, sales producers, and all stakeholders. With your unwavering support and trust, we are poised for even greater success in 2024.

Thank you.



DR. WALTER W. BROWN

CHAIRMAN



ROBERTINO E. PIZARRO

PRESIDENT AND CEO

FINANCIAL HIGHLIGHTS

	2023	2022	2021
Consolidated Income			
Revenues	1,624,782,999	1,520,206,597	710,268,921
Costs of Sales and Service	698,133,103	579,664,837	271,286,504
Gross Profit	926,649,896	940,541,760	438,982,417
Gross Income	2,006,540,281	1,864,791,008	1,003,333,017
Net Income	546,476,640	635,537,340	397,550,431
Equity holders of the Parent Company	546,514,853	639,005,498	397,579,781
Noncontrolling Interest	(38,213)	(3,468,158)	(29,350)
Gross Profit Ratio ¹	57%	62%	62%
Net Profit Ratio ²	34%	42%	56%
Return on Assets ³	5.03%	6.82%	5.26%
Return on Equity ⁴	8.02%	10.14%	7.77%
Consolidated Financial Position			
Total Current Assets	5,410,422,650	4,895,903,573	4,642,563,369
Total Assets	11,709,501,710	10,005,846,792	8,625,744,514
Total Current Liabilities	2,706,038,926	2,093,509,315	1,554,622,976
Total Non-Current Liabilities, net of current portion	1,931,490,689	1,352,475,218	1,097,296,114
Total Liabilities	4,637,529,615	3,445,984,533	2,651,919,090
Total Equity	7,071,972,095	6,559,862,259	5,973,825,424
Equity holders of the Parent Company	7,072,191,513	6,560,043,464	5,970,538,471
Noncontrolling Interest	(219,418)	(181,205)	3,286,953
No. of Common Shares Outstanding	2,372,367,911	2,372,367,911	2,398,912,911
Weighted Average No. of Shares Outstanding (WANOS)	2,372,367,911	2,377,280,455	2,418,299,636
No. of Preferred Shares Outstanding - Series A	13,264,900	13,264,900	13,264,900
Cumulative Preferred Dividends	83,568,870	83,574,540	7,737,858.33
Current Ratio ⁵	2.00	2.34	2.99
Current Debt to Equity Ratio ⁶	0.38	0.35	0.26
Total Debt to Equity Ratio ⁷	0.66	0.53	0.44
Earnings Per Share ⁸	0.195	0.234	0.161
Net Book Value Per Share - Common ⁹	2.419	2.203	1.933

¹ computed as gross profit divided by revenue

² computed as net income divided by revenue

³ computed as net income divided by average total assets

⁴ computed as net income divided by average stockholders' equity

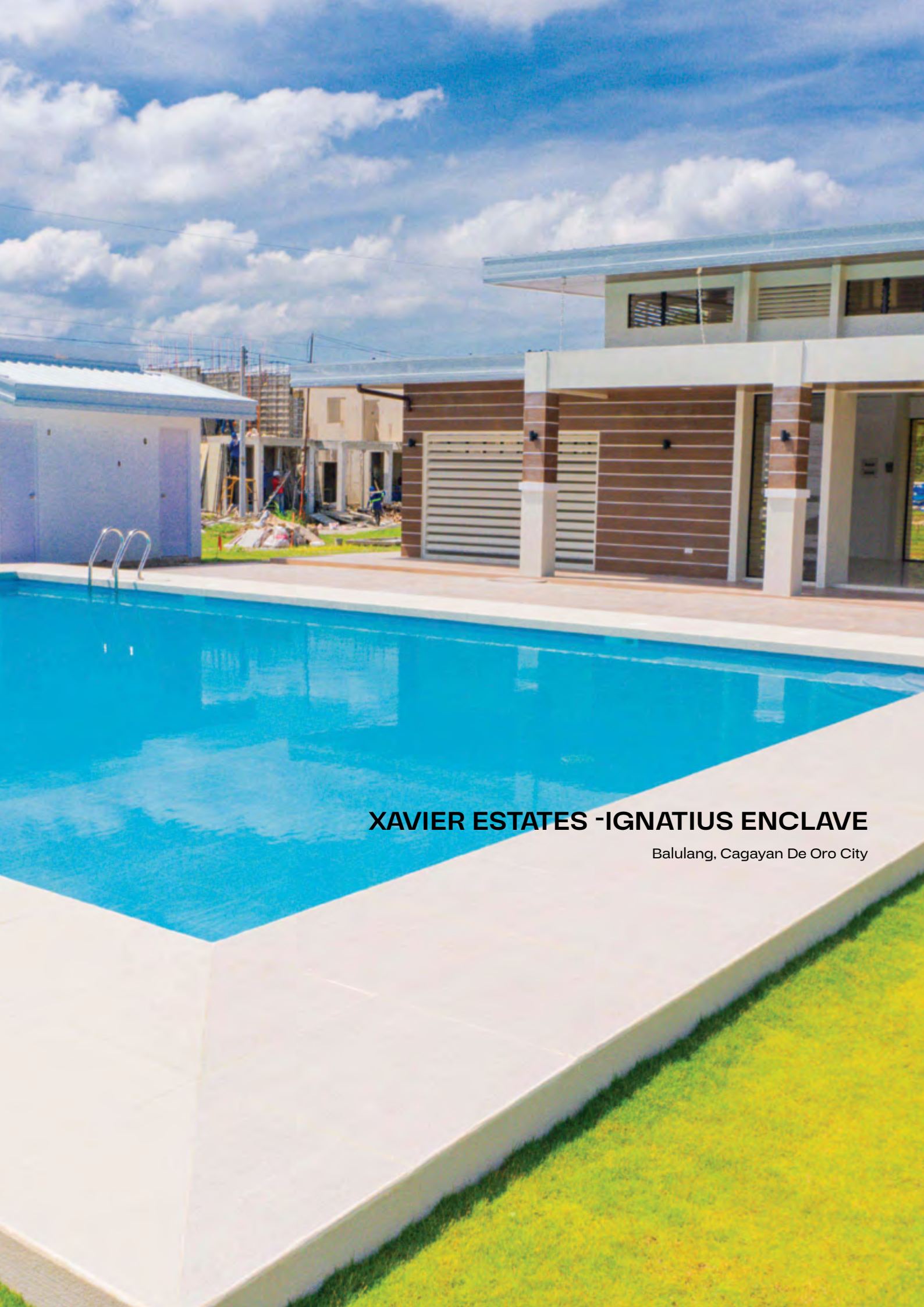
⁵ computed as current assets divided by current liabilities

⁶ computed as current liabilities divided by stockholders' equity

⁷ computed as total liabilities divided by stockholders' equity

⁸ computed as net income attributable to the common equity holders of the Parent Company divided by WANOS

⁹ computed as total equity attributable to the common equity holders of the Parent Company divided by no. of common shares outstanding



XAVIER ESTATES -IGNATIUS ENCLAVE

Balulang, Cagayan De Oro City

OPERATIONAL HIGHLIGHTS

REAL ESTATE

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

Xavier Estates in Upper Balulang, Cagayan de Oro City, is the pioneer in premier mixed-use development in Northern Mindanao. It is a master-planned community with 24-hour security, tree-lined streets and landscaped roadways, high-pressure sodium streetlamps, a centralized water supply system and water treatment facility, an air-conditioned chapel, parks and playground, jogging and bicycle paths, a forest park and bird sanctuary. Nearby are schools, shops, a gasoline station, and Xavier Sports and Country Club. Xavier Estates (Phase I-IV) is 100% complete.

Xavier Estates Phase 5A - Ventura Residences is the first venture of A Brown into the middle market house-and-lot package. It is nestled inside the Xavier Estates, a secluded place in a guarded gated community. It has parks and playgrounds and 6-meter wide service roads. Beside it is Ventura Lane which sells lots only with lot cuts of 250 sq.m. while Cluster B & C have lot cuts of 110 sq.m. The project development of Ventura Residences and Ventura Lane is 100% complete.

Xavierville Homes Subdivision, adjacent to the Xavier Estates, is an economic housing development. Phase 1 has an area of 1.8 hectares while Phase 2 has an area of 0.60 hectares for a total of 131 saleable lots. The development is 100% done.

Teakwood Hills Subdivision is located in Brgy. Agusan, Cagayan de Oro City. This idyllic enclave has a breathtaking endless view of the mountains and the sea, a perimeter fence with ingress and egress controlled by two gates, 24-hour security, private cul-de-sac with esplanades and parks designed to create a pastoral ambiance. Its clubhouse amenities include an infinity swimming

pool and basketball court. Phase 1 & 2 are expected to produce a total of 543 saleable lots after an alteration has been made for the development area of 40 and 5.2 hectares, respectively. Phase 1 is 81% while Phase 2 is 100% complete. Phase 3 which was coined as Belle del Mar (Charm of the Sea) as it overlooks the waters of Macalajar Bay has a development area of 2.138 hectares and 42 saleable lots only and is 100% complete.

Teakwood Crest Subdivision is located a kilometer away from Teakwood Hills Subdivision in Barangay Balubal, Cagayan de Oro City. This property provides a refreshing take from the sea breeze and is classified under open market housing with a minimum lot cut of 150 sqm for sale. The total saleable area is 3.7 hectares and is now 78% complete.

Valencia Estates in Brgy. Lumbo, Valencia City, Bukidnon is patterned after the excellent standards of a plush subdivision with a basketball court, and a clubhouse with a swimming pool. It also has open spaces and a playground, a perimeter fence, and 24-hour security service.

St. Therese Subdivision is a socialized housing project in mid-Balulang, Cagayan de Oro City. It is about a 1.67-hectare project with 155 saleable lots to 75 sq. m. with a floor area of 25 to 28 square meters. There are 91 units of row houses; 38 units of duplexes and 17 units of single-attached that have been for the project.

Coral Resort Estates 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. It is a mixed-use development located in Initao, Misamis

Oriental, between the cities of Cagayan de Oro and Iligan. It is 27 kilometers away from the Laguindingan International Airport. The development includes a P30 million clubhouse. Phase 1 of the project will comprise 82 lots. Cluster A has 42 saleable lots while Cluster B has 40 saleable lots. The project has already been 100% accomplished for Cluster A and Cluster B. Coral Resort Estates Phase 2 which is situated in the southern part of Coral Resort Estates covers approximately 4 hectares comprising of 103 saleable lots. Coral Resort Estates Phase 3 which is approximately 5 hectares offers 69 saleable lots. Phase 2 is 100% complete while Phase 3 is 77% complete.

West Highlands is a residential estate located in Brgy. Bonbon, Butuan City. It is a five-kilometer drive to major establishments and service facilities in the city. Phase 1 is 289 feet above sea level which gives an exclusive view of the historic Mt. Mayapay or the cityscape. West Highlands Phase 2 was launched in October 2017 with 156 lots for sale. There are 75 fairways and 81 inner lots. West Highlands Golf Club features an all-weather, 9-hole golf course and a 16-lane driving range which is a one-of-a-kind executive golf course that offers Mindanao's first paspalum re: eco-friendly turf grass and moderately undulated green and fairways. The project development of Phase 1 and Phase 2 are both 100% complete.

Xavier Estates Phase 6 – Ignatius Enclave features house and lot units and prime lots. Aimed at fostering "The Happy Community" concept, the modern minimalist houses introduced ABCI's first venture into the vibrant house colors of yellow, orange, blue, and green accents. Abundant green open spaces shall also highlight the subdivision. House and Lot units are single detached with lot area of 110 to 120 sq.m. and floor area of 60 sq.m. Prime lots have lot cuts of 250 to 400 sq.m. Its horizontal development is 100% complete while its vertical construction is at 96% complete. Xavier Estates Phase 6 – Ignatius Enclave 2 is located in the lower tier of the Balulang scape. It features house and lot units. These single detached two-storey units have a 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.

Its horizontal development is 99% complete while its vertical construction is at 65% complete.

The Terraces in Xavier Estates highlights prime cascading ridge lots of 180 to 400 sq.m. in size. Located in the terraces-like land configuration, this area commands a 180-view of the city of Cagayan de Oro and the mountains of Bukidnon and is low-density with less than 46 lots for sale. As of the end of 2023, the project's 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. The climate is giving sweater weather with its location of 1,200 meters above sea level 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. The 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 a 7-kilometer radius of schools, malls, churches, and hospitals in the downtown area. It lies five (5) kilometers from Caraga's first Paspalum-turf golf course, the West Highlands Golf Club. It offers single detached house and lot packages in a 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 while Sapphire is a two-storey modern house with a 117.5 sqm floor area. This gated community has parks and playground and community facilities.

East Cove Village is a master planned mini-subdivision in Barangay Sto. Domingo, Cainta, Rizal with an atmosphere of resolute safety and conspicuous ambiance of a first-rate community and neighborhood, truly an affordable world of enclave living. It is a 2.6-hectare project with 140 lots. It was opened to the market in 2005 and was sold out in less than 2 years. The project was 100% complete with the

village administration was turned over by ABCI to the new set of officers of the Homeowner's Association in January 2012.

Adelaida Park Residences located below Xavier Estates is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot areas ranging from 90-161 sq.m. with floor area ranging from 60-60.5 sq.m. It has single houses sufficiently spaced from each other with its own parking space and is certified flood-free with an elevation of 157 feet above the river bank. Its horizontal development is 100% complete while its vertical construction is at 99% complete.

Xavier Estates Phase 5B – Ventura Residences II also features single-detached house units and prime lots. It will have the same house colors of orange and cream as its standard design. 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. Its horizontal development and vertical construction are 100% complete.

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

Mountain View Homes is another socialized housing project of ABCI in Mid-Balulang, Cagayan de Oro City. Phase 1 opened in February 2015 with 215 house and lot units while Phase 2 was opened in November 2016 with 83 house and lots units. It is accessible to churches, schools, malls, and commercial establishments. Phase 2 has row houses with a lot area of 50 sq.m. and a floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq.m. and a floor area of 36-38 sq.m. Project development of both phases is 100% done.

Mangoville, the “sosyal socialized housing” project in Barangay Agusan, Cagayan de Oro City features duplex house designs with their own parking space; 10-meter wide main roads and 8-meter wide inner roads; with guardhouse and perimeter fence; and elevation of 169 meters above sea level overlooking Macajalar Bay. Mangoville is built on a 3.5-hectare area with a total of 235 housing units. Each unit of the duplex house has a lot area of 67.5 sq. m. and a floor area of 22 sq.m. Its horizontal development is 100% complete while its vertical construction is at 94% complete.

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

OPERATIONAL HIGHLIGHTS AGRI-BUSINESS

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

The palm oil industry generates employment opportunities in rural areas, providing livelihoods for farmers, plantation workers, and those involved in processing and logistics.

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 have a vast potential area for oil palm plantation.

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

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in the Province of Bukidnon and Misamis Oriental areas through a growership program. Currently, about 3,699.085 (gross area) hectares were already acquired for development, of which almost 1,547.96 hectares were planted while about 2,652.62 hectares total area

potential for planting. The Company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested in its expansion program aggregating to 2,000 hectares.

ABERDI's refinery with fractionation machine is now operational at 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 labeled as "Golden Belle".

The Company is also looking to pursue further growth opportunities in the Group's palm oil business in Surigao and Agusan regions. 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 a 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 transportation costs, to be better positioned to pursue further growth opportunities in the Group's palm oil business.

The Company's strategic Route to Market design is divided into two (2) service packages. The 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. The second service package will be indirect serve outlets like sari-sari stores, traditional food outlets, mini marts, direct household consumptions, or special events markets will be served by our potential Trade Execution Partners (TRP). This Dealership System has good functional discounts plus a variable incentive scheme. This will provide customers and consumers excellent service and good margins for the best quality products.

OPERATIONAL HIGHLIGHTS

POWER

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

In line with the DOE's commitment towards a cleaner energy transition, the national renewable energy (RE) power generation mix target of 35% by 2030 and the aspirational target of 50% by 2040 were adopted. Mindanao has an electrification rate of 87 percent.

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 in 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, and 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.

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.

Coal-Fired Power

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 online. **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 to Panay, Negros, and the rest of Visayas.

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

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

The power plant takes pride in the capability of its CFBC Technology and the sound environmental measures being practiced in the power plant as it maintains 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

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 Agreement for a 20-megawatt 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 is 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 in Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations in March 2018 and was inaugurated a year later.

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.

