3	1	1	6	8

SEC Registration Number

A BROWN COMPANY, INC.

(Company's Full Name)

AIRPORT ROAD UPTOWN
CAGAYAN DE ORO CITY

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

Allan Ace R. Magdaluyo
Contact Person

02-6386832
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

1	7	-	Q

FORM TYPE

0	6		

Month Day
Annual Meeting

Secondary License Type, if applicable

C	G	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
2,097 (March 31, 2019)	Php 1,184,651,690 (March 31, 2019)	- 0 -

To be accomplished by SEC Personnel concerned

File number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the **1st** quarter ended **March 31, 2019**
2. Commission Identification Number: 31168
3. BIR Tax identification No. 002-724-446-000
4. **A BROWN COMPANY, INCORPORATED**
5. Metro Manila, Philippines
6. Industry Classification Code: (SEC use only)
7. **Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City 9000**
8. Telephone Nos. (088) 858-8784 or (02) 638-6832 (Liaison Office)
9. Former address in last report is: -
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares outstanding
Common shares	2,477,667,911

Amount of debt outstanding: **₱1,865,043,777**

11. Are any or all of the securities listed on a Stock Exchange?
Yes, all of the outstanding common securities are listed in the Philippine Stock Exchange

12.a Yes, we have filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and the RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

12.b Yes, we have been subject to such filing requirements for the past 90 days.

TABLE OF CONTENTS

PART I – Financial Information

Item 1. Financial Statements

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit 1) for the First (1st) Quarter ending March 31, 2019.

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

Financial Condition – Consolidated (Unaudited)

In Thousand Pesos	Unaudited March 2019	Audited December 2018	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis Unaudited March 2019	Audited December 2018
Current Assets	**2,660,111**	2,751,435	(91,324)	-3%	49%	50%
Noncurrent Assets	**2,822,524**	2,714,791	107,733	4%	51%	50%
Total Assets	**5,482,635**	5,466,226	16,409	0%	100%	100%
Current Liabilities	**1,232,178**	1,613,834	(381,656)	-24%	22%	30%
Noncurrent Liabilities	**632,866**	363,676	269,190	74%	12%	7%
Capital	**3,617,591**	3,488,716	128,876	4%	66%	64%
Total Liab. & Capital	**5,482,635**	5,466,226	16,409	0%	100%	100%

A Brown Company - CONSOLIDATED
Balance Sheet items – March 31, 2019 vs. December 2018

The Group's total assets decreased by **0.30% or ₱16.4 million,** from a balance of ₱5.47 billion as of end of the year 2018 to **₱5.48 billion** as of March 31, 2019.

Current assets decreased by 3% or ₱91.3 million as a result of the net effect of the following:

44% or ₱33.0M increase in Cash– due to the net effect of cash provided by operating activities and cash used in investments and deposits and other investing and financing activities.

22% or ₱82.9M decrease in Current Receivable due to the net effect of:

a) **49% or ₱151.4M decrease in contract assets** due to collections of account under the inhouse payment scheme
b) **72% or ₱32.4M decrease in Trade Receivable** – directly related from decrease sale of crude palm oil (CPO), palm Olein, Palm Stearin and other palm products
c) **218% or ₱92.4M increase in installment contract receivable** due to increase in sales bulk sale of a Phase 3 Project
d) **104% or ₱92.5M increase in accounts receivable others** due to advances made to affiliates

3% or ₱44.8M decrease in Real estate held for sale – due to the net effect of the increase in sales over development costs of various projects

9% or ₱7.1M increase in Inventories – due to materials not yet used in development

79% or ₱68.6M decrease in Advances to a related party – due to settlement of advances

23% or ₱51.8M increase *in Prepayments and other current assets* – due to the net effect of:

a) 8% or ₱8.2M decrease in creditable withholding taxes – due to the net effect of the application of the same to current tax expense and additions from sale of real estate
b) 16% or ₱2.0M decrease in prepaid expenses – due to reduced advance payments made by the group during the quarter in relation to various expenses as compared from last year's first quarter
c) 15% or ₱3.7M decrease in Other deposits advance payment to supplies and materials
d) 66% or ₱23.5M increase in input Value Added Tax (VAT) - due to the net effect of the additional input VAT recognized from various purchases and application of input VAT against output VAT payable made during the period
e) 45% or ₱1.3M decrease in other current assets – due to the return of refundable deposits during the quarter

6% or* ₱13.0M *increase in Equity Instruments at Fair Value through Profit and Loss – this pertains to increase in the quoted price of equity investments that are listed on the stock exchange

Non-Current assets increased by 4% or ₱107.7 million as a result of the net effect of the following:

32% or* ₱53.5M *decrease in Equity Instruments at Fair Value through Other Comprehensive Income – this pertains to decrease in the value of equity investments that are not listed on the stock exchange

8% or ₱98.3M *increase in Investment in Associates* – due to the Group's share in the net income of the associates and additional investment

10% or* ₱11.8M *decrease in Investment Properties ~~– net due to the sale of investment property.~~ due to development of an investment property

1% or* ₱7.8M *increase in Property and Equipment - net due to the purchase of additional property, plant and equipment.

a) ₱415k increase in RBD and fractionation machineries additions to the equipment to increase the efficiency
b) 4% or ₱406k decrease in building and improvement - wear and tear of the asset
c) 6% or ₱1.7M decrease in other fixed assets/equipment - wear and tear of the asset

39% or* ₱4.9M *increase in Deferred Tax Assets – directly related to the increase in the net operating loss carry over (NOLCO) of the group during the quarter.