OPERATIONAL HIGHLIGHTS OTHER VENTURES

IRRADIATION AND COLD STORAGE SERVICES PROJECT

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 which was signed into law on March 26, 2021. The project has secured all necessary approvals and permitting required for construction and those approvals and permitting required for the operations are to be secured.

The construction of Tanay E-Beam and Cold Storage was completed in April 2024 while the E-Beam equipment and auxiliaries are now under final testing and commissioning. All equipment, e.g., forklifts, digitalized

warehousing, and financial system, and the manpower are completed and ready for the operation of the facility.

The commercial operations of the facility will start in August 2024. On-going activities include product qualification and testing of product samples; activities that are crucial prior to routine processing of each product.

NATURAL GAS POWER PLANT PROJECT

ABCI acquired 99.995% of the outstanding capital of Vires Energy Corporation ("VEC") from Argo Group Pte. Ltd. of Singapore in June 2020. In March 2023, ABCI acquired the remaining 0.005% of the shares of VEC, 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 have 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 currently 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.

BULK WATER SUPPLY PROJECT

AB Bulk Water Company, Inc. (ABWCI) was incorporated 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 the Lumayagan River and aims to supply about 40 million liters per day (MLD) of potable water to cater to 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).

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

INFRASTRUCTURE PROJECT

Blaze Capital Limited has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project (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 of 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 the NEDA Board.

RENEWABLE ENERGY PROJECT

Northmin Renewables Corp. (NRC), formerly Hydro Link Projects Corp. (HLPC) was registered with the Securities and Exchange Commission on 6 May 2010 with SEC Registration No. CS201006733.

NRC is ABCI's vehicle to pursue renewable energy projects focused in Northern Mindanao. NRC remains on the lookout for opportunities at any stage of development from greenfield opportunities to acquisition of operating power projects.

On November 28, 2023, Northmin secured Wind Energy Service Contracts for the Bukidnon Wind Power Project and the Misor Wind Power Project. The Bukidnon Wind Power Project is located in Malaybalay City, Cabanglasan and San Fernando, Bukidnon which is covered by Wind Energy Service Contract No. 2023-10-333 while Misor Wind Power Project is located in Balingoan, Claveria, Salay, Sugbongcogon, Kinoguitan, Talisayan, and Medina, Misamis Oriental which is covered by Wind Energy Service Contract No. 2023-10-335. NRC 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.

NRC is performing pre-development activities for the Bukidnon Wind Power Project and the Misor Wind Power Project based on the approved work program by the DOE. A preliminary wind assessment has been completed for both projects. Installation of Met Mast and Lidar instruments has been awarded and the wind measurement campaign is expected to commence by the 4th Quarter of 2024.

ELECTRIC SHUTTLE SERVICE PROJECT

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

On May 7, 2024, the Securities and Exchange Commission approved the incorporation of Southern Electric Transport, Inc. (SETI).

CORPORATE SOCIAL RESPONSIBILITY

KAISA-lan ng Bayan: A Mass Wedding

After a 4-weekend Marriage Validation Seminar, a total of 5 couples tied the knot on Tuesday, March 28, 2023 during the “ABrown’ KAISAlan ng Bayan” a CSR mass wedding organized by ABrown’s HRD Team in partnership with ABECCo and St. Francis Xavier Parish.

KAISAlan ng Bayan is one of the highlight CSR people programs of the company anchored on its corporate core value of Family Spirit, Integrity, Passion for excellence and Love for Work.

Reverend Father Msgr. Florencio “Boy” Salvador, who officiated the mass wedding, stressed the importance of communication, humility, respect, intimacy, service, and trust in married life.

Mr. Brian Nicolasura who tied the knot with Janice, her partner of 12 years, thanked the company for the opportunity of finally legalizing their union.

One of the witnesses of the mass wedding was ABCI’s President & CEO, Mr. Robertino E. Pizarro.

Reception followed at the Ignatius Enclave Club House where parents of the participants were invited to share a simple dinner with the newly-weds.

The program has come to fruition after months of preparation by the ABCI HRD Team and the St. Francis Xavier Parish CFLA Volunteers.

We’d like to formally extend our gratitude to our benevolent sponsors who contributed to the success of the program.

Dugong A Brown: Year 13

In the 13th year of “Dugong A Brown: A Blood Letting Activity,” an impressive cumulative total of 422 bags of blood, equivalent to 138,800 cc, were successfully donated. This achievement underscores the long-standing commitment of ABCI to support life-saving initiatives and contribute to public health. “Dugong A

Brown” has evolved into a vital part of ABCI’s corporate social responsibility program, demonstrating the company’s dedication to giving back to the community in meaningful ways. Over the years, this initiative has garnered increased participation from employees across all departments, reflecting a strong culture of volunteerism and empathy within the organization.

The initiative not only highlights the impact of corporate responsibility but also emphasizes the power of collective action in addressing vital health needs within the community. As ABCI looks forward to future bloodletting activities, it remains steadfast in its mission to support the Philippine Red Cross and contribute to saving lives, one donation at a time.

A Brown Goes Green: Tree Growing Activity

In the 2nd year of the “A Brown Goes Green” initiative, ABCI employees successfully planted 200 teak and marang tree seedlings at St. Therese Phase 2 in Balulang, Cagayan de Oro.

This year’s event saw enthusiastic participation from various departments across the company. Employees from the Compliance, Construction, and Human Resources departments joined hands with their colleagues and agency workers, showcasing a unified front in ABCI’s environmental efforts. The collaborative spirit among the employees highlights the company’s inclusive approach to corporate social responsibility, ensuring that every department is actively involved in making a positive impact on the environment.

Through these tree-growing activities, ABCI not only supports environmental sustainability but also fosters a sense of community and shared purpose among its employees. The initiative is a testament to the company’s dedication to creating a greener future and its proactive stance in contributing to the well-being of the environment and the community at large.





Pet Ko, Love Ko: Free Anti-Rabies Vaccination Drive Year 2

In celebration of Rabies Awareness Month and as part of the company’s advocacy to promote a safe and rabies-free subdivision, the Safety & Health Committee of A Brown Company, Inc. (ABCI) in partnership with A Brown Employees Credit Coop (ABECCo) and CDO City Veterinary Office conducted, ‘Pet ko, Luv Ko,’ year 2 an animal welfare event that provides a free anti-rabies vaccination drive, Friday, March 24, 2023 at the Adelaida Park Residences and St. Therese Subdivision. A total of 73 cats and dogs were vaccinated during the event.

This event hopes to put the spotlight on the role of responsible pet ownership in reducing the number of stray animals in the subdivision and protecting them against rabies.

Gift-giving to the Group’s agency workers in Cagayan de Oro and Chosen Households near West Highlands Subdivision in Butuan

ABCI has spread the holiday cheer by gifting a total of 371 agency workers with Christmas Gift Packs for their families, along with 10 kilograms of rice.

The Christmas Gift Packs were designed to bring joy and comfort to families during Noche Buena. Each pack contained an assortment of food items worth 1,000

pesos, ensuring that the recipients could enjoy a festive and hearty meal with their loved ones. This heartfelt gesture recognizes the hard work and dedication of these workers, ensuring they feel valued and appreciated during the festive season.

In addition, ABCI employees in Butuan organized a “Christmas Caroling” event, with the proceeds used to purchase goods for donation. These donations were distributed to 20 selected households in Brgy, Kinamlutan, Butuan City, a community near the West Highland Subdivision. Each food pack provided to these households consisted of various grocery items, including 5 kilograms of rice.

E-konsulta for Free for all Agency Workers

A Brown Company Inc has initiated a groundbreaking initiative by inviting PhilHealth Region X to implement “E-Konsulta,” with Physicians providing free consultations to 120 agency workers and security guards as part of the expanded Primary Care Benefit.

Through this collaborative effort, ABCI aims to enhance healthcare accessibility for frontline workers, leveraging digital platforms to facilitate convenient access to medical expertise. This initiative highlights ABCI’s proactive approach towards addressing healthcare needs while promoting preventive care, setting a precedent for public-private partnerships in advancing healthcare equity and fostering a healthier community.

BOARD OF DIRECTORS



DR. WALTER W. BROWN
DIRECTOR AND CHAIRMAN

Prior to his re-election in December 2018 as Chairman of the Company, he was conferred as Chairman Emeritus in September 2016. He is also the Chairman of A Brown Energy & Resources Development Inc., Palm Thermal Consolidated Holdings Corporation, Peak Power Energy Inc. and Monte Oro Resources and Energy, Inc. He is Director and Executive Vice-President of Atok-Big Wedge Co., Inc. (PSE: AB), a listed in the Philippine Stock Exchange.

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

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

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



ANNABELLE P. BROWN
DIRECTOR

Serving as Treasurer of ABCI from 1993 to July 2011, she is currently a member of the Executive Committee and Corporate Governance Committee of the Corporation. She is also the Chair and Director of PBJ Corporation; Chairman of the Board of Petwindra Media Inc.; Treasurer of Brown Resources Corporation; Treasurer/ Director of Bendana-Brown Holdings Corporation, President and Director of Pine Mountain Properties Corporation. She is also a Director of the following corporations: North Kitanglad Agricultural Corp., Cogon Corporation, Shellac Petrol Corp and Palm Concepcion Power Corporation. She has no directorship in other listed companies.

Her civic involvement includes: Founding Chairperson of Alalay sa Pamilya at Bayan (APB) Foundation, Inc. (2009 to present), Development Advocacy for Women Volunteerism (DAWV) Foundation, Inc. (1988 to present), Professional and Cultural Development for Women (PCDW) Foundation, Inc. (1979 to present); Consultant/Moderator of EDUCHILD Foundation, Inc. (1985 to present) and Chair of the Rosevale School, CDO (2011 to present).

Mrs. Brown holds a Bachelor of Science in Business Administration degree from the University of the Philippines, Diliman, Quezon City and is a candidate for a degree in Masters in Business Economics at the University of Asia and Pacific (formerly CRC).

For her outstanding contribution to the academe, business and socio-community development, Mrs. Brown is a recipient of several awards and citation, latest are the 2010 Soroptimists Award and 2010 UPCBA Distinguished Alumna Award.



ROBERTINO E. PIZARRO
DIRECTOR, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

He was elected as President and Chief Executive Officer on December 7, 2018. Prior to his current position, he was an Executive Chairman beginning September 2016 until March 2017 when it was changed to Chairman. He was the President of the company from August 2003 to Sept. 2016. He finished the course on Strategic Business Economic Program at University of Asia and the Pacific (Aug 2002- Aug 2003). He was the former (2017 to 2018) and is the present President and Member of the Board of Directors of Cagayan de Oro Chamber of Commerce and Industry.

He is also the President of ABERDI, Brown Resources Corporation, NAKAEN Corporation (February 26, 1997 to present), Xavier Sports and Country Club (1999 to present), Simple Homes Development, Inc., Bonsai Agricultural Corporation and Minpalm Agricultural Co., Inc. (2004 to present). He was the former President and now Director of Philippine Palmoil Development Council, Inc. (PPDCI).

As three-time elected President of Cagayan de Oro Chamber of Commerce and Industry Foundation (2017, 2018 and 2020), Mr. Pizarro presided over the 422-member chamber. He calls for its members to develop the countryside and to ramp up economic activities in the rural areas.

Mr. Pizarro is in the forefront of introducing new concepts for urban planning, infrastructure and land management focusing on real estate development in Mindanao. Under his leadership, ABCI introduced Cagayan de Oro's first mixed-use, nature-themed, well-planned integrated residential subdivision, the Xavier Estates. ABCI also developed Northern Mindanao's first agri-residential subdivision in Bukidnon; first residential resort in Misamis Oriental; and the first residential estates in Caraga Region located beside a driving range and a golf course. As Director and former President of the Philippine Palm Oil Development Council, Inc. (PPDCI), he espoused agriculture development and job creation in the countryside. New interests and investments in the oil palm industry were created during his term. During the 8th National Palm Oil Congress, which he chaired, the utilization of unproductive lands and promotion of economic stability through investments in the palm oil industry was highlighted.

He has no directorship in other publicly-listed companies.



ENGR. ELPIDIO M. PARAS
INDEPENDENT DIRECTOR

He is an Independent Director since June 28, 2002 to present. He is the President and CEO of Parasat Cable TV, Inc. (1991 to present), UC-1 Corporation (2002 to present), President - Promote Northern Mindanao Foundation, Inc. (2019 to present), President - Cagayan de Oro Chamber (2007), Chairman of the Board of Trustees - Xavier University (2007 to 2016) and independent director of Southbank. He is a founding member of the Philippine Society for Orphan Disorders (PSOD). He was also a Board member of the Cagayan de Oro International Trade and Convention Center Foundation, Inc. (2005). He is also a member of PhilAAPA (Philippine Association of Amusement Parks & Attractions). He was also three-time President and Chairman of the Philippine Cable TV Association and currently he is a Vice President for the Mindanao area. He is the Co-Chair of the NEDA-Regional Development Council (RDC)-X. He obtained his Bachelor of Science major in Mechanical Engineering from the De La Salle University (1974).

He has no directorship in other publicly-listed companies.



DR. THOMAS G. AQUINO
INDEPENDENT DIRECTOR

He is an Independent Director since March 12, 2012 to present. Director of NOW Corporation (PSE:NOW), an Independent Director of Alsons Consolidated Resources, Inc. (PSE:ACR) and PRYCE Corporation (PSE:PPC), publicly-listed companies on the Philippine Stock Exchange, also Chairman of REID Foundation and Senior Fellow at the CRC Foundation. Former Acting Secretary of the Philippine Department of Trade and Industry and as Senior Undersecretary, he is in charge of the country's international trade promotions and trade policy negotiations at the World Trade Organization and the ASEAN Economic Community. A prior position was Supervising Governor of the Board of Investments representing the private sector. Dr. Aquino was recipient of the Presidential Service Award for extraordinary contribution of national impact on public interest, security and patrimony, the Gawad Mabini Award rank of Grand Cross (Dakilang Kamanong) for distinguished service to the country at home and abroad, and the Philippines-Japan Society Medal of Honor.

Dr. Aquino's professional expertise in several fields include: business strategy, trade, investments and technology promotion, industrial policy and international trade negotiations.

He has a Doctorate in Management from IESE Business School, University of Navarre (Spain), a Master of Science in Industrial Economics, University of Asia and the Pacific, and a Bachelor's Degree in Economics, University of the Philippines.



ATTY. ANTONIO S. SORIANO
DIRECTOR

He is a Director from Aug 2007 to present. He is the Senior Managing Partner of Soriano, Saarenas & Llido Law Office. He acts as the Corporate Secretary of the following: RISE Foundation, Inc. (1994 to present), ICS Development Corporation (1980 to present), PACEMAN General Services (1993 to present), Kagayhaan-Davao Resources Management Corporation (1994 to present), Kagayhaan - Cagayan de Oro City Resources Management Corporation (1993 to present), Chairman of Xavier Sports and Country Club (2000 to present), and Roadside Shops, Inc. (2000 to present). He is the Chairman of Cagayan de Oro Medical Centre, Philippine National Red Cross and First Industrial Plastic Ventures, Inc. (present). He is also active in civic and professional organizations like Integrated Bar of the Phils. - Misamis Oriental Chapter (Vice-President 1984-1986), Rotary Club of Cagayan de Oro City (IPP & SAG), Philippine Association of Voluntary Arbitrators (member - 1994) and Court of Appeals Mediation- Mindanao Station (member - 2007). He was also elected as Vice Mayor of Cagayan de Oro City from 1992-1995 and member of the City Council of the same city from 1988-1992. During his tenure he was able to pass several ordinances and resolutions that contributed to the development of the City. He was formerly the Corporate Secretary of the Company (June 2002 to Nov. 2008). He obtained his Bachelor of Laws Degree from the University of the East in 1974 and was admitted to the Bar in 1975.

He has no directorship in other publicly-listed companies.



JOSELITO H. SIBAYAN
DIRECTOR

He is a Director and Treasurer of A Brown Company, Inc., effective on March 28, 2017. His designation as Treasurer ceased on May 04, 2017. Currently, he is an Independent Director of Apex Mining Co. Inc. (PSE:APX), a publicly-listed company. He is also President and CEO of Mabuhay Capital.