22% or* ₱24.5M *decrease in Other Non-current Assets – due to the additional utility deposits made during the quarter related to new real estate developments

Current liabilities decreased by 24% of ₱381.7 million as a result of the net effect of the following:

5% or* ₱26.6M *decrease in Accounts payable and accrued expenses – primarily due to the net effect of the following:

a) 9% or ₱35.6M decrease in accounts payable - settlement of Payables at the end of the quarter
b) 1% or ₱0.6M increase in accrued expenses -recognition of expenses

c) 30% or ₱3.0M decrease in accrued interest payable -directly related with the decrease in the loan balance due to repayments
d) 28% or ₱6.7M decrease in retention payable -settlement of Payables due to completion of contracts at the end of the quarter
e) 50% or ₱3.0M increase in other payables - increase in the VAT output payable due to additional sale

4% or ₱2.7M increase in Deposit from Customers – due to the recognition of revenue related to sale of real estate from sales reservations

54% or ₱372.4M decrease in Short term Debt – due to the re-classification to long-term loan

4% or ₱14.6M increase in Current maturities portion of long-term debt – pertains to the part of loan currently due against settlement of principal amount due

Non-Current liabilities increased by 74% or ₱269.2 million as a result of the net effect of the following:

95% or ₱257.5M *increase in Long-term Debt* – due to the reclassification of the principal amount that will be due more than one year.

31% or ₱18.2M increase in Deferred tax liabilities - due to the increase in collections pertaining to prior years' real estate sales

Equity increased by 4% or ₱128.9 million as a result of the net effect of the following:

21% or ₱55.8M increase in Net unrealized loss on available for sale – due to the decrease in market value of equity instruments at fair value through other comprehensive income

28% or ₱181.2M increase in the Retained Earnings – due to the effect of net income earned during the year period

26% or ₱3.4M increase in Other Components of Equity- primarily due to the net effect of the following:
a.) ***261% or ₱8.1M increase in Cumulative foreign currency translation***
b.) ***Remeasurement of retirement benefit***

Results of Operations – Consolidated (Unaudited)

In Thousand Pesos	Unaudited March 31 2019	Unaudited March 31 2018	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	Unaudited March 31 2019	Unaudited March 31 2018
Net Sales	329,707	203,900	125,807	62%	77%	67%
Financial Income	1,357	1,202	155	13%	0%	0%
Rental Income	-	284	(284)	-100%	0%	0%
Gain on Sale of shares	-	24,671	(24,671)	-100%	0%	8%
Equity in net income of an associate	94,419	41,166	53,252	129%	22%	14%
Other Income	509	32,414	(31,905)	-98%	0%	11%
Total Revenues	**425,992**	**303,638**	122,355	40%	**100%**	**100%**
Cost of sales and services	125,562	119,923	5,639	5%	29%	39%
General and Admin Expenses	47,996	48,252	(256)	-1%	11%	16%
Finance Cost	23,446	20,086	3,360	17%	6%	7%
Marketing	10,425	11,406	(981)	-9%	2%	4%
Total Cost and Expenses	**207,429**	**199,667**	7,762	4%		
Income before Tax	**218,563**	**103,970**	114,593	110%		
Tax expense	37,347	6,454	30,893	479%	9%	2%
Income after Tax	**181,216**	**97,516**	83,700	86%	**43%**	**32%**

A Brown Company - CONSOLIDATED
Results of Operations
For the 1st Quarter ending March 31, 2019

The consolidated financial statements for the quarter ending March 31, 2019 resulted to a net income after tax of **₱275.6 million** compared to a **₱97.5 million** net income for the same quarter last year an increase by 183% or ₱178.1 million due to the net effect of the following:

102% or ₱125.8M increase in Sales due to:

a) ***Increase in Real estate Sales by 89% or P143.9M*** – due to the price points of the units sold this quarter. The 72 units sold during the first quarter of 2019 were mostly economic with a few high-end units while the 85 units sold in the first quarter of 2018 were mostly from economic units with a few units from high end projects.
b) ***Decrease in Sales of crude palm oil by 12% or P2.5M –*** In 2018, part of the Inventory was sold to a third party. In 2019, CPO Inventory was further processed to Palm Olein and Palm Stearin.
c) ***Decrease in Palm Fatty Acid Distillate Sales by 100% or P388k –*** Due to low production of the RBDO
d) ***Decrease in RBDO Sales by 100% or P2.5M –*** In 2018, part of the Inventory was sold to a third party. In 2019, RBDO Inventory was further processed to Palm Olein and Palm Stearin.
e) ***Decrease in Palm Acid Oil Sales by 29% or P264k –*** Lower Sales in 2019 as compared from 2018
f) ***Decrease in Palm Olein Sales by 33% or P1.6M –*** Lower Sales in 2019 as compared from 2018
g) ***Decrease in Palm Stearin Sales by 100% or P3M -*** Lower Sales in 2019 as compared from 2018
h) ***Increase in Kernel Nuts Sales by 69% or P717k***

13% or P155.0M increase in Financial income– due to the increase water tapping fees.

129% or P53.3M increase in Equity in net gain of an associate – this pertains to the group's 20% share on the net earnings of PCPC and PEI's operating companies and 33.33% share on the net earnings of EWRTC during the first quarter of 2019.

100% or P284k decrease in Rental income which occurred in 2018

100% or P24.7M decrease in gain on sale of shares which occurred in 2018

98% or P31.9M decrease in Other income– due to the net effect of the following:

a) ***Decrease in Income from forfeited deposits by 99% or P1.1M –*** foreclosed accounts in the first quarter of 2018 is higher compared to this year's forfeited accounts of the same quarter.
b) ***Increase in Income from penalties and surcharges by 387% or P1.1M*** – due to the increase in end-buyer's financing by the bank leading to decrease in the collection of penalties and surcharges through the in-house financing of real estate sales.
c) ***Increase in Other income by 98% or P30.6M*** – due to the realized foreign exchange gain of Blaze Capital Limited which is denominated in foreign currency

5% or P5.6M increase in Cost of Sales due to:

a) ***19% or P16.7M increase in cost of Real estate –*** the increase is relatively due to increase in lots sold of economic units with higher development costs as compared to socialized housing units
b) ***Decrease in cost of Crude Palm Oil by 26% or P5.2M -*** In 2018, part of the Inventory was sold to a third party. Thus, increase in the related cost of sale. In 2019, CPO Inventory was further processed to Palm Olein and Palm Stearin.
c) ***Decrease in cost of Palm Fatty Acid Distillate by 100% or P239k –*** *due to the related decrease in sales in 2019*
d) ***Increase in cost of Kernel Nuts by 58% or P602k -*** the increase is relatively due to the increase in sales of Kernel Nuts
e) ***Decrease in cost of RBDO by 106% or P2.1M***
f) ***Decrease in cost of Palm Acid Oil by 106% or P0.6M***
g) ***Decrease in cost of Palm Olein by 70% or P3.0M***
h) ***Decrease in cost of Palm Stearin by 100% or P2.8M***

1% or P256k decrease in General and Administrative Expenses - due to the following net effect of:

a) ***3% or P569k decrease in Personnel expenses*** –due to the reduction of manpower of the group due resignation
b) ***15% or P410k increase in Depreciation and amortization***– due to the net effect of various additions in the first quarter of 2019
c) ***12% or P872k increase in Taxes and Licenses –*** pertains to the increase in business taxes
d) ***15% or P191k decrease in Repairs and maintenance –*** due to the decrease in cost of repairs and maintenance during the quarter as against the first quarter of 2017.
e) ***57% or P1.1M increase in Utilities and supplies***
f) ***101% or P1.6M increase in Rental expense***
g) ***53% or P90k decrease in Representation and Entertainment*** – this refers to the cost of providing comfort/convenience to the prospective clients which is lower this quarter compared to last year's first quarter
h) ***10% or P348k decrease in outside services***

i) ***59% or P943k increase in professional fees***– directly related to the various consultancy services incurred by the group

j) ***28% or P764k decrease in travel and transportation*** – directly related to the various site visitation for mill, real estate projects and plantation operations and power group operations which were reduced this year's first quarter

k) ***75% or P116k decrease in board meeting expenses –*** due to the various materials and other expenses incurred last year relative to this year's first quarter related to board meetings and annual reports

l) ***P34k increase in director fees***

m) ***P30k increase in training and seminars*** – due to the increase trainings and seminars conducted and attended the first quarter of 2019 as compared last year

n) ***P336k increase in subscription and dues***

o) ***P13k increase in bank charges*** – directly related to availment of loans, cancellation of mortgages and various charges on interbank deposits

p) ***80% or P167k increase in insurance expense***

q) ***89% or P3.8M decrease in miscellaneous expenses –*** includes community relations expenses such as scholar's tuition and other humanitarian assistance

17% or P3.4M increase in Finance costs – interest payment on bank loans

9% or P981k decrease in Marketing expenses – includes commissions and incentives on lot sales which is directly related to the increase real estate sales during the quarter and various advertising and promotional activities which decreased this quarter

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

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

Financial Ratios Consolidated Figures	Unaudited 03/31/2019	Unaudited 03/31/2018	Audited 12/31/2018
Current ratio[1]	2.16:1	1.21:1	1.70:1
Current Debt to Equity ratio[2]	0.34:1	0.40:1	0.46:1
Total Debt to Equity ratio[3]	0.52:1	0.56:1	0.57:1
Asset to Equity ratio	1.52:1	1.56:1	1.57:1
Interest coverage ratio	9.32:1	6.18:1	5.15:1
Profit Margin ratio	0.43:1	32.12%	34.96%
Return on Assets[4]	3.31%	1.89%	5.42%
Return on Equity[5]	5.01%	3.02%	8.66%

[1]*Current assets/Current liabilities*
[2]*Current liabilities/Stockholders' equity*
[3]*Total liabilities/Stockholders' equity*
[4]*Total assets/Stockholders' equity*
[5]*Earnings before interest, income tax (EBIT)/Total financing cost*
[6]*Net income/Total revenue*
[7]*Net income/Average total assets*
[8]*Net income/Average total stockholders' equity*

Real Property Development:

Xavier Estates: It is the pioneer in premier mixed use development in Northern Mindanao. This 220-hectare development located at Fr. Masterson Avenue, Upper Balulang, and sprawled on a panoramic plateau overlooking the City has now become 288 hectares through additional acquisitions of adjacent developable areas over the years. It is a perfectly master-planned community which guarantees luxury, elegance, prestige, convenience and security. There were two (2) lots sold for the 1st quarter of 2019 compared to five (5) lots for the 1st quarter of 2018.

Phase 5-Ventura Residences is the first venture of A Brown Company, Inc. into the middle market house-and-lot package nestled inside the Xavier Estates. Ventura Residences is 100% complete. This project has a saleable area of 5.8 hectares. There were three (3) house and lot packages recorded as sold this quarter of the year and fifteen (15) house and lot packages for the same quarter of last year. For **Ventura Lanes**, there's no lot sold for this quarter compared to one (1) lot for the same quarter last year.

Xavierville Homes: It is an economic housing development project adjacent to the Xavier Estates. Phase 1 and 2 are 100% complete. Three (3) units were sold for the 1st quarter of this year while no units were sold for the same quarter last year.

Teakwood Hills: It is located in Barangay Agusan, Cagayan de Oro City, some 2.3 kilometers from the national highway going uphill. This idyllic enclave has a breathtaking endless view of the mountains and the sea. The roads are eight meters wide and lined with trees. It has a club house with recreational amenities such as swimming pool, billiards, darts and table tennis. Lot sizes start from a minimum cut of 250 sq. m., all with a 180-degree scenic view of the famous Macalajar bay and an elevation of 220 meters above sea level. Percentage-of-completion for Phase 1 is at 81% while Phase 2 is 100% complete. For this year's 1st quarter, seven (7) lots were sold compared to nineteen (19) lots for the same quarter last year.