Prior to forming Mabuhay Capital, he was the Vice-Chairman of Investment Banking-Philippines and Philippine Country Manager for Credit Suisse First Boston (1998-2005). He held various positions from Senior Vice- President, Head of International Fixed Income Sales to Executive Director and Chief Representative at Natwest Markets (1993-1998). He was also the Head of International Fixed Income Sales at Deutsche Bank in New York (1988-1993). He spent 35 years in investment banking with experience spanning securities sales and trading, capital-raising, and mergers & acquisitions advisory. He was previously an Independent Director of SM Prime Holdings, Inc. (PSE: SMPH). Mr. Sibayan obtained his MBA from the University of California in Los Angeles and his B.S. Chemical Engineering from De La Salle University - Manila.



RENATO N. MIGRIÑO
DIRECTOR AND TREASURER

He is a Director and Treasurer of A Brown Company, Inc. effective January 2, 2019. He was formerly an Independent Director of Mabuhay Vinyl Corporation and Treasurer of Apex Mining Co., Inc., both listed companies and former Director and Treasurer of Monte Oro Resources & Energy, Inc. Prior to his joining Apex Mining Co., Inc., Mr. Migriño was Treasurer, Chief Financial Officer, Senior Vice President for Finance, and Compliance Officer of Philex Mining Corporation, Director and Chief Financial Officer of Philex Gold Inc., and Director of FEC Resources Inc., Silangan Mindanao Mining Co., Inc., Brixton Energy & Mining Corporation and Lasogon Mining Corporation. He was also formerly Senior Vice President & Controller of Benguet Corporation. He has no directorship in other publicly-listed companies.

He was formerly the Treasurer (from September 1, 2015 to March 28, 2017) and a Director (from September 28, 2016 to March 28, 2017) of A Brown Company, Inc.

Mr. Migriño obtained his Bachelor of Science degree in Commerce (minor in Management) from Philippine College of Commerce (now the Polytechnic University of the Philippines) and thereafter his Certified Public Accountant (CPA) license. He also attended the Management Development Program (MDP) at Asian Institute of Management; Executive Program - Stanford University at the National University of Singapore; Allen Management Program at Louis A. Allen Associates, Inc. and Strategic Business Economics Program (SBEP) at the University of Asia & the Pacific.



JUN HOU
DIRECTOR

He is a Director of the Company on July 4, 2019. He holds the position of Executive Chairman of Huli Fund Philippines, a firm that specializes in buyout investments especially in real estate, energy, minerals, and health industries. He is the President of Yi Ding Tai International Corporation from 2012 to present, a company which conducts its operations in the Philippines and is based in the People's Republic of China. Mr. Hou has been with Bank of America Merrill Lynch in both the United States and Hong Kong branches. He has extensive experience in international investment banking. He has no directorship in other publicly-listed companies.

Mr. Hou obtained his Bachelor of Science degree from Northeastern Financial University and attended SBEP at the University of Asia & the Pacific.

COMPANY OFFICERS



ENGR. JOHN L. BATAC
EXECUTIVE VICE PRESIDENT

He is the Executive Vice President of A Brown Company Inc. who was elected on June 30, 2023. He was an AVP from Aug 2008 until he was appointed as VP effective June 2014. He was elected concurrently as Chief Operating Officer starting January 1, 2019.

He is a Civil, Sanitary and Geodetic Engineer. He graduated from the University of the East in 1991 for his Civil Engineering course, at National University in 1994 for Sanitary Engineering and at The University of Northern Eastern Philippines in 1998 for Geodetic Engineering. He used to be an Instructor at the International Training Center for Surveyors (Sept 1991 to April 1995), a Manager for Project Development of A Brown Company, Inc. (May 1995 to July 2000) and a Technical Consultant of Green Square Properties Corp. (2000 to 2008). He is also a member of the following organizations: Philippine Institute of Civil Engineers (PICE), Philippine Society of Sanitary Engineers (PSSE) and Geodetic Engineers of the Philippines (GEP).



PAUL FRANCIS B. JUAT
EXECUTIVE VICE PRESIDENT

He is the Executive Vice President of A Brown Company Inc. effective July 3, 2023. He was initially appointed as Vice President on January 1, 2019. He is also the President of various subsidiaries of the Group, namely, Irradiation Solutions Inc., Vires Energy Corp., and Northmin Renewables Corp. He is a director of Atok-Big Wedge Co. (PSE:AB), a publicly-listed company. He is also a director of Brownfield Holdings Corporation, North Kitanglad Agricultural Company, Inc., PBJ Corporation, and Pine Mountain Properties Holdings Corporation.

He started his career as Business Development Analyst under the Wind Business Unit of Energy Development Corporation. He also served as Assistant to President & CEO of Apex Mining Co., Inc. from 2016 to 2023.

He obtained his Bachelor's degree in Industrial Engineering from the University of the Philippines Diliman in 2015.



ATTY. MARIE ANTONETTE U. QUINITO, CPA
CHIEF FINANCE OFFICER

She joined the A Brown Group of Companies as Comptroller in November 2013. She was appointed as Chief Finance Officer effective September 1, 2015 until December 31, 2017. Thereafter, she was appointed as Vice President-Comptroller effective January 1, 2018. She assumed as the Chief Finance Officer effective March 1, 2019. She was formerly a Director of the Company.

She started as a Staff Auditor of Sycip, Gorres Velayo and Company, CPAs in November 1997. She joined the Multi Stores Corporation, Operator of SM Department Store Cebu in July 1998. After almost five years she was promoted to Finance and Admin Manager and was transferred to Shopping Center Management Corporation- Cagayan de Oro, the operator of SM Mall Cagayan de Oro.

She finished her Bachelor of Science in Accountancy at the University of San Carlos Cum Laude in 1997. She became a Certified Public Accountant in December the same year. She finished her Master in Business Administration at Southwestern University last May 2003. She finished her Bachelor in Laws at Xavier University Ateneo de Cagayan last May 2009 and passed the bar examination given last November 2011. She is a candidate for Doctor in Education Planning and Supervision at COC-Phinma. She has also taken courses with institutions such as the Asian Institute of Management and American Management Association.



ATTY. JASON C. NALUPTA
CORPORATE SECRETARY

He is the Corporate Secretary of the Corporation since December 2008. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms Asia United Bank, Belle Corporation, Crown Asia Chemicals Corporation, and Pacific Online Systems Corporation. He is also a Director and/or Corporate Secretary or Assistant Corporate Secretary of private companies: Sino Cargoworks Agencies, Inc., Falcon Resources, Inc., Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLV Development Corporation, Metropolitan Leisure & Tourism Corporation, Xirrus, Inc., Glyphstudios, Inc., Loto Pacific Leisure Corporation, Sta. Clara International Corporation, and PinoyLotto Technologies Corporation. He is a Partner at Tan Venturanza Valdez Law Offices specializing in corporate, securities, and business laws. Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.



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

He is the Assistant Corporate Secretary of the Corporation effective October 25, 2017. Currently, he is the Corporate Secretary of Palm Thermal Consolidated Holdings, Northmin Renewables Corp. (formerly Hydro Link Projects Corp.), Masinloc Consolidated Power, Inc., AB Bulk Water Company, Inc. and another 33 non-listed companies. He has 19 years of experience in the legal services industry with a solid background in the areas of Project and Debt Financing, Mergers & Acquisitions, Joint Ventures, Labor Disputes and Real Estate.

Atty. Tan-chi is a Partner in the law firm of Picazo Buyco Tan Fider & Santos where he started his career in 2005. He graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Legal Management in 2000. He also received his Juris Doctor from the Ateneo de Manila Law School in 2004.



ALLAN ACE R. MAGDALUYO, CPA
COMPLIANCE OFFICER

He is the Compliance Officer of the Corporation effective October 25, 2017. He joined the Corporation as Investor Relations Officer in June 2010 and promoted as Finance Manager and Senior Finance Manager in 2012. He was the former Accountant II of the Department of Education – Division of Agusan del Sur; former internal auditor for an IT software firm and former college instructor.

He graduated his BS Accountancy degree at Mindanao State University – Marawi as Magna Cum Laude and College Leadership Awardee in 2000. He took and passed the May 2001 CPA Board Examination. He graduated his Master of Science in Finance degree at University of the Philippines – Diliman in 2008 and had completed his academic units for a Master in Public Administration at Bukidnon State University – San Francisco External Studies in 2004. He obtained his license as a Real Estate Broker in 2011 and Real Estate Appraiser in 2013.



TEAKWOOD CREST

Cagayan De Oro City

AUDIT COMMITTEE REPORT



AUDIT COMMITTEE REPORT

April 8, 2024

**The Board of Directors
A Brown Company, Inc.**

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

Further to our compliance with applicable corporate governance laws and rules, we confirm for 2023 that:

- The Audit Committee is chaired by an independent director as determined by the Board of Directors.
- In the best interest of the Corporation, as well as the shareholders, that higher standards of governance have been followed including the change of external auditor as mandated by SRC Rule 68(3)(b), as amended. Accordingly, the Board of Directors, upon the recommendation of the Audit Committee, with the approval of the stockholders of A Brown Company, Inc., appointed Sycip Gorres Velayo & Co., CPAs (SGV) as the new external auditor for the year ended December 31, 2018 and was re-appointed for the years ended thereafter including December 31, 2023. The recommendation was not prompted by any disagreement that had arisen between the Corporation and the previous external auditor.
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of A Brown Company, Inc. and Subsidiaries, or ABCI Group, as of and for the year ended December 31, 2023 with ABCI Group's management, which has the primary responsibility for the financial statements, and with Sycip Gorres Velayo & Co., CPAs (SGV), the ABCI Group's independent auditor, which is responsible for expressing an opinion on the conformity of the ABCI Group's audited financial statements in accordance with Philippine Financial Reporting Standards.
- We have discussed with Sycip Gorres Velayo & Co., CPAs (SGV) the matters required to be discussed by the applicable regulatory requirements, which includes their independence from the ABCI Group and the ABCI Group's management. Sycip Gorres Velayo & Co., CPAs (SGV) has confirmed its independence and compliance with the requirements provided by the Code of Ethics for Professional Accountants in the Philippines.
- We have discussed with the ABCI Group's internal audit group and Sycip Gorres Velayo & Co., CPAs (SGV) the overall scope and plans for their respective audits. We also met with the ABCI Group's internal audit group and representatives from Sycip Gorres Velayo & Co., CPAs (SGV) to discuss the results of their examinations, their evaluations of the ABCI group's internal controls and the overall quality of the ABCI Group's financial reporting.
- Based on the reviews and discussions referred to above, in reliance on the ABCI Group's management and Sycip Gorres Velayo & Co., CPAs (SGV) and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved the inclusion of the ABCI Group's audited financial statements as of and for the year ended December 31, 2023 in the ABCI Group's Annual Report to the Stockholders and to the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission on SEC Form 17-A.


ELPIDIO M. PARAS
Chairman
Independent Director


THOMAS G. AQUINO
Member
Independent Director


ANTONIO S. SORIANO
Member
Director

SUBSCRIBED AND SWORN to before me this **APR 08 2024** day of _____, affiants exhibiting to me their respective passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Elpidio M. Paras	P7154412A	May 12, 2018	DFA – Cagayan de Oro
Thomas G. Aquino	P9335247B	March 25, 2022	DFA – Manila
Antonio S. Soriano	P6300499A	March 17, 2018	DFA – Cagayan de Oro

Doc. No. 218
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Series of 2024


Atty. RIZAL JOSE F. VALMORE
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
ADM. MATTER NO. 153
PTR NO. 5094994D 01-02-2024 / Q.C.
IBP NO. 329024 / 12-15-2023 / Q.C.
ROLL NO. 28435
MCLE NO. VII-0030835 / 09-08-2023
Add. Room 201 Margarita Bldg. No. 28
Matalino St. cor. Masikap Ext. Central Dist. '12

STATEMENT OF MANAGEMENT'S RESPONSIBILITY



April 8, 2024

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, for the years ended December 31, 2023, 2022 and 2021, 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 audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



WALTER W. BROWN
Chairman



ROBERTINO E. PIZARRO
President and Chief Executive Officer



MARIE ANTONETTE U. QUINITO
Chief Finance Officer

APR 08 2024

SUBSCRIBED AND SWORN to before me this ____ 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

Doc. No. 219
Page No. 45
Book No. XI-D
Series of 2024

Atty. RIZAL JOSE P. VALMORON
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
ADM. MATR. NO. 153
PTR NO. 509/994D 01-02-2024 / Q.C.
IBP NO. 329024 / 12-15-2023 / Q.C.
ROLL NO. 28435
MCLE NO. VII-0030835 / 09-08-2023
Add. Room 201 Margarita Bldg. No. 28
Matalino St. cor. Masikap Ext. Central Dist. Q.C.

INDEPENDENT AUDITOR'S REPORT



SyCip Gorres Velayo & Co. Tel: (632) 8891 0307
6760 Ayala Avenue Fax: (632) 8819 0872
1226 Makati City ey.com/ph
Philippines

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of A Brown Company, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), 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 consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, 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 2023 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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



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

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; and (2) application of the output method as the measure of progress in determining real estate revenue.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers).

The disclosures related to real estate revenue are included in Notes 2, 3 and 26 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

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

For the application of the output method in determining real estate revenue, we obtained an understanding of the Group's processes for determining the percentage of completion (POC). We inspected the certified POC reports prepared by the project engineers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected ongoing projects, we conducted ocular inspections, made relevant inquiries and inspected the supporting details of POC reports showing the completion of the major activities of project construction.



Impairment of Bearer Plants

The Group's bearer plants has not been reaching its optimal fruiting stages. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the bearer plants require significant judgment and involves estimation and assumptions about future fresh fruit bunches (FFB) production, FFB prices, direct costs, and discount rate. Hence, such assessment is a key audit matter in our audit.

The disclosures in relation to bearer plants are included in Notes 3 and 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include FBB production, FFB process, direct costs, and discount rate. We compared the key assumptions used such as: (a) future FFB production against the forecasted FFB production in accordance with the industry standard yield, and (b) FFB prices and direct costs with externally published data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of bearer plants of palm oil business.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation of these consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.





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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.





- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Alvin M. Pinpin.

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 December 22, 2026

PTR No. 10079991, January 6, 2024, Makati City

April 8, 2024



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash (Note 4)	₱118,082,483	₱209,847,156
Receivables (Note 5)	366,814,874	267,890,499
Contract assets (Note 14)	494,203,019	684,156,555
Receivables from related parties (Note 15)	50,894,936	106,811,847
Real estate inventories (Note 6)	3,571,105,773	2,961,366,258
Other inventories (Note 7)	116,293,063	200,284,318
Other current assets (Note 8)	693,028,502	465,546,940
Total Current Assets	5,410,422,650	4,895,903,573
Noncurrent Assets		
Contract assets - net of current portion (Note 14)	1,375,188,278	784,993,918
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 9)	362,386,957	301,030,435
Investments in associates (Note 10)	1,821,756,979	1,738,605,677
Investment properties (Note 11)	455,941,317	455,420,654
Property, plant and equipment (Note 12)	1,472,098,680	1,139,609,766
Deferred tax assets (Note 20)	-	15,578,575
Other noncurrent assets (Note 8)	811,706,849	674,704,194
Total Noncurrent Assets	6,299,079,060	5,109,943,219
TOTAL ASSETS	₱11,709,501,710	₱10,005,846,792
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	₱1,160,270,667	₱1,084,061,250
Short-term debt (Note 16)	745,414,000	472,019,208
Current portion of long-term debt (Notes 15 and 16)	480,838,826	317,602,384
Contract liabilities (Note 14)	319,515,433	219,826,473
Total Current Liabilities	2,706,038,926	2,093,509,315
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 15 and 16)	1,398,737,070	959,274,404
Retirement benefit obligation (Note 19)	76,982,380	68,155,571
Deferred tax liabilities - net (Note 20)	455,771,239	325,045,243
Total Noncurrent Liabilities	1,931,490,689	1,352,475,218
Total Liabilities	4,637,529,615	3,445,984,533

(Forward)



	December 31	
	2023	2022
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 17)		
Common stock	₱2,477,668,925	₱2,477,668,925
Preferred stock	13,264,900	13,264,900
Additional paid-in capital (Note 17)	1,931,178,758	1,931,178,758
Retained earnings (Note 17)	2,834,608,536	2,380,947,983
Fair value reserve of EIFVOCI (Note 9)	(71,683,836)	(133,040,358)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	(21,570,632)	(21,458,396)
Remeasurement loss on defined benefit plan of an associate (Note 10)	(1,221,512)	(139,540)
Cumulative translation adjustment	4,878,649	6,553,467
Treasury shares - common (Note 17)	(94,932,275)	(94,932,275)
	7,072,191,513	6,560,043,464
Noncontrolling interest	(219,418)	(181,205)
Total Equity	7,071,972,095	6,559,862,259
TOTAL LIABILITIES AND EQUITY	₱11,709,501,710	₱10,005,846,792

See accompanying Notes to Consolidated Financial Statements.