St. Therese Subdivision: The subdivision is a 1.67 hectares socialized housing project located in Balulang, Cagayan de Oro that will provide 155 house and lots of which 91 units are row houses, 38 units are duplex, and 26 units are single attached. There were two (2) units sold for this year's 1st quarter while three (3) units for the 1st quarter of last year.

Valencia Estates: It is located in Barangay Lumbo, Valencia City, Bukidnon. The amenities are patterned after the excellent standards of a plush subdivision with a road network of 15 meters for the main road, 10 meters for the service roads complete with sodium street lamps; a basketball court, a clubhouse with a swimming pool. It also has open spaces and playground, perimeter fence and a 24-hour security service .The project is 100% complete. Four (4) lots were sold for the 1st quarter of 2019 while six (6) lots for the 1st quarter of 2018.

Coral Resort Estates: The project is considered as the first residential resort estates in Northern Mindanao. It is strategically located in Initao, Misamis Oriental with a total development area of 5.4 hectares. Phase 1-Cluster A and Cluster B of the project with development area of 2.5 hectares and 2.9 hectares, respectively are 100% complete. One (1) lot was sold for this quarter of the year and also one (1) for the same quarter of last year.

West Highlands is a golf and residential estate located in Brgy. Bonbon, Butuan City. The estate has a total developmental area of 25.9 hectares and is 289 feet above sea level which gives lot owners a panoramic view of historic Mt. Mayapay or the cityscape. **West Highlands Phase2** was launched last October 2017 highlighting fairway and inner fairway lots. There were twelve (12) lots sold for this quarter of the year compared to three (3) lots sold for the same quarter last year.

Mountain View Homes: This project has a development area of 2.3 hectares with 216 saleable house and lots with guard house and basketball court. **Mountain View Homes Phase 2** is a new venture into the socialized and economic housing which is adjacent to the original Mountain View Homes. It is accessible to churches, schools, malls and commercial establishment. The socialized housing project has row houses with lot area of 50sq.m. and floor area of 26sq.m. Single detached units for economic housing have a lot area of 75-143 sq. m. and floor area of 36-38 sq. m. A total of twenty seven (27) house and lot were booked as sale in the 1st quarter of 2019 while eight (8) house and lot also for the 1st quarter of 2018.

Adelaida Park Residences located beside Mountain View Homes is the first residential subdivision in the region offering a ridgeview linear park. The linear park is 410 linear meters in length with park lights along the jogging path/bicycle path. Single detached and attached house and lot units are offered with lot area ranging 90-161 sq.m. with floor area ranging 60-60.5 sq.m. Adelaida Park Residences has single houses sufficiently spaced from each other with its own parking space; is a gated community with ranch-type perimeter fence; has proposed pavilion; and is certified flood free with an elevation of 157 feet above river bank. There were six (6) house and lot sold for the 1st quarter of this year while twenty-four (24) house and lot for the same quarter last year.

New Projects for 2018:

Mangoville is a socialized housing which was launched on Feb 10, 2018. It is located in Barangay Agusan, Cagayan de Oro, just 1.8 kilometers away from the highway. Mangoville boasts of duplex design houses with its own parking space in a lot area of 67.5 sq.m. with floor area of 22 sq.m. It has a 10 meter-wide main road and 8-meter wide inner roads, with perimeter fence and guardhouse. Mangoville homeowners will enjoy a view of the Macajalar Bay in its elevation of 169 meters above sea level. In 5.5 hours, all 235 units were reserved. One (1) unit was sold for this quarter of the year.

Ignatius Enclave was launched in June 2018. It is located in Upper Balulang, Cagayan de Oro City, a 3-kilometer drive to Mastersons Avenue where major commercial establishments are located. There are also churches, grade schools, high schools and educational centers nearby. It features house and lot units and prime lots. Aimed at fostering a Happy Community concept, the single modern home design introduces ABCI's first venture into the vibrant house colors of yellow, orange, blue and green accents. One (1) unit was sold for this quarter of the year.

Phase 5B – Ventura Residences II was launched in June 2018. It features house and lot units and prime lots. Located at the back of **Ventura Residences**, this second phase shall have the identical house colors of orange and cream as the first phase. House and Lot units are single detached with a lot area of 110 to 170 sq.m. and floor area of 80 sq.m. Prime lots with lot cuts of 110 to 500 sq.m. are located by the ridge.

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

Oil Palm Plantation:

For the Quarter Ending March 31, 2019

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				-
Phase II				-
Phase III				-
Phase IV				-
Phase V				-
Impasug-ong	4.14	4.14	4.14	757
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	2,781
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**3,538**

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

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

For the Quarter Ending March 31, 2018

Location	Plantation Area in Hectares			Yields
	Gross Area	Area That Can Be Planted	Area Planted	Bunches
Kalabugao	1,276.53	1,087.75	920.55*	
Phase I				-
Phase II				-
Phase III				-
Phase IV				-
Phase V				-
Impasug-ong	4.14	4.14	4.14	410
Opol	1,089.85	630.77**	623.27	-
Tignapoloan	1,328.56	929.96	-	-
XE Plantation	43.74	43.74	43.74	2,099
TOTAL	**3,742.82**	**2,696.36**	**1,591.70**	**2,509**

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

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

The following are the status of the plantation areas as of March 31, 2019:

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

The following are the status of the plantation areas as of March 31, 2018:

Location	Flowering	Vegetative
Kalabugao		
Phase I	100%;100%	0%;0%
Phase II	100%;100%	0%;0%
Phase III	100%;70%;0%	0%;30%;100%
Phase IV	20%;0%	80%;100%
Phase V	20%	80%
Impasug-ong	100%	0%
Opol		
Phase I a	100%	0%
Phase I b	100%	0%
Phase I c	100%	0%
Phase II a	100%	0%
Phase II b	100%	0%
Phase II c	100%	0%
Phase III a	100%	0%
Phase III b	80%	20%
Phase IV a	10%	90%
Phase V a	0%	100%
XE Plantation		
Phase I	100%	0%
Phase II	100%	0%

Palm Oil Mill

A total of 2,360 metric tons of Fresh Fruit Bunches (FFB) derived from internal and external sources were processed for the 1st of 2019, compared to 3,440.65 metric tons in the same period of last year. This is an average of 786.67 metric tons of fresh fruit bunch processed per month as against 1,146.88 metric tons of the same period last year. The yield for the 1st quarter of this year was 497.76 metric tons of crude palm oil with an average oil extraction rate of 21.09% as compared to 613.32 metric tons having an average extraction rate of 17.61% for the same period last year.

The kernels that were produced totaled to 35.40 metric tons as compared to 68.535 metric tons of last year.

Refined Bleached Deodorized Oil (RBDO) Plant

For the 1st quarter of 2019, the refinery produced a total of 76.78 metric tons of RBDO compared to 254.81 metric tons of the same period last year.

In addition, 4.12 metric tons of Palm Fatty Acid Distillate was produced in the 1st quarter of this year as compared to 48.705 metric tons for the same period of last year. This by-product is generated during production of RBDO.

Fractionation Plant

The production of Palm Olein and Palm Stearin started in June 2015. Crude Palm Oil produced is further processed into Refined Bleached and Deodorized Oil, the raw material of Palm Olein and Palm Stearin. In the 1st quarter of 2019, there were 27.52 metric tons of Palm Olein compared to 77.06 metric tons for the same period last year and 60.905 metric tons of Palm Stearin compared to 60.905 metric tons for the 1st quarter of last year were produced. The quantity sold during the 1st quarter was 121.715 metric tons of Palm Olein compared to 114.70 metric tons for 1st quarter last year.

<u>Power Generation</u>

Coal-Fired Power Project

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

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

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

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

PCPC started construction of the first 135MW in 2013 and was able to complete the project after 37 months and 22 days. Its commercial operations commenced on August 16, 2016. Ten (10) electric cooperatives have signed up offtake agreements with PCPC's first 135MW unit for their base load power capacity requirements. The project site is designed to operate and support two units of 135MW.

For the second unit, requirements for the Environment Compliance Certificate (ECC) had been completed and were already submitted for approval to the Department of Environment and Natural Resources (DENR).

Bunker-Fired Power Project

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook for the Year and Onwards

Real Estate Business:

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

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

There are also issues on construction delays due to shortage of skilled workers and the increasing cost of construction supplies. *Source: https://www.philstar.com/business/real-estate/2018/08/17/1843178/record-year-ahead-philippine-real-estate*

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

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

Only three months from launching date, Xavier Estates Phase 5B Ventura Residences and Xavier Estates Phase 6 Ignatius Enclave offering house and lot packages have posted reservation sales of 71% and 49%, respectively showing a market demand for house and lot in the region, particularly in the Uptown Cagayan de Oro area. Aimed at fostering the Happy Community concept, the modern minimalist houses in both residential subdivisions feature houses with vibrant hues of yellow, orange, blue and green accents. Abundant green spaces also abound.

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

The Terraces in Xavier Estates was launched in September 2018. Part of the incentives of the performing real estate brokers in the first semester of 2018 was the privilege to sell this high-end property during launching until November 30, 2018. Sales are expected to pick-up in the last quarter of 2018 onwards.

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

Palm Oil Business:

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

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

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

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

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

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

To respond to the lack of adequate local production, the management has targeted to develop 2,000 hectares of oil palm plantation in Province of Bukidnon and Misamis Oriental areas through growership program. As of the end of the first quarter of 2019, about 3,743 (gross area) hectares were already acquired for development, of which almost 1,592 hectares were planted while about 1,105 hectares are prepared to be available for planting. The company is anticipating the signing of agreements with local communities in Misamis Oriental and Bukidnon interested for its expansion program aggregating to 2,000 hectares. And to boost its mill operational capacity, the company has been tapping external growers to supply additional fresh fruit bunches (FFB).

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

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

Power Generation:

Challenges

New perspective, new hopes and new ways.

This is how Department of Energy (DOE) Secretary Alfonso G. Cusi would like to welcome the power generation industry for 2019.

At present, the country is still on its quest to obtain energy security and equity, considering the affordability and access of electric supply. However, the Philippine Power System has been recently disturbed by natural calamities and man-made disasters experienced on the first quarter of 2019 that continued occurrences of forced outages of generation and transmission facilities resulting to load dropping incidents in the three major grids.

Red and yellow power alerts have been raised in the Luzon power grid multiple times in April. Red alert means the power supply in power grids is insufficient, which lead to rotational brownouts or manual load dropping in places covered by the respective grids.

Demand and Forecast

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

Peak electricity demand is predicted to grow annually by 4.78% from 2016 to 2040 for Luzon, 6.85% annually for Visayas, and 7.54% for Mindanao, according to DOE.

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

Solutions

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

Recently, DOE also employed a technology-neutral stance in building the country's capacity, while frameworks and laws are being laid down to push for other energy sources such as the nuclear energy program, liquefied natural gas (LNG) importation and reviving the oil and gas exploration industry. These explorations by the government on the country's possible untapped potentials are aimed to ensure affordable, adequate, and reliable power supply while sustaining economic growth.

Both the DOE and power players are formulating strategies to demonstrate commitment to protect consumers from the effect of red alerts. DOE also said that it would review "replacement power and outage allowance provisions" in bilateral Power Supply Agreements between generation companies and distribution utilities.