MOUNTAIN PINES FARM

Monolo Fortich, Bukidnon





WEST HIGHLANDS
Brgy. Bonbon, Butuan City

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUE			
Real estate sales (Note 26)	₱1,454,786,129	₱1,378,739,155	₱628,452,425
Sale of agricultural goods (Note 26)	142,563,286	116,143,469	56,980,212
Water service (Note 26)	27,433,584	25,323,973	24,836,284
	1,624,782,999	1,520,206,597	710,268,921
COSTS OF SALES AND SERVICE			
Cost of real estate sales (Note 6)	559,113,808	477,722,261	219,690,454
Cost of agricultural goods sold (Note 7)	122,358,936	87,730,319	42,016,968
Cost of water service revenue	16,660,359	14,212,257	9,579,082
	698,133,103	579,664,837	271,286,504
GROSS PROFIT	926,649,896	940,541,760	438,982,417
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	541,469,373	472,282,218	284,537,926
OTHER INCOME (EXPENSES)			
Equity in net earnings of associates (Note 10)	339,947,514	316,397,960	273,498,337
Interest expense (Note 16)	(67,121,886)	(24,354,370)	(26,678,756)
Unrealized foreign exchange gain (loss)	(1,200)	2,472	(1,834)
Other income (Note 22)	41,809,768	28,183,979	19,565,759
	314,634,196	320,230,041	266,383,506
INCOME BEFORE INCOME TAX	699,814,719	788,489,583	420,827,997
PROVISION FOR INCOME TAX (Note 20)			
Current	6,250,555	5,331,878	(2,408,591)
Deferred	147,087,524	147,620,365	25,686,157
	153,338,079	152,952,243	23,277,566
NET INCOME	₱546,476,640	₱635,537,340	₱397,550,431

(Forward)



	Years Ended December 31		
	2023	2022	2021
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item that will be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustment	(P1,674,818)	P55,193	P2,497,714
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Net change in fair value of EIFVOCI (Note 9)	61,356,522	61,618,982	63,824,348
Remeasurement gain (loss) on defined benefit plan - net of tax effect (Note 19)	(112,236)	5,792,145	(1,956,732)
Equity in other comprehensive income (loss) of an associate (Note 10)	(1,081,972)	207,803	384,182
	P58,487,496	67,674,123	64,749,512
TOTAL COMPREHENSIVE INCOME	P604,964,136	P703,211,463	P462,299,943
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	P546,514,853	P639,005,498	P397,579,781
Noncontrolling interest	(38,213)	(3,468,158)	(29,350)
	P546,476,640	P635,537,340	P397,550,431
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	P605,002,349	P706,679,621	P462,329,293
Noncontrolling interest	(38,213)	(3,468,158)	(29,350)
	P604,964,136	P703,211,463	P462,299,943
Basic/Diluted Earnings per Share (Note 17)	P0.20	P0.23	P0.16

See accompanying Notes to Consolidated Financial Statements.



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

A BROWN COMPANY, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIPVOCI	Remeasurement Gain (Loss) on Retirement Obligation - net of tax	Remeasurement Gain (Loss) on Defined Benefit Plan of an Associate	Cumulative Translation Adjustment	Treasury Shares - Common	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
Dividend declaration (Note 17)	-	-	-	(92,854,300)	-	-	-	-	-	(92,854,300)	-	(92,854,300)
Net income (loss)	-	-	-	546,514,853	-	-	-	-	-	546,514,853	(38,213)	546,476,640
Other comprehensive income (loss)	-	-	-	-	61,356,522	(112,236)	(1,081,972)	(1,674,818)	-	58,487,496	-	58,487,496
Total comprehensive income (loss)	-	-	-	546,514,853	61,356,522	(112,236)	(1,081,972)	(1,674,818)	-	605,002,349	(38,213)	604,964,136
At December 31, 2023	₱2,477,668,925	₱13,264,900	₱1,931,178,758	₱2,834,608,536	(₱71,683,836)	(₱21,570,632)	(₱1,221,512)	₱4,878,649	(₱94,932,275)	₱7,072,191,513	(₱219,418)	₱7,071,972,095
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
Acquisitions of treasury shares (Note 17)	-	-	-	-	-	-	-	-	(24,314,028)	(24,314,028)	-	(24,314,028)
Dividend declaration (Note 17)	-	-	-	(92,860,600)	-	-	-	-	-	(92,860,600)	-	(92,860,600)
Net income (loss)	-	-	-	639,005,498	-	-	-	-	-	639,005,498	(3,468,158)	635,537,340
Other comprehensive income (loss)	-	-	-	-	61,618,982	5,792,145	207,803	55,193	-	67,674,123	-	67,674,123
Total comprehensive income (loss)	-	-	-	639,005,498	61,618,982	5,792,145	207,803	55,193	-	706,679,621	(3,468,158)	703,211,463
At December 31, 2022	₱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
At January 1, 2021	₱2,477,668,925	₱-	₱637,968,859	₱1,437,223,304	(₱258,483,688)	(₱25,293,809)	(₱731,525)	₱4,000,560	(₱21,236,419)	₱4,251,116,207	₱3,316,303	₱4,254,432,510
Issuance of capital stock	-	₱13,264,900	1,313,225,100	-	-	-	-	-	-	1,326,490,000	-	1,326,490,000
Stock issue costs, net of tax	-	-	(20,015,201)	-	-	-	-	-	-	(20,015,201)	-	(20,015,201)
Acquisitions of treasury shares (Note 17)	-	-	-	-	-	-	-	-	(49,381,828)	(49,381,828)	-	(49,381,828)
Net income (loss)	-	-	-	397,579,781	-	-	-	-	-	397,579,781	(29,350)	397,550,431
Other comprehensive income (loss)	-	-	-	-	63,824,348	(1,956,732)	384,182	2,497,714	-	64,749,512	-	64,749,512
Total comprehensive income (loss)	-	-	-	397,579,781	63,824,348	(1,956,732)	384,182	2,497,714	-	462,329,293	(29,350)	462,299,943
At December 31, 2021	₱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

See accompanying Notes to Consolidated Financial Statements.





TEAKWOOD HILLS
Barangay Agusan, Cagayan De Oro City

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱699,814,719	₱788,489,583	₱420,827,997
Adjustments for:			
Equity in net earnings of associates (Note 10)	(339,947,514)	(316,397,960)	(273,498,337)
Depreciation (Notes 11, 12 and 18)	71,646,895	33,790,156	33,185,103
Interest expense (Note 16)	67,121,886	24,354,370	26,678,756
Impairment loss (Notes 8, 12 and 18)	26,755,369	32,068,874	16,889,227
Retirement benefit expense (Note 19)	11,408,597	10,630,252	7,773,386
Interest income (Note 22)	(486,154)	(2,331,406)	(2,183,947)
Dividend income (Notes 9 and 22)	(5,354)	(10,618)	(7,442)
Unrealized foreign exchange loss (gain)	1,200	(2,472)	1,834
Provision for inventory losses (Notes 7 and 18)	–	50,241,232	–
Gain on sale of property, plant and equipment (Notes 12 and 22)	–	(99,685)	(288,867)
Operating income before working capital changes	536,309,644	620,732,326	229,377,710
Decrease (increase) in:			
Receivables	(109,919,021)	158,495,105	441,074,180
Contract assets	(400,240,824)	(799,123,017)	(573,162,266)
Real estate inventories	(497,155,957)	(787,727,299)	(654,078,488)
Other inventories	83,991,255	(72,320,568)	(26,955,562)
Other current assets	(233,754,017)	(133,574,083)	161,816,388
Increase in:			
Accounts and other payables	36,644,746	325,622,952	176,156,733
Contract liabilities	99,688,960	50,423,854	436,522
Net cash used in operations	(484,435,214)	(637,470,730)	(245,334,783)
Interest received	486,154	2,331,406	2,183,947
Net cash flows used in operating activities	(483,949,060)	(635,139,324)	(243,150,836)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 12)	(387,997,352)	(285,121,797)	(69,364,440)
Investment properties (Note 11)	–	–	(205,638,655)
Dividends received from associates (Notes 9 and 10)	266,714,239	190,010,618	160,442,000
Proceeds from sale of property, plant and equipment (Notes 12 and 22)	–	99,685	1,457,573
Decrease (increase) in:			
Other noncurrent assets	(140,434,655)	(396,925,016)	(21,263,110)
Receivables from related parties	55,916,911	19,498,427	(8,619,349)
Net cash flows used in investing activities	(205,800,857)	(472,438,083)	(142,985,981)

(Forward)



	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt (Note 25)	₱1,013,535,044	₱484,720,800	₱157,065,000
Short-term debt (Note 25)	830,721,000	326,857,000	547,171,200
Payments of:			
Short-term debt (Note 25)	(557,326,208)	(298,298,812)	(127,781,380)
Long-term debt (Note 25)	(405,725,063)	(257,176,255)	(315,572,759)
Interest (Notes 16 and 25)	(181,316,214)	(95,992,851)	(87,669,100)
Preferred share dividends (Notes 17 and 25)	(92,854,300)	(92,860,600)	–
Debt issue cost (Notes 16 and 25)	(7,372,997)	(3,555,000)	–
Acquisition of treasury shares (Note 17)	–	(24,314,028)	(49,381,828)
Issuance of preferred stock, net of issue costs (Note 17)	–	–	1,306,474,799
Net cash flows from financing activities	599,661,262	39,380,254	1,430,305,932
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,676,018)	57,665	2,495,880
NET INCREASE (DECREASE) IN CASH	(91,764,673)	(1,068,139,488)	1,046,664,995
CASH AT BEGINNING OF YEAR	209,847,156	1,277,986,644	231,321,649
CASH AT END OF YEAR (Note 4)	₱118,082,483	₱209,847,156	₱1,277,986,644

See accompanying Notes to Consolidated Financial Statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A BROWN COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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 17).

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

The Subsidiaries

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

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

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

Palm Thermal Consolidated Holdings, Corp. (PTCHC)

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

Blaze Capital Limited (BCL)

BCL is a 100% owned subsidiary of the Parent Company registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company on August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges. Since its incorporation, BCL has not started its commercial operations.

Northmin Renewables Corp. (NRC) (formerly Hydro Link Projects Corp. (HLPC))

NRC is a 100% owned subsidiary of the Parent Company registered with the SEC on May 6, 2010. On July 24, 2023, the BOD and stockholders of NRC has approved the amendments of the Articles of Incorporation. The amendment includes changing the name of the Corporation to NRC, changing its



primary purpose to “to invest in renewable energy projects and all other energy related investments”, changing the principal office of the subsidiary; and increasing the authorized capital stock to 100 million. The said amendment was approved by SEC on December 29, 2023.

AB Bulk Water Company, Inc. (ABWCI)

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

Masinloc Consolidated Power, Inc. (MCPI)

MCPI is a 49% owned subsidiary of the Parent Company registered with the SEC on July 4, 2007. MCPI was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. MCPI is registered under the Foreign Investments Act of 1991 on July 6, 2007. MCPI has not yet started its commercial operations. On March 22, 2023, the Company has secured the approval of the Securities and Exchange Commission (SEC) on the shortening of its corporate life from fifty (50) years from and after the date of incorporation to seventeen (17) years from and after the date of issuance of the Certificate of Incorporation, or on July 3, 2024.

Simple Homes Development, Inc. (SHDI)

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

Nakeen Corporation (NC)

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

Bonsai Agri Corporation (BAC)

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

Vires Energy Corporation (VEC)

VEC is a 100% owned subsidiary of the Parent Company registered with the SEC on March 11, 2015. It was organized primarily to operate, engage in, conduct and carry on the business of exploring, developing, converting, producing, processing, and refining of power energy, fuel and/or any other source of power energy, including importation, handling, distributing and marketing at wholesale either within or outside the Philippines; to develop, manage, lease, and operate refineries for the power and fuel products or any other source of power energy; to enter into business undertaking to establish, develop, explore and operate business that will provide the technical manpower to persons and institutions engaged in aforesaid energy production; and in general to carry



on and undertake such activities which may seem to the Company capable of being conveniently carried on in connection with the above purposes, or calculated, directly, to enhance the value of or render profitable, any of the Company's property or rights. Since its incorporation, the Company has not started its commercial operations.

Irradiation Solutions Inc. (ISI)

ISI is a 100% owned subsidiary of the Parent Company incorporated and registered with the SEC on January 4, 2021. ISI was organized in providing irradiation services for all types of goods e.g., food products and non-food products through exposing such goods to ionizing radiation such as gamma rays, x-rays, or accelerated electrons from electron beam machines. Since its incorporation, the Company has not started its commercial operations.

Surigao Greens Agri Corp. (SGAC)

SGAC is a 100% owned subsidiary of the Parent Company registered with the SEC on February 13, 2023. The Company was organized 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.

Approval of Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, were approved and authorized for issue by the BOD on April 8, 2024.

2. Material Accounting Policy Information

Basis of Preparation

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

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

Statement of Compliance

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

- a. Assessing if the transaction price includes a significant financing component discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D;
- b. Treatment of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E; and,
- c. Application of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*).



The Group has availed of the reliefs granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the above PIC Q&As until December 31, 2023. The details and the impact of the deferral of the above financial reporting reliefs are discussed in the Changes in Accounting Policies and Disclosures section.

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023.

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

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

	Effective Percentage of Ownership (%)		
	2023	2022	2021
ABERDI	100	100	100
NC	100	100	100
BAC*	100	100	100
SGAC	100	–	–
PTCHC	100	100	100
NRC*	100	100	100
ABWCI*	100	100	100
BCL*	100	100	100
SHDI*	100	100	100
MCPI**	49	49	49
VEC*	100	100	100
ISI*	100	100	100

* *pre-operating subsidiaries*

** *non-operating subsidiary*

NCI

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

As at December 31, 2023 and 2022, percentage of NCI pertaining to MCPI amounted to 51%. The voting rights held by the NCI are in proportion of their ownership interest.



Business Combination and Goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

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.

Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise indicated.

The nature and impact of each new standard 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).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*
The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The temporary exception from recognition and disclosure of information deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Standards Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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 CTSSs.
- 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*

Material Accounting Policies

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

Fair Value Measurement

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

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

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

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

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

Financial Instruments - Initial recognition and subsequent measurement

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

Financial assets

(i) Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of



receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) Subsequent measurement

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

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

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

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

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

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



Financial assets designated at FVOCI (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group made irrevocable election to present in OCI subsequent changes in the fair value of all the Group's investments in golf shares and unlisted shares of stock (see Note 9).

(iii) Derecognition

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

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

(iv) Impairment of financial assets

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

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

For cash and deposit in escrow, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.



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

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

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

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

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

(i) Initial recognition and measurement

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

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



(ii) Subsequent measurement

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

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

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

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

The Group's financial liabilities measured at amortized cost as of December 31, 2023 and 2022 includes the following (see Notes 13 and 16):

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

(iii) Derecognition

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

Classification of Financial Instruments Between Liability and Equity

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

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized



amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Real Estate Inventories

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

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale.

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

Borrowing Costs

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

Debt Issue Costs.

Debt issue costs are deducted against long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Other inventories

Other inventories pertain to finished agricultural goods, construction materials and agricultural materials and supplies which are measured at the lower of cost and NRV. Provision for inventory losses is established for estimated losses on other inventories which are determined based on specific identification of slow-moving, damaged, and obsolete inventories.

Finished agricultural goods

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

Construction materials and agricultural materials and supplies

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

Deposits for Land Acquisition

This represents deposits made to landowners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. These are recognized at cost. The deposits made are presented under other current and noncurrent assets in the consolidated statement of financial position as these are expected to be used for the Group's real estate development projects and landbanking, respectively.



Prepayments

Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the consolidated statement of comprehensive income as they are consumed in operations or expire with the passage of time.