While the power industry players' actions include the management of plant maintenance schedules, the optimization of existing hydroelectric power plants, the upgrading of the electricity facilities, the preparation of available generator sets for unforeseen outages, the increased participation of big establishments in the Interruptible Load Program, as well as the continued call for an energy efficiency lifestyle for electricity end-users.

Coal Power Generation

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

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

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

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

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

Coal-Fired Power Project:

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

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

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

For the second unit, requirements for the Environment Compliance Certificate (ECC) have been completed and were already submitted to the Department of Environment and Natural Resources (DENR).

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

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

Bunker-Fired Power Project:

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

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

Expansion of these two plants 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 to Bukidnon Second Electric Cooperative (BUSECO) declared commercial operations in March 2018, and was recently inaugurated on March 26, 2019.

Hydro Power Project:

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

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

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

The DOE has granted HLPC the Hydropower Service Contract for the exclusive right to explore, develop and utilize the hydropower potential of the Caracan River located in Barangay Lobo and Cabangahan, Municipality of Cantilan, Surigao del Sur. It is the water source of Cantilan National Irrigation System. The water for the irrigation system will not be affected by this hydropower development.

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

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

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

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

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

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

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

Bulk Water Project

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

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

ABWCI is currently pursuing the proposed Bulk Water Supply Project for the Municipality of Opol in Misamis Oriental. The Project which will tap the water resources of Lumayagan River aims to supply about 15 to 20 million liters per day (MLD) of potable water, with potential expansion up to 25 MLD, to cater the present and future requirements of the municipality. Other potential service areas include the neighboring municipalities of Opol – the city of El Salvador, and the municipalities of Alubijid, Laguindingan, and Gitagum. Based on the study, these are potential growth areas.

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

East West Railway Project:

Blaze Capital Limited – 100% owned by ABCI

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

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

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

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

Impact of Economic/Political Uncertainties:

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

The average inflation rate for full year 2018 picked up by 5.2% which was above the government's target range of 2%-4% and way higher than the 2.9% of 2017 and 1.3% of 2016 (using the 2012-base price). The 2018 rate was also the highest since 2008's 8.2 percent year-on-year increase in prices, making it a 10-year high, Philippine Statistics Authority (PSA) data showed. Compared to 2017 average rates, the annual average hikes in 2018 were higher in the indices of all the commodity groups, except for clothing and footwear, communication, and education. The annual average inflation in 2018 for clothing and footwear, and communication were the same as their respective 2017 annual average inflation rates of 2.4 percent and 0.3 percent while that for education dropped by 0.8 percent from 2.5 percent in 2017. In September and October 2018, the inflation rate hit 6.7 percent, an over nine-year high, such that the government immediately addressed food supply bottlenecks, especially of rice, as these had elevated prices. Prices of consumer goods also increased last year due to the higher or new excise taxes slapped on consumption under the Tax Reform for Acceleration and Inclusion (TRAIN) law, as well as skyrocketing global oil prices.

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

For this year 2019, with the expected signing into law of the Rice Tariffication Bill, rice prices are expected to decline by as much as Php 7.00 per kilo. The government recognizes, however, that this favorable effect can only be sustained if there are more players in the rice market, starting from production and financing to post-harvest and trading. Ensuring sufficient supply of rice and other major agricultural products from local sources likewise remains crucial over the near term with the looming El Niño phenomenon in 2019. Short-maturing, high-yielding and resilient varieties of crops should be utilized, alongside efficient water management systems. Over the medium to long-term, reassessing the vulnerability and suitability of farm areas should also be prioritized to bring forth adaptive farming activities.

The government's economic team is aggressively pushing for the full operationalization of the National Single Window. At the same time, the government pledges to step up its anti-smuggling measures, aiming that only duly-taxed imports enter the country. The Philippine Competition Commission needs also to be vigilant in curbing anti-competitive behavior, particularly in the rice market. In the fisheries sector, the government is strengthening its crackdown against illegal fishing to avoid fishing grounds to be reportedly overfished. This effort must be accompanied by sustainable costal resource management to help increase fish production.

The falling prices of international crude oil will continue to benefit the country resulting in as series of oil price rollbacks. The Department of Energy is also closely monitoring domestic pump prices to ensure that the new excise tax on oil is not yet reflected in the prices at the start of the year, as old fuel inventories are not yet subjected to the tax increase.

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

The socioeconomic planning office sees inflation over the near-term to remain stable despite pressures that may be brought about by the newly enacted TRAIN program, weather patterns and uncertainties in international oil markets. NEDA also said supply conditions, particularly of major agricultural commodities appears favorable within the near term. To relieve the inflationary effects of TRAIN, the government needs to prioritize amending domestic laws that will end quantitative restrictions on rice and replace them with tariffs. This measure will remove the policy uncertainty in rice trade and thus encourage more investments in production and post-production innovation. The revenues from the tariff can be used to fund or subsidize such innovations. Efforts must be made to strengthen the resiliency of farmers from extreme weather conditions to maintain the stability of food prices. One is by shifting to climate change-ready rice varieties.

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

In 2018, the Philippine Statistics Authority said that the 2018 Gross Domestic Product grew to a full-year average of 6.2%, short of the government's downgraded 6.5-6.9 percent target range. The said GDP growth was the slowest in three (3) years since the 6.1 percent posted in 2015. The GDP in 2016 was 6.7 percent and went down at 6.7 percent in 2017. Among the three major industries, the biggest contributor to GDP growth was services, accounting for 3.8 percentage points. Industry followed with 2.3 percentage points while agriculture had the smallest share of 0.1 percentage point.