Investments in Associates

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

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit as 'Equity in net earnings of associates'. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share to the extent of the interest in associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investment Properties

Investment properties are initially recognized at cost plus directly attributable cost incurred. Subsequent to initial recognition, the building and improvements is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

Property, Plant and Equipment

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

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

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



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

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

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

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

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

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

Bearer plants

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

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

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



Impairment of Nonfinancial Assets

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

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

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

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

Equity

Capital stock and additional paid-in capital

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

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

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

Retained earnings

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



Revenue and Cost Recognition

Revenue from contracts with customers

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

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

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

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

Buyer's equity represents a certain percentage of buyer's payments of total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group. Management regularly evaluates the historical cancellations and back-outs if it would still support its current collection threshold before commencing revenue recognition. Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under 'Contract assets' in the assets section of the consolidated statement of financial position.

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

Sales cancellation is accounted for as a modification of the contract (from non-cancelable to being cancelable) resulting to the reversal of the previously recognized real estate sales and cost of real estate sales and reinstating the real estate inventories at cost.

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



with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

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

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

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

Variable consideration - rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in PFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price.

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

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

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

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

Contract Balances

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



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

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

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

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

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

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

Costs and Expenses

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

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

Post-employment Benefits

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



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

The following comprise the defined benefit costs:

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

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

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

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

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

Leases

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

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

As Lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

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



Taxes

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

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

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

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

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

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

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

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

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

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



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

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

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

When VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under 'Accounts and other payables' in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under 'Other current assets' in the consolidated statement of financial position up to the extent of the recoverable amount.

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

Foreign Currencies

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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



Diluted EPS is computed by dividing net income attributable to common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an anti-dilutive effect on earnings per share.

As of December 31, 2023, and 2022, the Group has no potentially dilutive common shares.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 25 to the consolidated financial statements.

Provisions

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

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

Contingencies

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

Events After the Reporting Period

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

3. Significant Accounting Judgments and Estimates

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



The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments

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

Revenue from contracts with customers

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

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

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

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

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



cancellations and back-outs after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

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

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

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

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

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

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

- *Method to estimate variable consideration and assess constraint for agricultural goods.* The Group uses historical experience from the past 12 months to determine the expected value of rights to return and constrain the consideration accordingly. The Group updates its assessment of expected returns and refund liability. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at December 31, 2023 and 2022, no refund liability was recognized in the consolidated statements of financial position.



Distinction between real estate inventories, investment properties and owner-occupied properties.

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

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

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

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

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

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

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

Management's Use of Estimates and Assumptions

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

Revenue recognition on real estate projects. The Group's revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate sales are recognized based on the POC which is measured principally on the basis of the estimated completion of a physical proportion of the contract work which requires technical determination by management's specialists (project engineers) and involves significant judgment and estimation.



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

For the years ended December 31, 2023, 2022 and 2021, the real estate sales recognized over time amounted to ₱1,454.8 million, ₱1,378.7 million, and ₱628.5 million, respectively (see Note 26).

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

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

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

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

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

The resulting recovery rate coming from the above process, resulted to zero LGD, thus resulting to no recognized ECL for ICR and contract assets in 2023, 2022 and 2021.

In 2023, 2022 and 2021, the Group recognized provision for expected credit loss on trade receivables amounting to ₱0.8 million, ₱1.7 million and ₱1.8 million, respectively (see Notes 5 and 18).

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

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice



and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell.

The carrying values of real estate inventories amounted to ₱3,571.1 million and ₱2,961.4 million as of December 31, 2023 and 2022, respectively (see Note 6).

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

As at December 31, 2023 and 2022, the aggregate fair values of the financial assets amounted to ₱958.5 million and ₱935.3 million, respectively, and of the financial liabilities amounted to ₱3,586.2 million and ₱2,787.7 million, respectively (see Note 23).

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

In 2023 and 2022, the Group has assessed that its bearer plants has indications of impairment due to the palm oil plantation's bearer plants not reaching their optimal fruiting stages. In 2023, 2022 and 2021, the Group recognized impairment loss of ₱26.7 million, ₱20.7 million and ₱15.1 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 (see Note 12).

No additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2023 and 2022. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future FFB production, FFB prices, direct costs, and discount rate.

The Group recognized an allowance for impairment loss on property, plant and equipment amounting to ₱130.8 million and ₱104.1 million as of December 31, 2023 and 2022, respectively (see Note 12). As at December 31, 2023 and 2022, the carrying value of the property, plant and equipment amounted to ₱1,472.1 million and ₱1,139.6 million (see Note 12).

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



As of December 31, 2023 and 2022, the Group's retirement obligation amounted to ₱77.0 million and ₱68.2 million, respectively (see Note 19).

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

As at December 31, 2023 and 2022, deferred tax assets amounting to ₱52.8 million and ₱32.2 million, respectively, were not recognized in the consolidated statements of financial position since it is not probable that sufficient taxable income may be available in the future against which the deferred tax assets can be utilized. As at December 31, 2023 and 2022, the carrying values of deferred tax assets amounted to ₱108.0 million and ₱72.6 million, respectively (see Note 20).

4. Cash

	2023	2022
Cash on hand	₱16,661,055	₱13,867,018
Cash in banks	101,421,428	195,980,138
	₱118,082,483	₱209,847,156

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. The Group earned interest from cash in banks amounting to ₱0.1 million and ₱1.0 million in 2023 and 2022, respectively.

5. Receivables

	2023	2022
ICR	₱299,571,418	₱161,658,616
Trade receivables	22,398,533	16,707,537
Advances to officers and employees	9,489,854	8,224,199
Dividend receivable (Notes 10 and 25)	9,000,000	20,000,000
Other receivables	34,988,910	69,105,684
	375,448,715	275,696,036
Less allowance for credit losses	8,633,841	7,805,537
	₱366,814,874	₱267,890,499

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 10 years. Certain ICRs bear interest ranging from 14% to 18% in 2023 and 2022, depending on the projects and units. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

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



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 ₱230.8 million as of December 31, 2023 (see Note 16).

Dividend receivable pertains to the cash dividends declared by the associates, PCPC and PEI, which is due and demandable (see Notes 10 and 25).

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 mainly 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 of trade receivables is as follows:

	2023	2022
Balances at beginning of year	₱7,805,537	₱6,094,110
Provision for expected credit losses (Note 18)	828,304	1,711,427
Balances at end of year	₱8,633,841	₱7,805,537

6. Real Estate Inventories

	2023	2022
Land for sale and development - at cost	₱910,893,338	₱807,287,382
Construction and development costs	2,660,212,435	2,154,078,876
	₱3,571,105,773	₱2,961,366,258

The rollforward of this account follows:

	2023	2022
Balance at beginning of the year	₱2,961,366,258	₱2,090,015,454
Construction and development costs incurred	849,357,773	803,472,006
Transfers from deposits for land acquisition (Note 8)	206,911,992	394,235,788
Borrowing costs capitalized (Note 16)	102,046,099	75,270,157
Depreciation expense capitalized (Note 12)	10,537,459	8,454,484
Purchase of land	-	67,640,630
Cost of real estate sales	(559,113,808)	(477,722,261)
	₱3,571,105,773	₱2,961,366,258

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2023 and 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 real estate inventories in 2023 and 2022 amounted to ₱102.0 million and ₱75.3 million, respectively (Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization in 2023 and 2022 is 8.3% and 6.9%, 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 16). As at December 31, 2023 and 2022, the carrying values of the collateralized real estate inventories amounted to ₱1.5 billion and ₱0.3 billion, respectively.

7. Other Inventories

	2023	2022
Construction materials	₱109,473,887	₱109,257,514
Finished agricultural goods	6,819,176	89,849,239
Agricultural materials and other supplies	–	1,177,565
At lower of cost and NRV	₱116,293,063	₱200,284,318

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

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

	2023	2022	2021
Purchase and harvest of FFB	₱22,213,262	₱45,970,076	₱39,474,747
Crude palm oil purchased during the year	–	17,562,630	–
FFB used in production	22,213,262	63,532,706	39,474,747
Direct labor	8,867,022	11,945,998	2,444,025
Manufacturing overhead	8,248,589	13,838,956	6,352,816
Total manufacturing cost	39,328,873	89,317,660	48,271,588
Finished goods at beginning of year	89,849,239	88,261,898	82,007,278
Finished goods at end of year	(6,819,176)	(89,849,239)	(88,261,898)
Total cost of agricultural goods sold	₱122,358,936	₱87,730,319	₱42,016,968

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

The Group recognized inventory loss of ₱50.2 million in 2022 in the consolidated statement of comprehensive income to account for the identified obsolete and damaged inventories recognized under "Provision for inventory losses" (nil in 2023 and 2021, see Note 18).



8. Other Assets

	2023	2022
Current:		
Deposits for land acquisition	₱420,109,448	₱256,818,694
Creditable withholding taxes	138,100,616	122,676,007
Prepaid expenses	90,160,709	69,650,459
Advances to suppliers	12,712,251	3,229,024
Costs to obtain contracts (Note 26)	12,077,001	2,383,406
Input VAT	10,999,438	9,005,833
Deposit in escrow	7,424,332	–
Refundable deposits	843,263	827,263
Miscellaneous	601,444	956,254
	₱693,028,502	₱465,546,940
Noncurrent:		
Deposits for land acquisition - net of current portion	₱343,907,831	₱347,339,831
Advances to third parties	323,282,361	215,311,840
Input VAT - net of current portion	92,413,249	63,134,788
Refundable deposits - net of current portion	52,060,401	48,874,728
Goodwill	43,007	43,007
	₱811,706,849	₱674,704,194

Deposits for land acquisition pertain to installment payments made by the Group to the sellers of lands based on the sales contracts. 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 ₱370.2 million and ₱501.1 million as of December 31, 2023 and 2022, respectively. The Group made transfers of land from deposits to real estate inventory amounting to ₱206.9 million and ₱394.2 million in 2023 and 2022 respectively (see Note 6). 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 in 2023 and 2022, respectively (see Note 11).

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

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

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.

In 2022, input VAT and refundable deposits written-off amounting to ₱6.7 million were recognized under “Impairment loss” in the consolidated statements of comprehensive income (nil in 2023 and 2021, see Note 18).

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.



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 (see Note 26).

Deposit in escrow pertains to the established escrow account of the Parent Company which is held restrictedly in compliance with the Memorandum Circular No. 2020-06 issued by Department of Human Settlements and Urban Development (DHSUD) to undertake socialized housing projects and for the issuance of License to Sell for the ongoing Coral Real Estate Project Phase 3 under incentivized scheme.

9. Investments in Equity Instruments

Quoted and unquoted equity securities

The Group’s EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). The Group’s unlisted shares of stock are measured at cost. Financial assets are measured at cost when insufficient more recent information is available to measure its fair value, or if a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under “Net change in fair value of EIFVOCI” in other comprehensive income.

As of December 31, 2023 and 2022, the carrying value of unquoted golf club shares amounted to ₱362.4 million and ₱288.3 million, respectively; and unlisted shares of stock amounted to nil and ₱12.7 million for 2023 and 2022, respectively.

The rollforward analysis of investments in EIFVOCI in 2023 and 2022 follows:

	2023	2022
Cost:		
At January 1 and December 31	₱434,070,793	₱434,070,793
Cumulative unrealized loss:		
At January 1	(133,040,358)	(194,659,340)
Fair value adjustment	61,356,522	61,618,982
At December 31	(71,683,836)	(133,040,358)
Carrying values	₱362,386,957	₱301,030,435

The Group’s dividend income from EIFVOCI amounted to ₱5,354, ₱10,618 and ₱7,442 in 2023, 2022, and 2021, respectively (see Note 22).

Changes in fair value of the unquoted investments at FVOCI resulted to a gain of ₱61.4 million, ₱61.6 million, and ₱63.8 million in 2023, 2022, and 2021, respectively. This is the “Net change in fair value of EIFVOCI” in the statement of comprehensive income”.



10. Investments in Associates

	2023	2022
PCPC	₱1,292,639,163	₱1,266,109,455
PEI	475,816,596	419,080,852
EWRTC	53,301,220	53,415,370
	₱1,821,756,979	₱1,738,605,677
	2023	2022
Acquisition cost, beginning and end of year	₱1,105,595,917	₱1,105,595,917
Accumulated share in net earnings:		
Balances at beginning of year	633,149,300	446,751,340
Equity in net earnings	339,947,514	316,397,960
Dividends	(255,714,240)	(130,000,000)
Balances at end of year	717,382,574	633,149,300
Accumulated share in OCI:		
Balances at beginning of year	(139,540)	(347,343)
Equity in other comprehensive loss	(1,081,972)	207,803
Balances at end of year	(1,221,512)	(139,540)
	₱1,821,756,979	₱1,738,605,677

In 2023 2022 and 2021, PEI declared cash dividend to the Group amounting to ₱65.7 million, ₱80.0 million and ₱72.4 million respectively, while PCPC declared cash dividend to the Group amounting to ₱190.0 million, ₱50.0 million and ₱80.0 million in 2023, 2022 and 2021, respectively.

Dividends received from associates amounted to ₱266.7 million, ₱190.0 million and ₱160.4 million for the years ended December 31, 2023, 2022 and 2021, respectively.

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

	2023	2022	2021
PCPC	₱217,611,680	₱185,596,441	₱146,957,116
PEI	122,449,983	130,898,993	126,697,063
EWRTC	(114,149)	(97,474)	(155,842)
	₱339,947,514	₱316,397,960	₱273,498,337

Investment in PCPC

The Group has 20% investment in PCPC. PCPC was registered with the SEC on December 18, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants. The Group accounts its investment in PCPC as investment in associate as it exercises significant influence over PCPC. The following table sets out the summarized financial information of PCPC as of December 31, 2023 and 2022:

	2023	2022
Assets		
Current assets	₱2,930,650,671	₱3,779,595,880
Noncurrent assets	7,391,354,352	8,204,610,014
Less liabilities		
Current liabilities	1,728,806,246	2,351,887,255
Noncurrent liabilities	2,410,475,338	3,583,282,754
Equity	₱6,182,723,439	₱6,049,035,885
Group's carrying amount of the investment	₱1,292,639,163	₱1,266,109,455



As of December 31, 2023 and 2022, the Group's share in PCPC's net assets amounted to ₱1,236.5 million and ₱1,209.8 million, respectively. As of December 31, 2023 and 2022, the excess of the carrying value over the Group's share in PCPC's net assets is attributable to the notional goodwill.

	2023	2022	2021
Revenue	₱7,970,643,496	₱9,531,241,773	₱5,190,714,173
Costs and expenses	6,882,585,095	8,603,259,570	4,455,928,593
Net income	1,088,058,401	927,982,203	734,785,580
Other comprehensive income (loss)	(5,409,860)	1,039,017	1,920,909
Total comprehensive income	₱1,082,648,541	₱929,021,220	₱736,706,489
Group's equity in net earnings	₱217,611,680	₱185,596,441	₱146,957,116

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 December 31, 2023 and 2022:

	2023	2022
Assets		
Current assets	₱483,719,546	₱508,221,440
Noncurrent assets	2,091,488,478	2,160,678,487
Less liabilities		
Current liabilities	117,269,429	511,946,078
Noncurrent liabilities	133,564,099	116,252,017
Equity	₱2,324,374,496	₱2,040,701,832
Group's carrying amount of the investment	₱475,816,596	₱419,080,852

As of December 31, 2023 and 2022, the Group's share in PEI's net assets amounted to ₱464.9 million and ₱408.1 million, respectively. As of December 31, 2023 and 2022, the excess of the carrying value over the Group's share in PEI's net assets is attributable to the notional goodwill.

	2023	2022	2021
Revenue	₱989,597,574	₱1,057,097,713	₱962,703,434
Costs and expenses	377,347,660	402,602,749	329,218,117
Net income	₱612,249,914	₱654,494,964	₱633,485,317
Group's equity in net earnings	₱122,449,983	₱130,898,993	₱126,697,063

Investment in EWRTC

The Group has 33.33% investment in EWRTC. The Consortium composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted an unsolicited proposal to the Philippine National Railways (PNR) to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the



rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project.

On October 2022, the Revised 2022 Implementing Rules and Regulations (IRR) of the Build-Operate-Transfer (BOT) Law took into effect. Amendments to key provisions addressing concerns over the financial viability and bankability of public-private partnership (PPP) projects as well as clarification to ambiguous provisions may have caused the delays in the PPP process. The Consortium is in continuous coordination with PNR as the implementing agency and preparing a resubmission of project related documents for approval of the PPP project to be in line with new BOT IRR provisions. As of December 31, 2023, the Consortium has been granted the Original Proponent Status (OPS) by the PNR and is endorsed to the National Economic and Development Authority (NEDA) for evaluation and approval by the Investment Coordination Committee (ICC).