The Socioeconomic Planning Office explained that elevated inflation, especially in the second half of the year of 2018, tempered consumer, government and investment spending. It recognized that high inflation rate always reduces economic growth. Headline inflation or the rate of increase in prices of basic commodities hit a 10-year high of 5.2 percent in 2018 due to new or higher excise taxes slapped on consumption, skyrocketing global oil prices as well as food supply bottleneck, especially rice. It added had the inflation settled within the government's 2-4 percent target range in 2018, GDP growth would have reached the lower end of the goal or about 6.5%. The agriculture sector's failure to post faster expansion contributed as well by high food prices slowed the economic growth. Monetary tightening in some countries including the US and the trade war between China and the US are among the factors that affected the domestic economy.

Despite below-target growth, the economy remained stable and had a steady performance as it posted the seven straight year of above 6-percent expansion which cements the country's standing as one of the fastest-growing economies in Asia, nest to India, Vietnam and China.

The implementation of the "Build, Build, Build" infrastructure program and the focus on improving the performance of services exports would boost economic growth in 2019 targeting to hit 7 to 8%. With the government's political will, it has been able to institute policy reforms like liberalizing some areas from farm restriction. The government will also be implementing soon the ease of doing business, anti-red tape, rice tarrification and the national ID system.

Under the ambitious "Build, Build, Build," the government plans to roll out 75 flagship, "game-changing" projects, with about half targeted to be finished within President Duterte's term, alongside plans to spend up to P9 trillion on infrastructure until 2022 to usher in "the golden age of infrastructure."

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

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

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

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

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

Material Event/s and Uncertainties:

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

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

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

SIGNATURES:

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

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

ROBERTINO E. PIZARRO
President & Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

Date: May 20, 2019

EXHIBIT I

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Pesos)

	Notes	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Current Assets			
Cash	4	**108,735,211**	75,730,032
Current portion of accounts Receivable	5	**300,450,257**	383,394,767
Real estate held for sale	6	**1,619,811,009**	1,664,578,771
Inventories	7	**86,700,795**	79,564,205
Prepayments and other current assets	7	**279,889,513**	228,099,874
Equity instruments at FVPL	8	**246,217,321**	233,170.738
Advances to a related party		**18,306,824**	86,896,516
Total Current Assets		**2,660,110,930**	2,751,434,903
Noncurrent Assets			
Non portion of accounts Receivable	5	**266,972,071**	180,140,939
Equity Instruments at FVOCI	8	**114,813,436**	168,647,685
Investment in associates	9	**1,330,582,196**	1,232,298,149
Investment properties – net	10	**103,513,635**	115,269,635
Property and equipment – net	11	**899,944,498**	892,143,269
Deferred tax assets	18	**17,408,480**	12,532,479
Other noncurrent assets		**89,289,927**	113,759,222
Total Noncurrent Assets		**2,822,524,243**	2,714,791,378
		5,482,635,173	5,466,226,281
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12	**506,113,690**	532,694,397
Short-term debt	15	**314,628,000**	687,048,719
Current portion of long-term debt	15	**340,364,688**	325,725,830
Deposit from customers		**71,071,323**	68,365,034
Total Current Liabilities		**1,232,177,701**	1,613,833,980

(Forward)

(Carryforward)

	Notes	**March 31, 2019 (Unaudited)**	December 31, 2018 (Audited)
Noncurrent Liabilities			
Long-term debt – net of current portion	15	**529,659,002**	272,121,907
Retirement liability		**27,160,709**	33,721,642
Deferred tax liabilities	18	**76,046,365**	57,832,894
Total Noncurrent Liabilities		**632,866,076**	363,676,443
Total Liabilities		**1,865,043,777**	1,977,510,423
Equity	16		
Equity attributable to equity holders of Parent Company			
Share capital		**2,477,668,925**	2,477,668,925
Additional paid-in capital		**637,968,859**	637,968,859
Retained earnings		**829,363,487**	648,147,097
Net cumulative unrealized (loss) gain on fair value of available-for-sale investments (EIFVOCI)		**(321,178,676)**	(265,423,108)
Other components of equity		**(9,744,846)**	(13,141,094)
		3,614,077,749	3,485,220,679
Non-controlling interests		**3,513,647**	3,495,179
Total Equity		**3,617,591,396**	3,488,715,858
		5,482,635,173	5,466,226,281
		-	

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See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Philippine Pesos)

	Notes	Three months ended March 31	
		2019	2018
		(Unaudited)	**(Unaudited)**
REVENUES			
Sales		**329,707,192**	203,899,975
Financial income	20	**1,357,436**	1,202,496
Rental income	10, 19	**-**	283,862
Equity in net income of an associate	9	**94,418,521**	41,166,413
Gain on sale of shares	8		24,671,270
Dividend Income		**-**	-
Others	22	**509,160**	32,413,665
		425,992,309	303,637,681
COST AND EXPENSES			
Cost of sales and services		**125,562,317**	119,923,197
General and administrative	17	**47,996,219**	48,252,203
Finance costs		**23,445,651**	20,085,893
Marketing	17	**10,424,982**	11,405,957
Equity in net loss of an associate	9	**-**	-
		207,429,170	199,667,250
INCOME BEFORE INCOME TAX		**218,563,139**	103,970,431
INCOME TAX EXPENSE (BENEFIT)	18		
Current		**37,360,009**	9,033,938
Deferred		**(13,260)**	(2,579,960)
		37,346,749	6,453,978
NET INCOME		**181,216,390**	97,516,453
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**181,219,184**	97,518,150
Non-controlling interests		**(2,794)**	(1,697)
		181,216,390	97,516,453
		-	
BASIC AND DILUTED EARNINGS PER SHARE	16		
Attributable to:			
Equity holders of the Parent Company		**0.07314**	0.03936

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Pesos)

	Note	Three months ended March 31	
		2019 (Unaudited)	2018 (Unaudited)
NET INCOME		**₱ 181,216,390**	₱97,516,454
OTHER COMPREHENSIVE INCOME			
Unrealized gain on available-for-sale investments	8	**(55,755,568)**	28,620,697
COMPREHENSIVE NET INCOME (LOSS)		**₱125,460,822**	₱126,137,151
Attributable to:			
Equity holders of the Parent Company		**₱125,458,028**	₱126,138,847
Non-controlling interests		**(2,794)**	(1,697)
		₱ 125,460,822	₱126,137,151

See accompanying Notes to Consolidated Financial Statements.