The following table sets out the summarized financial information of EWRTC as of December 31, 2023 and 2022:

	2023	2022
Assets		
Current assets	₱51,628,625	₱42,926,856
Noncurrent assets	6,990,310	12,777,322
Less liabilities		
Current liabilities	516,508,266	507,365,786
Capital deficiency	(₱457,889,331)	(₱451,661,608)
Group's carrying amount of the investment	₱53,301,220	₱53,415,370

As of December 31, 2023 and 2022, the Group's share in EWRTC's capital deficiency amounted to ₱152.6 million and ₱150.6 million, respectively. As of December 31, 2023 and 2022, the excess of the carrying value over the Group's share in EWRTC's net assets is attributable to the notional goodwill and translation adjustment.

	2023	2022	2021
Revenue	₱-	₱-	₱-
Costs and expenses	342,482	292,451	467,574
Net loss	₱342,482	₱292,451	₱467,574

11. Investment Properties

The Group's investment properties as at December 31 are classified as follows:

	2023	2022
Land held for capital appreciation	₱313,422,532	₱309,990,532
Land and building held for lease	142,518,785	145,430,122
	₱455,941,317	₱455,420,654

The aggregate fair values of investment properties as of December 31, 2023 and 2022 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 December 31, 2023 and 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 December 31, 2023 and 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.

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

	2023	2022
Cost:		
Balances at beginning of year	₱309,990,532	₱301,162,532
Reclassification from deposits for purchased land (Note 8)	3,432,000	8,828,000
Net carrying value	₱313,422,532	₱309,990,532

Land and building held for lease for 2023 and 2022 are as follows:

	2023			
	Land	Building	Land Improvements	Total
Cost:				
Balances at beginning and end of year	₱63,908,760	₱7,142,747	₱87,340,124	₱158,391,631
Accumulated depreciation:				
Balances at beginning of year	–	7,142,747	5,818,762	12,961,509
Depreciation (Note 18)	–	–	2,911,337	2,911,337
Balances at end of year	–	7,142,747	8,730,099	15,872,846
	₱63,908,760	₱–	₱78,610,025	₱142,518,785



2022				
	Land	Building	Land Improvements	Total
Cost:				
Balances at beginning of year	₱63,908,760	₱7,142,747	₱87,238,988	₱158,290,495
Transfers from real estate inventories (Note 6)	–	–	101,136	101,136
Balances at end of year	63,908,760	7,142,747	87,340,124	158,391,631
Accumulated depreciation:				
Balances at beginning of year	–	7,142,747	2,907,966	10,050,713
Depreciation (Note 18)	–	–	2,910,796	2,910,796
Balances at end of year	–	7,142,747	5,818,762	12,961,509
	₱63,908,760	₱–	₱81,521,362	₱145,430,122

Rental income generated from land held under lease included under “Other income” in the consolidated statements of comprehensive income amounted to ₱3.2 million in 2023 and 2022 and ₱0.1 million in 2021 (see Note 22). 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 ₱2.9 million in 2023, 2022 and 2021.



12. Property, Plant and Equipment

2023	Land	Leasehold Improvements	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machineries and Equipment	Other Equipment	Construction in Progress	Right of Use Assets	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	₱364,780,373	₱30,535,735	₱1,743,646,037
Additions	59,195,551	-	636,748	-	24,042,871	22,497,984	42,654,294	290,104,700	-	439,132,148
Re-classifications	-	4,072,951	-	-	3,050,057	-	2,299,117	(9,422,125)	-	-
Disposals	-	-	-	-	-	-	(765,318)	-	-	(765,318)
At December 31	72,162,848	69,574,255	367,150,604	253,060,820	84,086,226	327,911,629	332,067,802	645,462,948	30,535,735	2,182,012,867
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	-	6,737,325	-	16,711,401	1,116,435	25,738,404	28,504,235	-	1,101,965	79,909,765
Disposals	-	-	-	-	-	-	(765,318)	-	-	(765,318)
At December 31	-	36,334,161	11,989,939	61,646,953	50,654,735	221,106,465	193,585,884	-	3,773,279	579,091,416
Allowance for impairment										
At January 1	-	-	85,440,060	-	-	-	-	18,649,242	-	104,089,302
Addition	-	-	26,733,469	-	-	-	-	-	-	26,733,469
At December 31	-	-	112,173,529	-	-	-	-	18,649,242	-	130,822,771
Net Book Value	₱72,162,848	₱33,240,094	₱242,987,136	₱191,413,867	₱33,431,491	₱106,805,164	₱138,481,918	₱62,681,706	₱26,762,456	₱1,472,098,680
2022										
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	₱164,110,122	₱30,535,735	₱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	364,780,373	30,535,735	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	₱346,131,131	₱27,864,421	₱1,139,609,766



There are no contractual commitments to purchase property and equipment.

The depreciation from property, plant and equipment in 2023 and 2022 are recognized as:

	2023	2022
General, administrative and selling expense (Note 18)	₱68,735,558	₱30,879,360
Capitalized as part of:		
Real estate inventories (Note 6)	10,537,459	8,454,484
Bearer plants	636,748	636,748
Other inventories (Note 7)	–	2,048,414
	₱79,909,765	₱42,019,006

In 2023 and 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. In 2023, 2022, and 2021, the Group recognized impairment loss amounting to ₱26.7 million, ₱20.7 million, and ₱15.1 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.

Other than the impairment loss due to the bearer plants inability to reach optimal fruiting stages, no additional impairment was recognized by the Group for the remaining bearer plants since management estimated that the recoverable amount exceeds the carrying value of the bearer plants excluding the specific impairment as of December 31, 2023 and 2022. The recoverable amount was computed using discounted cash flows approach.

The calculation of value in use of the bearer plants are most sensitive to the following assumptions:

- Revenue - Projected revenue is derived by multiplying the forecasted selling price of FFB per metric ton (MT) to total projected FFB production considering management's best estimates on the future FFB prices and FFB production level considering factors such as the annual growth rate based on average values achieved in the three years preceding the beginning of the budget period, palm oil yields adjusted to the Philippine climate and setting, historical experiences and other economic and agricultural factors.

Projected FFB yield per hectare (ha.) used was 10.05 MT per ha. and 7.9 MT per ha. in 2023 and 2022, respectively. Forecasted FFB selling price per MT used was ₱6,300.0 per MT and ₱6,637.6 per MT with annual growth rate of 3.0% in 2023 and 2022, respectively.

- Direct costs and price inflation - Projected costs are based on the Group's historical experience of the plantation costs incurred (fertilizers, labor and other plantation supplies) per hectare adjusted for inflation based on projected increase in prices with reference to the Philippine market. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement. Management has considered the possibility of greater-than-forecast increases in price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers.

Projected direct costs related to the plantation in terms of revenue is 42.60% and 38.49% in 2023 and 2022, respectively.

- Discount rate - Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and risk of the underlying assets that



have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

After-tax discount rate used is 9.35% and 9.67% - 11.14% in 2023 and 2022, respectively.

Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the CGU.

In 2023, the Group purchased property and equipment comprising of land, building and machineries related to palm oil milling operations amounting to ₱100.0 million. The outstanding payable in relation to the purchase amounted to ₱34.5 million presented as “Accounts and other payables” in the consolidated statements of financial position.

Borrowing costs capitalized as construction in progress in relation to the Tanay E-Beam & Cold Storage Facility Project amounted to ₱16.0 million and ₱0.1 million in 2023 and 2022, respectively (see Note 16).

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

13. Accounts and Other Payables

	2023	2022
Trade payables	₱ 747,826,307	₱768,765,412
Statutory payables	234,896,985	168,258,043
Retention payable	72,003,266	43,881,497
Accruals:		
Services	49,851,464	47,731,657
Payroll	26,691,451	26,584,351
Professional fee	9,873,659	9,356,568
Interest (Notes 16 and 25)	8,102,638	6,514,943
Others	11,024,897	12,968,779
	₱ 1,160,270,667	₱1,084,061,250

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

Statutory payables pertains to the output tax on the sale of real estate units, dues for remittance to 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 payable are noninterest-bearing and pertains to the amount withheld by the Group on contractor’s billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.



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

14. Contract Assets and Liabilities

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

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

When the Group's current collection threshold is reached by the buyer, revenue is recognized, and these deposits and down payments are recorded as either ICR or contract asset depending on the right to demand collection. The excess of collections over the recognized revenue is applied against the receivables or contract assets in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the collection threshold and from increase in POC.

The Group's contract assets and liabilities as at December 31, 2023 and 2022 are as follows:

	2023	2022
Current portion of contract assets	₱494,203,019	₱684,156,555
Noncurrent portion of contract assets	1,375,188,278	784,993,918
Contract assets	₱1,869,391,297	₱1,469,150,473
Contract liabilities	₱319,515,433	₱219,826,473

The amount of revenue recognized in 2023 and 2022 from amounts included in contract liabilities at the beginning of the year amounted to ₱132.4 million and ₱153.3 million, respectively.

15. Related Party Transactions

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

Material related party transactions refer to any related party transactions, either individually, or in aggregate, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

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



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

Shareholder Loan - A

As of December 31, 2023 and 2022, the Group has outstanding loan from shareholder, which is classified under “Long term debt” in the consolidated statements of financial position amounting to ₱124.3 million and ₱184.1 million, respectively, to be paid in equal monthly amortization until December 31, 2025. The loan bears a fixed annual interest rate of 6.0%.

- Noninterest-bearing cash advances to the Group’s associates, PEI and EWRTC.

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

2023				
Category	Amount	Receivable (Payable)	Terms	Conditions
Shareholders				
<i>Long-term debt (see Note 16):</i>				
<i>Shareholder Loan - A</i>				
Current	₱–	(₱63,473,072)	5-year, 6.0% interest-bearing	Unsecured; no collateral
Noncurrent	–	(60,861,940)		
		(₱124,335,012)		
Associates				
<i>Receivable from related parties:</i>				
EWRTC	₱–	₱50,894,936	On demand; non- interest bearing	Unsecured; no impairment
		₱50,894,936		
2022				
Category	Amount	Receivable (Payable)	Terms	Conditions
<i>Long-term debt (see Note 16):</i>				
<i>Shareholder Loan - A</i>				
Current	₱–	(₱59,785,625)	5-year, 6.0% interest-bearing	Unsecured; no collateral
Noncurrent	–	(124,306,039)		
		(₱184,091,664)		
Associates				
<i>Receivable from related parties:</i>				
PEI	₱–	₱56,885,761	On demand; non- interest bearing	Unsecured; no impairment
EWRTC	–	49,926,086		
		₱106,811,847		

Terms and Conditions of Transactions with Related Parties

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



The compensation of the key management personnel, included as part of salaries, wages and employee benefits under “General and administrative expenses” in the consolidated statements of comprehensive income follows:

	2023	2022	2021
Short-term employee benefits	₱28,352,364	₱33,073,565	₱31,379,838
Other employee benefits	8,554,263	3,657,175	–
	₱36,906,627	₱36,730,740	₱31,379,838

Key management personnel of the Group include all directors and senior management.

16. 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 Group entered into loan agreements with the following banks: Union Bank of the Philippines (UBP), Development Bank of the Philippines (DBP), Landbank of the Philippines (LBP), China Bank Corporation (CBC), 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 5.5% to 9.8% and 5.5% to 8.3% 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.

	2023	2022
DBP	₱201,154,000	₱189,159,000
LBP	199,600,000	29,660,208
UBP	150,000,000	90,000,000
CBC	150,000,000	150,000,000
PBCOM	44,660,000	13,200,000
	₱745,414,000	₱472,019,208

Interest expense arising from these loans amounts to ₱49.5 million, ₱25.0 million and ₱26.4 million in 2023, 2022 and 2021, respectively.

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 ₱230.8 million as of December 31, 2023 (see Note 5).



Long-term debt

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

	2023	2022
UBP	₱691,761,016	₱749,181,355
LBP	435,283,200	22,783,200
CBC	422,636,307	76,069,100
DBP	213,794,000	246,294,000
Shareholder Loan - A (Note 15)	124,335,012	184,091,664
CFSPI	–	1,580,235
	1,887,809,535	1,279,999,554
Less unamortized debt issue cost	8,233,639	3,122,766
	1,879,575,896	1,276,876,788
Less current portion	480,838,826	317,602,384
	₱1,398,737,070	₱959,274,404

Loans from UBP

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 6.5% to 9.8% 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 in 2022. On June 23, 2023, the remaining ₱30.0 million of the term loan was availed carrying a nominal interest rate of 8.0% and effective interest of 8.3%, payable in monthly installments for 5 years.

On October 3, 2023, the Parent Company entered into a loan agreement with UBP for a term loan that grants a maximum aggregate principal of ₱120.0 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 8.3%, whichever is higher, payable monthly. On October 31, 2023, the maximum aggregate principal of ₱120.0 million was availed with this agreement carrying a nominal interest rate of 8.1% and effective interest rate of 8.5%, payable in monthly installments for 5 years.

Loans from LBP

These loans are payable in quarterly installments for 5 years secured by real estate mortgage which are subject to fixed interest rate of 7.0% to 8.0%.

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 8.0% and effective interest of 8.3%, payable in quarterly installments for 5 years.

Loans from CBC

These loans are payable in monthly installments for 2 to 5 years pertaining to secured car loans subject to fixed annual interest rates ranging from 6.0% to 10.6%.

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 8.0% payable quarterly. In 2023 and 2022, the Group has availed



₱333.1 million and ₱50.0 million, respectively, carrying a nominal interest rate of 8.0% and effective interest of 8.3%. 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.

In addition, the Group has availed ₱30.4 million and ₱10.7 million in 2023 and 2022, respectively, as various car loans from CBC carrying a nominal interest rate of 9.5% to 10.6%, payable in monthly installments for 2 to 5 years.

Loan from DBP

This loan 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%.

Shareholder Loan - A

This loan is payable in monthly installments for 5 years, unsecured and subject to a fixed annual interest rate of 6.0% (see Note 15). As of December 31, 2023 and 2022, total payments made to shareholder amounted to ₱59.8 million and ₱56.3 million.

Loan from CFSPI

This loan is payable in monthly installments for 3 years, unsecured, and subject to a fixed annual interest rate of 11.0%. As of December 31, 2023, this loan has been fully settled.

Borrowing Cost

Total interest expense arising from long-term loans and from those due to related parties amounted to ₱133.3 million, ₱74.4 million and ₱62.0 million in 2023, 2022 and 2021, respectively.

Total borrowing costs for short-term and long-term debt recognized in 2023, 2022 and 2021 amounted to ₱102.0 million, ₱75.3 million and ₱61.7 million, respectively, are capitalized as part of real estate inventories (see Note 6), while ₱16.0 million, ₱0.1 million and nil, respectively, are capitalized as construction in progress under property, plant and equipment (see Note 12).

The capitalization rate used to determine the borrowing costs eligible for capitalization is 8.3%, 6.9% and 6.6% for 2023, 2022 and 2021, respectively.

The movement of the unamortized debt issue cost follows:

	2023	2022
At January 1	₱3,122,766	₱–
Additions	7,372,997	3,555,000
Amortization	(2,262,124)	(432,234)
At December 31	₱8,233,639	₱3,122,766



Repayment schedule

The repayment schedule of the long-term debt follows:

Year	2023	2022
2023	₱-	₱318,604,203
2024	483,256,690	346,068,626
2025-2030	1,404,552,845	615,326,725
	₱1,887,809,535	₱1,279,999,554

Security and Debt Covenants

Real estate inventories with carrying amounts of ₱1.5 billion and ₱0.3 billion as of December 31, 2023 and 2022, respectively, are collateralized for its loans payable for UBP, LBP, DBP and CBC (see Note 6).

As of December 31, 2023, accounts receivable with carrying amounts of ₱230.8 million are assigned to short-term loans for LBP (see Note 5).

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

17. Equity

Common Stock

As of December 31, 2023 and 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

On April 12, 2021, the BOD approved the amendment of the Articles of Incorporation (AOI) of the Parent Company to reclassify and divide the authorized capital stock into: (i) 3,250.0 million common shares with a par value of ₱1.00 per share; and (ii) 50.0 million preferred shares with a par value of ₱1.00 per share. The amendment of AOI was approved by the shareholders representing at least 2/3 of the outstanding capital stock during the Annual Stockholders' Meeting on June 24, 2021.

On May 25, 2021, the BOD authorized the shelf registration of 50 million preferred shares, and the offer and sale of up to 15.0 million preferred shares at an offer price of ₱100.00 per share.

On October 5, 2021, the SEC approved the Parent Company's proposal to create preferred shares by reclassifying its authorized capital stock from the current 3,300.0 million common shares to 3,250.0 million common shares and 50.0 million preferred shares.

On November 10, 2021, the Parent Company secured the approval from PSE for the shelf-listing of up to 50.0 million preferred shares and the follow-on public offer of up to 15.0 million preferred shares.

On November 12, 2021, the Parent Company secured the approval from SEC for the offer and sale of 15.0 million cumulative, non-voting, non-participating, non-convertible, redeemable "Series A"



preferred shares at the option of the Parent Company. The “Series A” preference shares are entitled to fixed rate cash dividends at 7% per annum, payable quarterly in arrears on March 1, May 29, August 29 and November 29 each year. The offering allowed the Parent Company to raise ₱1,326.5 million as new capital.

The details of the Parent Company’s preferred stock as at December 31, 2023 and 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 2,086 and 2,088 common stockholders as of December 31, 2023 and 2022, in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.65 and ₱0.73 on December 29, 2023 and 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 December 31, 2023 and 2022, there were three (3) registered “Series A” preferred stockholders in the records of the transfer agent, PSTI.

The share price closed at ₱96.15 and ₱100.00 on December 28, 2023 and 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 December 31, 2023 and 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 December 31, 2023 and 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 December 31, 2023 and 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:

	2023		2022	
	Common Shares	Amount	Common Shares	Amount
At January 1	105,301,014	₱94,932,275	78,756,014	₱70,618,247
Additions	–	–	26,545,000	24,314,028
At December 31	105,301,014	₱94,932,275	105,301,014	₱94,932,275

Retained Earnings

Retained earnings amounting to ₱2,834.6 million and ₱2,381.0 million as of December 31, 2023 and 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.

Declaration of Dividends

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. As of December 31, 2022, the Group has declared and paid dividends amounting to ₱92.9 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 December 31, 2023, the Group has declared and paid dividends amounting to ₱92.9 million.

Capital Management

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

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. To maintain or adjust the capital structure, the Group may issue new shares, obtain loan from local banks or obtain additional funding from shareholders as additional paid-up capital or debt.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2023 and 2022.

The table below pertains to the account balances the Group considers as its core economic capital:

	2023	2022
Short-term debt	₱745,414,000	₱472,019,208
Long-term debt	1,879,575,896	1,276,876,788
Common stock	2,477,668,925	2,477,668,925
Preferred stock	13,264,900	13,264,900
Additional paid-in capital	1,931,178,758	1,931,178,758
Treasury shares	(94,932,275)	(94,932,275)
Retained earnings	2,834,608,536	2,380,947,983
	₱9,786,778,740	₱8,457,024,287

Earnings Per Share

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

	2023	2022	2021
Net income attributable to the common shareholders of the Parent Company	₱546,514,853	₱639,005,498	₱397,579,781
Less: Cumulative preferred dividends, net of tax	83,568,870	83,574,540	7,737,858
Net income attributable to the common shareholders of the Parent	462,945,983	555,430,958	389,841,923
Weighted average number of outstanding common shares*	2,372,367,911	2,377,280,455	2,418,299,636
Basic and diluted earnings per share	₱0.20	₱0.23	₱0.16

*Weighted average common shares considering the effect of treasury shares



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

For the years ended December 31, 2023 and 2022, there were no issued and outstanding share options that could potentially dilute the Group's earnings per share.

18. General, Administrative and Selling Expenses

	2023	2022	2021
Personnel cost	₱131,444,467	₱101,055,056	₱67,941,544
Marketing (Note 26)	70,975,998	76,838,008	51,041,808
Depreciation (Notes 11 and 12)	71,646,895	33,790,156	33,185,103
Transportation and travel	44,131,525	43,233,406	19,726,274
Taxes and licenses	43,590,207	20,235,932	24,442,769
Impairment loss (Notes 8 and 12)	26,755,369	32,068,874	16,889,227
Utilities and supplies	26,808,571	16,214,613	6,628,994
Outside services	20,731,060	26,127,585	14,825,061
Professional fees	18,410,290	13,556,796	11,437,891
Repairs and maintenance	15,867,354	9,541,551	4,144,863
Retirement benefits expense (Note 19)	11,408,597	10,630,252	7,773,386
Rental (Note 21)	8,166,192	7,636,596	8,283,589
Insurance	3,989,566	2,190,367	844,381
Directors' fee	1,121,000	958,600	818,000
Provision for expected credit loss (Note 5)	828,304	1,711,427	1,833,250
Provision for inventory losses (Note 7)	–	50,241,232	–
Others	45,593,978	26,251,767	14,721,786
	₱541,469,373	₱472,282,218	₱284,537,926

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Group.

Others includes notarization, bank charges, subscription fees and expenses arising from business and research development and software maintenance.

19. Retirement Benefit Obligation

The Group has a funded non-contributory retirement plan covering all regular and full-time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Benefits are dependent on the years of service and the respective employee's compensation.

The defined benefit obligation is determined using the Projected Unit Credit method. There was no plan of termination, curtailment or settlement for the years ended December 31, 2023 and 2022.



Responsibilities of Trustee

The retirement fund is being administered and managed through a Multi-Employer Retirement Plan (the “Plan”) by a trustee bank. The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Plan and the management of the retirement fund.

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

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The components of retirement benefit expense recognized as retirement benefits under “General, administrative and selling expenses” in the consolidated statements of comprehensive income are as follows (see Note 18):

	2023	2022	2021
Current service cost	₱6,236,494	₱7,893,633	₱5,327,848
Interest expense on defined benefit obligation	5,470,422	2,845,181	2,570,218
Interest income on plan assets	(298,319)	(108,562)	(124,680)
Total retirement benefit expense	₱11,408,597	₱10,630,252	₱7,773,386

The components of remeasurements loss (gain) on defined benefit plan recognized in OCI are as follows:

	2023	2022	2021
Remeasurement loss (gain) on plan assets	₱149,647	(₱873,184)	₱6,116
Remeasurement loss (gain) on defined benefit obligation	–	(6,849,675)	248,976
Income tax effect	(37,411)	1,930,714	1,701,640
Remeasurement loss (gain) at end of year	₱112,236	(₱5,792,145)	₱1,956,732

Remeasurement loss on defined benefit obligation recognized in the consolidated statements of financial position are as follows:

	2023	2022
At January 1	₱21,458,396	₱27,250,541
Remeasurement loss (gain) on fair value of plan assets	149,647	(873,184)
Remeasurement gain on defined benefit obligation	–	(6,849,675)
Income tax effect	(37,411)	1,930,714
At December 31	₱21,570,632	₱21,458,396



The breakdown of the retirement benefit obligation recognized in the consolidated statements of financial position follow:

	2023	2022
Present value of defined benefit obligation	₱83,152,761	₱72,316,882
Fair value of plan assets	(6,170,381)	(4,161,311)
Retirement benefit obligation	₱76,982,380	₱68,155,571

Changes in the present value of the defined benefit obligation follow:

	2023	2022
Balance at beginning of year	₱72,316,882	₱72,109,434
Current service cost	6,236,494	7,893,633
Interest cost	5,470,422	2,845,181
Benefits paid from retirement fund	(871,037)	(3,657,175)
Benefits paid from company operating fund	-	(24,516)
Remeasurement gain	-	(6,849,675)
Balance at end of year	₱83,152,761	₱72,316,882

Changes in the fair value of plan assets follow:

	2023	2022
Balance at beginning of year	₱4,161,311	₱2,911,000
Contributions to the retirement fund	2,731,435	3,925,740
Benefits paid from retirement fund	(871,037)	(3,657,175)
Interest income	298,319	108,562
Remeasurement gain (loss)	(149,647)	873,184
Balance at end of year	₱6,170,381	₱4,161,311

The fair values of plan assets by each class as of December 31 are as follows:

	2023	2022
Equity investments	₱4,171,598	₱2,950,507
Deposits in banks	2,599	2,254
Debt instruments	1,979,673	1,197,427
Others	16,511	11,123
Balance at end of year	₱6,170,381	₱4,161,311

For determination of the retirement benefit obligation as of December 31, 2023 and 2022, the following actuarial assumptions were used:

Discount rates used	7.17%
Expected rate of salary increases	5.00%

Assumptions regarding future mortality and disability are based on the 2001 CSO table-Generational and The Disability Study, Period 2, Benefit 5, respectively.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023 and 2022, assuming all other assumptions were held constant.



	Increase	Effect
Discount rate	+1.00%	(₱3,859,849)
	-1.00%	4,364,061
Salary increase rate	+1.00%	4,721,387
	-1.00%	(4,240,785)

The average duration of the defined benefit obligation is 7.92 to 12.29 years in December 31, 2023 and 2022.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2023 and 2022.

Less than 1 year	₱35,549,670
1 to less than 5 years	26,678,255
5 to less than 10 years	40,538,432
10 to less than 15 years	52,053,617
15 to less than 20 years	42,821,108
20 years and above	80,832,476

20. Income Taxes

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

	2023	2022	2021
RCIT	₱1,092,402	₱279,580	(₱2,463,465)
MCIT	5,158,153	5,052,298	54,874
	₱6,250,555	₱5,331,878	(₱2,408,591)

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

	2023	2022	2021
Provision for income tax computed at 25%	₱174,953,680	₱197,122,396	₱105,206,999
Adjustments for:			
Equity in net earnings of associates	(84,986,879)	(79,099,490)	(68,374,584)
Nondeductible expenses	42,816,889	21,127,109	11,168,733
Change in unrecognized deferred tax assets	20,586,222	14,046,067	8,199,620
Interest income already subjected to final tax	(31,833)	(243,839)	(88,492)
CREATE impact	–	–	(32,834,710)
	₱153,338,079	₱152,952,243	₱23,277,566



The components of net deferred tax liabilities as of December 31, 2023 and 2022 follow:

	2023	2022
In profit and loss:		
Deferred tax liabilities on:		
Excess of real estate sales based on POC over real estate sales based on tax rules	(P558,695,556)	(P380,324,441)
Unamortized debt issue cost	(2,049,785)	(780,692)
Prepaid commission	(3,019,250)	(595,851)
Unrealized foreign exchange gain	–	(158,934)
	(563,764,591)	(381,859,918)
Deferred tax assets on:		
Fair value adjustment arising from business combination	13,301,338	13,301,338
NOLCO	56,662,648	13,062,224
Retirement benefit liability	12,210,115	10,202,221
MCIT	10,963,577	6,087,308
Allowance for impairment on receivables	698,549	698,549
Unrealized foreign exchange loss	60,551	–
	93,896,778	43,351,640
In equity:		
Deferred tax assets (liability) on:		
Preferred share issue costs recognized in APIC	6,671,734	6,671,734
Remeasurement loss on retirement benefit plan	7,084,877	7,047,465
Cumulative translation adjustment	339,963	(256,164)
	14,096,574	13,463,035
Deferred tax liabilities - net	(P455,771,239)	(P325,045,243)

Unrecognized deferred tax assets

The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized amounting to P52.8 million and P32.2 million as of December 31, 2023 and 2022, respectively. These come from the following subsidiaries: ABERDI, BAC, PTCHC, ABBWCI, NRC, SHDI, MCPI, VEC and ISI.

In 2023, the Group has derecognized the deferred tax assets of ABERDI amounting to P15.0 million as this has no probable future economic benefit. As of December 31, 2023 and 2022, the carrying amount of deferred tax assets as presented under noncurrent assets in the consolidated statements of financial position amounted to nil and P15.0 million, respectively.

The details of unrecognized deferred tax assets as at December 31, 2023 and 2022 are as follows:

	2023		2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
NOLCO	P208,099,593	P52,024,898	P125,377,766	P31,334,442
Excess MCIT	783,045	783,045	887,279	887,279
	P208,882,638	P52,807,943	P126,265,045	P32,221,721



NOLCO.

The details of NOLCO are as follow:

Year Incurred	Expiry Date	At December 31, 2022	Addition	Expired	At December 31, 2023
2020	December 31, 2025	₱41,586,606	₱–	₱–	₱41,586,606
2021	December 31, 2026	117,351,600	–	–	117,351,600
2022	December 31, 2025	45,461,857	–	–	45,461,857
2023	December 31, 2026	–	257,123,523	–	257,123,523
		₱204,400,063	₱257,123,523	₱–	₱461,523,586

MCIT.

The details of excess MCIT are as follow:

Year Incurred	Expiry Date	At December 31, 2022	Addition	Expired	At December 31, 2023
2020	December 31, 2023	₱386,117	₱–	(₱386,117)	₱–
2021	December 31, 2024	1,536,172	–	–	1,536,172
2022	December 31, 2025	5,052,298	–	–	5,052,298
2023	December 31, 2026	–	5,158,153	–	5,158,153
		₱6,974,587	₱5,158,153	(₱386,117)	₱11,746,623

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 for Enterprises (CREATE) Act

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the ABCI and ABERDI recognized MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

21. Lease Agreements

Group as a Lessor

The Group leased its various properties under operating leases. The term of the lease agreements is for 8 months to one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

Rental income from third parties under these operating leases amounted to ₱14.9 million, ₱3.2 million and ₱0.1 million in 2023, 2022 and 2021, respectively (see Note 22).



Group as a Lessee

In 2023 and 2022, the Group entered into lease agreements with related and non-related parties for its office spaces in Cagayan de Oro City, Impasug-ong and Metro Manila which have lease terms of 8 to 12 months or less and are renewable upon the agreement of both parties. The Group applies the 'short-term lease' recognition exemption for these leases.

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

In 2023, 2022 and 2021, rent expense amounted to ₱8.2 million, ₱7.6 million, and ₱8.3 million, respectively (see Note 18).

The Group paid advance rentals for the rights to use parcels of land in Impasugong, Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as palm oil commercial plantations under the Group's development contracts (DC) with KASAMAKA and KMBT identified as contracts containing leases scoped in under PFRS 16. There are no future lease payments related to these lease contracts. The lease agreement will expire on 2036.

In 2023 and 2022, the movements in the Group's right-of-use asset follows (see Note 12):

	2023	2022
Cost		
Balance at beginning and end of year	₱30,535,735	₱30,535,735
Accumulated depreciation		
At January 1	2,671,314	2,535,977
Depreciation	1,101,965	135,337
At December 31	3,773,279	2,671,314
Net book value	₱26,762,456	₱27,864,421

22. Other Income

	2023	2022	2021
Income from forfeited deposits	₱20,026,646	₱18,401,162	₱12,117,875
Rental income (Note 11)	14,944,353	3,245,353	105,000
Tapping fees, transfer fees and other water charges	6,347,261	4,095,755	4,862,628
Interest income (Notes 4 and 5)	486,154	2,331,406	2,183,947
Dividend income (Note 9)	5,354	10,618	7,442
Gain on sale of property and equipment (Note 12)	–	99,685	288,867
	₱41,809,768	₱28,183,979	₱19,565,759

Income from forfeited deposits pertains to collections from potential buyers deemed nonrefundable due to prescription of the period for entering into a contracted sale and/or payment from defaulting buyers upon prescription of the period for payment of the required amortizations subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*.



23. 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 deposit in escrow 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 due to a related party, the Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The



Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

For financial assets recognized on the consolidated statements of financial position, the gross exposure to credit risk equals their carrying amount except for ICR and contract assets where exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid.

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

	2023	2022
Financial assets:		
Cash in banks (Note 4)	₱101,421,428	₱195,980,138
Receivables (Note 5)	375,448,715	275,696,036
Receivables from related parties (Note 15)	50,894,936	106,811,847
Refundable deposits (Note 8)	52,903,664	49,701,991
Deposit in escrow (Note 8)	7,424,332	-
Contract assets (Note 14)	1,869,391,297	1,469,150,473
	₱2,457,484,372	₱2,097,340,485

The aging analysis per class of financial assets as at December 31 is as follows:

	2023						
	Total	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired
			Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	
Financial assets:							
Cash in banks	₱101,421,428	₱101,421,428	₱-	₱-	₱-	₱-	₱-
Receivables	375,448,715	353,529,087	4,711,034	3,420,087	2,813,567	2,341,098	8,633,842
Receivables from related parties	50,894,936	50,894,936	-	-	-	-	-
Refundable deposits	52,903,664	52,903,664	-	-	-	-	-
Deposit in escrow	7,424,332	7,424,332	-	-	-	-	-
	₱588,093,075	₱566,173,447	₱4,711,034	₱3,420,087	₱2,813,567	₱2,341,098	₱8,633,842
	2022						
	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
Receivables 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

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2023 and 2022.

Low credit risk simplification approach

- *Cash and Deposit in Escrow* - These are of high quality as the amounts are deposited in reputable banks which have good bank standing and is considered to have a low credit risk. Accordingly, management assessed that no ECL relating to the cash and deposit in escrow of the Group is recognized.



General approach

- *Receivables (except ICR and trade receivables), receivables from related parties and refundable deposits* - These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables and deposits of the Group is recognized. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.

Simplified approach

- *ICR and contract assets* - These are high grade since these pertain to counterparties who have a very remote likelihood of default and have consistently exhibited good paying habits. Accordingly, management assessed that no ECL relating to these receivables of the Group is recognized. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers. This assessment is undertaken each financial year through examining the financial position of the counterparties and the markets in which they operate.
- *Trade receivables* - These are high grade since these pertain to receivables from customers who have established good credit standing with the Company. The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. Accordingly, management assessed and recognized ECL relating to trade receivables amounting to ₱0.88 million and ₱1.7 million in 2023 and 2022, respectively. Trade receivables are regarded as short-term and while there are certain accounts that are past-due, the Group evaluates the credit risk with respect to trade receivables as low as there were no history of default payments.

2023					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱274,756,965	₱-	₱-	₱2,191,361,248	₱2,466,118,213
ECL allowance	-	-	-	(8,633,841)	(8,633,841)
Carrying amount	₱274,756,965	₱-	₱-	₱2,182,727,407	₱2,457,484,372

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱457,629,396	₱-	₱-	₱1,647,516,626	₱2,105,146,022
ECL allowance	-	-	-	(7,805,537)	(7,805,537)
Carrying amount	₱457,629,396	₱-	₱-	₱1,639,711,089	₱2,097,340,485

Applying the expected credit risk model resulted to recognition of impairment loss of ₱0.8 million and ₱1.7 million from receivables in 2023 and 2022, respectively.

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 December 31, 2023 and 2022 based on contractual undiscounted payments:

	2023			
	On Demand	One Year and Below	More than One Year	Total
Financial Assets				
Cash	₱118,082,483	₱–	₱–	₱118,082,483
Receivables	9,000,000	357,814,874		366,814,874
EIFVOCI	–	–	362,386,957	362,386,957
Receivables from related parties	50,894,936	–	–	50,894,936
Refundable deposits	–	843,263	52,060,401	52,903,664
Deposit in escrow	7,424,332	–	–	7,424,332
Total financial assets	185,401,751	358,658,137	414,447,358	958,507,246
Contract assets	–	494,203,019	1,375,188,278	1,869,391,297
	185,401,751	852,861,156	1,789,635,636	2,827,898,543
Financial Liabilities				
Accounts and other payables*		925,373,682	–	925,373,682
Short-term debt				
Principal	–	745,414,000	–	745,414,000
Interest	–	47,219,304	–	47,219,304
Long-term debt				
Principal	–	483,256,690	1,404,552,845	1,887,809,535
Interest	–	18,465,688	53,669,269	72,134,957
	–	2,219,729,364	1,458,222,114	3,677,951,478
Net Inflow (Outflow)	₱185,401,751	(₱1,366,868,208)	₱331,413,522	(₱850,052,935)

* Excluding statutory payables

	2022			
	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:

2023		2022	
Increase (decrease) in basis points	Effect on profit before tax	Increase (decrease) in basis points	Effect on profit before tax
200	(23,314,561)	200	(15,151,039)
100	(11,657,281)	100	(7,575,519)
(100)	11,657,281	(100)	7,575,519
(200)	23,314,561	(200)	15,151,039

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

As of December 31, 2023 and 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 December 31:

	2023		2022	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Cash	₱118,082,483	₱118,082,483	₱209,847,156	₱209,847,156
Receivables	366,814,874	366,814,874	267,890,499	267,890,499
Receivables from related parties	50,894,936	50,894,936	106,811,847	106,811,847
EIFVOCI	362,386,957	362,386,957	301,030,435	301,030,435
Refundable deposits	52,903,664	52,903,664	49,701,991	49,701,991
Deposit in escrow	7,424,332	7,424,332	–	–
	₱958,507,246	₱958,507,246	₱935,281,928	₱935,281,928
Financial Liabilities				
Accounts and other payables*	₱925,373,682	₱925,373,682	₱915,803,207	₱915,803,207
Short-term debt	745,414,000	745,414,000	472,019,208	472,019,208
Long-term debt	1,887,809,535	1,915,364,480	1,279,999,554	1,399,827,840
	₱3,558,597,217	₱3,586,152,162	₱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, deposit in escrow, 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.
- *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 7.1% to 8.3% and 5.9% to 8.4% in 2023 and 2022, respectively. The Group classifies the fair value of its long-term debt under Level 3.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 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	₱362,386,957	₱-	₱362,386,957	₱-
Disclosed at fair value:				
Long-term debt	1,915,364,480	-	-	1,915,364,480

As at December 31, 2023 and 2022, 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.



24. Segment Information

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

The segments where the Group operate follow:

- Real estate development - Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales;
- Agricultural - Development of land for palm oil production and sale of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels.
- Power and utilities - Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet as of December 31, 2023. The results of operations of the associates operating in the power and utilities industry are presented in this segment.
- 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 consolidated financial statements.

For the years ended December 31, 2023, 2022 and 2021, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

For the Year Ended December 31, 2023							
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenue	₱1,482,220	₱255,768	₱-	₱-	₱-	(₱113,205)	₱1,624,783
Costs and expenses	575,774	235,564	-	-	-	(113,205)	698,133
Gross profit	906,446	20,204	-	-	-	-	926,650
General, administrative and selling expenses	(339,373)	(191,566)	(7,184)	(566)	(9,503)	6,723	(541,469)
Other income (expenses)	(37,879)	15,452	805,782	2	(2)	(468,721)	314,634
Income (loss) before income tax	529,194	(155,910)	798,598	(564)	(9,505)	(461,998)	699,815
Provision for (benefit from) income tax	135,654	12,784	(3)	-	584	4,319	153,338
Net income (loss)	₱393,540	(₱168,694)	₱798,601	(₱564)	(₱10,089)	(₱466,317)	₱546,477

As of December 31, 2023							
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	₱11,255,743	₱1,155,565	₱1,796,770	₱1,045,440	₱559,424	(₱4,103,440)	₱11,709,502
Deferred tax assets	-	-	-	-	-	-	-
Total Assets	₱11,255,743	₱1,155,565	₱1,796,770	₱1,045,440	₱559,424	(₱4,103,440)	₱11,709,502
Segment liabilities	₱3,704,983	₱1,345,085	₱16,251	₱853,432	₱521,052	(₱2,259,044)	₱4,181,759
Deferred tax liabilities	467,523	-	1	-	663	(12,416)	455,771
Total Liabilities	₱4,172,506	₱1,345,085	₱16,252	₱853,432	₱521,715	(₱2,271,460)	₱4,637,530



For the Year Ended December 31, 2022							
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenue	P1,404,064	P116,143	P-	P-	P-	P-	P1,520,207
Costs and expenses	491,935	87,730	-	-	-	-	579,665
Gross profit	912,129	28,413	-	-	-	-	940,542
General, administrative and selling expenses	(311,379)	(153,611)	(16,047)	(489)	(2,401)	11,645	(472,282)
Other income (expenses)	3,841	2,860	556,512	(10)	16	(242,989)	320,230
Income (loss) before income tax	604,591	(122,338)	540,465	(499)	(2,385)	(231,344)	788,490
Provision for (benefit from) income tax	151,464	(2,478)	2	-	80	3,885	152,953
Net income (loss)	P453,127	(P119,860)	P540,463	(P499)	(P2,465)	(P235,229)	P635,537

As of December 31, 2022							
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	P9,780,302	P1,181,316	P1,704,755	P1,065,751	P241,398	(P3,983,254)	P9,990,268
Deferred tax assets	-	11,410	-	-	-	4,169	15,579
Total Assets	P9,780,302	P1,192,726	P1,704,755	P1,065,751	P241,398	(P3,979,085)	P10,005,847
Segment liabilities	P2,997,934	P1,228,878	P41,834	P853,463	P193,600	(P2,194,769)	P3,120,940
Deferred tax liabilities	336,862	-	3	-	-	(11,820)	325,045
Total Liabilities	P3,334,796	P1,228,878	P41,837	P853,463	P193,600	(P2,206,589)	P3,445,985

For the Year Ended December 31, 2021							
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Revenue	P653,289	P56,980	P-	P-	P-	P-	P710,269
Costs and expenses	229,270	42,017	-	-	-	-	271,287
Gross profit	424,019	14,963	-	-	-	-	438,982
General, administrative and selling expenses	(198,893)	(73,515)	(4,362)	(1,795)	(9,742)	3,769	(284,538)
Other income (expenses)	(5,824)	1,596	506,103	(6)	5	(235,490)	266,384
Income (loss) before income tax	219,302	(56,956)	501,741	(1,801)	(9,737)	(231,721)	420,828
Provision for (benefit from) income tax	22,119	(1,502)	-	-	-	2,661	23,278
Net income (loss)	P197,183	(P55,454)	P501,741	(P1,801)	(P9,737)	(P234,382)	P397,550

As of December 31, 2021							
	Real Estate Development	Agricultural	Power and Utilities	Holding	Services	Eliminations	Consolidated
Other information							
Segment assets	P8,456,142	P1,207,940	P1,529,346	P1,121,523	P93,809	(P3,794,545)	P8,614,215
Deferred tax assets	-	8,957	-	14	-	2,559	11,530
Total Assets	P8,456,142	P1,216,897	P1,529,346	P1,121,537	P93,809	(P3,791,986)	P8,625,745
Segment liabilities	P2,413,454	P1,137,237	P41,679	P845,257	P78,546	(P2,041,540)	P2,474,633
Deferred tax liabilities	188,684	-	2	-	-	(11,400)	177,286
Total Liabilities	P2,602,138	P1,137,237	P41,681	P845,257	P78,546	(P2,052,940)	P2,651,919

25. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities:

2023					
	Beginning Balance	Availments	Payments	Others	Ending Balance
Short-term debt	P472,019,208	P830,721,000	(P557,326,208)	P-	P745,414,000
Long-term debt	1,279,999,554	1,013,535,044	(405,725,063)	-	1,887,809,535
Debt issue cost	(3,122,766)	-	(7,372,997)	2,262,124	(8,233,639)
Interest payable	6,514,943	-	(181,316,214)	182,903,909	8,102,638
Preferred share dividends	-	-	(92,854,300)	92,854,300	-
	P1,755,410,939	P1,844,256,044	(P1,244,594,782)	P278,020,333	P2,633,092,534



2022

	Beginning Balance	Availments	Payments	Others	Ending Balance
Short-term debt	₱443,461,020	₱326,857,000	(₱298,298,812)	₱–	₱472,019,208
Long-term debt	1,052,455,009	484,720,800	(257,176,255)	–	1,279,999,554
Debt issue cost	–	–	(3,555,000)	432,234	(3,122,766)
Interest payable	2,883,267	–	(95,992,851)	99,624,527	6,514,943
Preferred share dividends	–	–	(92,860,000)	92,860,000	–
	₱1,498,799,296	₱811,577,800	(₱747,882,918)	₱192,916,761	₱1,755,410,939

Others include interest expenses paid, capitalized borrowing costs, amortized debt issue costs and dividends declared during the year.

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

- Dividend receivable amounted to ₱9.0 million and ₱20.0 million as of December 31, 2023 and 2022, respectively.
- In 2023 and 2022, capitalized borrowing cost on real estate inventories amounted to ₱102.0 million and ₱75.3 million, respectively.
- In 2023 and 2022, capitalized borrowing cost on property, plant and equipment amounted to ₱16.0 million and ₱0.1 million, respectively.
- In 2023 and 2022, capitalized depreciation expense amounted to ₱11.2 million and ₱11.1 million, respectively.
- In 2023, the Group has outstanding payable in relation to the additions in property, plant and equipment amounting to ₱34.5 million.

26. Revenue from Contracts with Customers

Revenue Disaggregation

The Group derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2023	2022	2021
<i>Type of product:</i>			
Real estate sales			
Lot-only units	₱836,143,956	₱892,937,107	₱245,570,349
House and lot units	618,642,173	485,802,048	382,882,076
Sale of agricultural goods			
Crude palm oil	126,844,087	102,474,075	33,902,921
Palm olein	4,152,175	4,422,098	16,423,563
Palm stearin	4,148,250	1,824,045	1,762,946
Palm acid oil	3,679,120	3,873,180	2,345,170
Palm fatty acid distillate	2,030,160	873,887	1,890,880
Palm kernel nut	1,571,894	–	286,130
Palm kernel	137,600	924,944	368,602
Refined bleached deodorized oil	–	1,751,240	–
Water service	27,433,584	25,323,973	24,836,284
	₱1,624,782,999	₱1,520,206,597	₱710,268,921



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.

Cost to obtain contract are derecognized if sales are subsequently cancelled. The balances below pertain to the costs to obtain contracts:

	2023	2022
Balance at January 1	₱2,383,406	₱12,725,634
Additions	50,429,909	38,477,515
Amortization	(40,736,314)	(48,819,743)
Balance at December 31	₱12,077,001	₱2,383,406

The amortization of prepaid commissions which are expensed as the related revenue is recognized totaling ₱40.7 million, ₱48.8 million, and ₱34.6 million in 2023, 2022 and 2021, respectively, are recognized as marketing expenses presented under “General, administrative and selling expenses” account in the consolidated statements of comprehensive income (see Note 18).

Performance obligation

Information about the Parent Company’s significant performance obligation is summarized below:

Real estate sales

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

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payments of 10% to 25% of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

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

27. Other Matters

Impasug-Ong and Kalabugao Plantations

The Group entered into a DC with KASAMAKA at the Municipality of Impasug-ong, Bukidnon concerning the development of palm oil commercial plantation on August 2006.

KASAMAKA had been granted with Community Based Forest Management Agreement (CBFMA) no. 55093, by the Department of Environment and National Resources (DENR) on



December 22, 2000 covering an area of 2,510.80 hectares. Under the CBFMA, KASAMAKA is mandated to develop, manage and protect the allocated community forest project area. Moreover, it is allowed to enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFMA area.

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

- To provide the land area of 894 hectares within CBFMA area for oil palm plantation; and,
- To provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

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

Opol Plantation

The Group entered into a DC for the establishment of palm oil commercial plantation in Tingalan, Opol, Misamis Oriental with KMBT.

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

The roles and responsibilities of KMBT under the Development Contract are as follows:

- To provide the land area within the CBFMA for oil plantation; and,
- To provide manpower needs of NC in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others.

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

In 2019, the Group entered into a contract with the landowners' association in Tingalan, Opol, Misamis Oriental providing the landowners a royalty fee of ₱10.0 per metric ton of fresh fruit bunches harvested. The royalty fee is included as part of the costs of purchase of FFB recognized under "Other inventories - at cost" in the consolidated statements of financial position.

Subsequent Events

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”).

On February 12, 2024, the Parent Company secured the approval from PSE for the offer and sale of 15.0 million cumulative, non-voting, non-participating, non-convertible, redeemable “Series B and C” preferred shares at the option of the Parent Company. The “Series B” and “Series C” preference shares are entitled to fixed rate cash dividends at 8.25% and 8.75% per annum, respectively.

On February 23, 2024, the Parent Company concluded its follow-on offering (FOO) and has listed its Series B and Series C preferred shares on the Philippine Stock Exchange. A total of 7,341,750 and 6,941,000 Series B and Series C preferred shares were issued, respectively. The offering allowed the Parent Company to raise ₱1.4 billion as new capital.

Dividend Declaration

Pursuant to the yearly cash dividends on “Series A” preferred shares (see Note 17), on February 1, 2024, the BOD approved the declaration of cash dividends in the amount of ₱1.75 per share out of the Parent Company’s unrestricted retained earnings as of December 31, 2023 to all holders of “Series A” preferred shares on record as of February 16, 2024, payable on March 1, 2024, all preferred stockholders of record as of May 3, 2024, payable on May 29, 2024, all preferred stockholders of record as of August 1, 2024, payable on August 29, 2024 and all preferred stockholders of record as of November 5, 2024, payable on November 29, 2024.



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