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Philippine Pesos)

	Notes	**As of 03/31/2019 (Unaudited)**	As of 03/31/2018 (Unaudited)	As of 12/31/2018 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				
CAPITAL STOCK - ₱1 par value	16			
Authorized – 3,300,000,000 shares in 2019 and 2018				
Subscribed – 2,477,668,925 in 2019 and 2018				
Balance at beginning of year		**₱ 2,477,668,925**	₱2,477,668,925	₱2,477,668,925
Issuances during the year		–	–	–
Balance at end of year		**2,477,668,925**	2,477,668,925	2,477,668,925
ADDITIONAL PAID-IN CAPITAL	16			
Balance at beginning and end of year		**637,968,859**	637,968,859	637,968,859
Additions during the year		–	–	–
Balance at end of year		**637,968,859**	637,968,859	637,968,859
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		**648,147,097**	259,592,539	359,372,500
Net profit (loss) during the year		**181,216,390**	97,518,150	288,774,597
Reclassifications		-	–	–
Balance at end of year		**829,363,487**	357,110,689	648,147,097
NET CUMULATIVE UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS (EIFVOCI)				
Balance at beginning of year		**(265,423,108)**	(189,358,490)	(294,323,108)
Net change in unrealized gain (loss) during the year	8	**(55,755,568)**	28,620,697	–
Realized gain on sale of AFS		–	(24,671,270)	28,900,000
Balance at end of year		**(321,178,676)**	(185,409,063)	(265,423,108)

(Forward)

(Carryforward)

	Note	**As of 03/31/2019 (Unaudited)**	As of 03/31/2018 (Unaudited)	As of 12/31/2018 (Audited)
OTHER COMPONENTS OF EQUITY				
Balance at beginning of year		**(₱13,141,094)**	(₱14,842,912)	(₱11,362,702)
Other comprehensive income		**3,396,248**	5,412,921	(1,778,392)
Balance at end of year		**(₱9,744,846)**	(₱9,429,991)	(13,141,094)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		**3,614,077,749**	3,277,909,419	3,485,219,665
NON-CONTROLLING INTERESTS				
Balance at beginning of year		**3,495,179**	3,513,671	3,513,671
Increase (decrease) during the year		**18,468**	(1,701)	(18,492)
Balance at end of year		**3,513,647**	3,511,970	3,495,179
		₱3,617,591,396	₱3,281,421,388	₱3,488,715,858

See accompanying Notes to Consolidated Financial Statements

A BROWN COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Philippine Pesos)

Three months ended March 31

	Note	**2019 (Unaudited)**	2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and non-controlling interest		**218,563,139**	103,970,431
Adjustments for:			
Gain on sale of available for sale investment	8		(24,671,270)
Equity in net profit of an associate	9	**(94,418,521)**	(41,166,413)
Finance costs		**23,445,651**	20,085,893
Depreciation and amortization		**4,768,177**	4,651,362
Financial income	20	**(1,357,436)**	(1,202,496)
Cumulative foreign translation			(1,493,312)
Amortization of leasehold rights		**33,932**	309,422
Operating income before working capital changes		**151,034,943**	60,483,617
Decrease (increase) in:			
Accounts receivable	5	**(3,886,622)**	34,043,923
Inventories	7	**(7,136,590)**	7,872,493
Prepayments and other current assets	7	**51,789,639**	25,647,244
Real estate held for sale	6	**(44,767,762)**	19,309,354
Increase (decrease) in:			
Accounts payable and accrued expenses	12	**(95,464,734)**	(81,868,683)
Deposit from customers		**2,706,289**	(24,758,650)
Cash provided by operations		**54,275,162**	40,729,298
Interest received		**3,358**	1,202,496
Income tax paid			(8,912,648)
Net cash provided by operating activities		**54,278,520**	33,019,146

(Forward)

(Carryforward)

	Note	Three months ended March 31	
		2018	**2018**
		(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Available-for-sale investments	8		62,053,270
Additions (deductions) to:			
Property and equipment	11	**(3,069,727)**	(8,551,365)
Refundable deposits			(9,359,821)
Land and improvements			(17,287)
Payments received from a related party	14	**(18,203,614)**	23,830,452
Net cash provided by (used in) investing activities		**(21,273,341)**	67,955,249
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt	15	**272,175,953**	(100,147,071)
Short-term debt	15		(8,000,000)
Proceeds from:			30,000,000
Short-term debt	15	**(372,420,719)**	
Long-term debt	15		7,645,298
Finance costs paid	15	**(23,445,651)**	(19,504,143)
Net cash used in financing activities		**(123,690,417)**	(90,005,916)
NET INCREASE IN CASH		**33,005,179**	10,968,479
CASH AT BEGINNING OF YEAR		**75,730,032**	93,812,552
CASH AT END OF PERIOD/YEAR	4	**108,735,211**	104,781,031

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

Name of Subsidiary	Principal Activity
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing, trading of goods on wholesale and retail basis such as crude oil and petroleum products
Bonsai Agri Corporation (BAC)* and Nakeen Corporation (NC)	Development of land for palm oil production and sale of palm seedlings and crude palm oil
Simple Homes Development, Inc. (SHDI), *Formerly Andesite Corporation (AC)**	Development of socialized housing projects
AB Bulk Water Co., Inc. (ABBWCI)*	Holding and providing rights to water to public utilities and cooperatives or in water distribution
Masinloc Consolidated Power, Inc. (MCPI)*	Operating of power plants and/or purchase, generation, production supply and sale of power
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	Holding of properties of every kind and description
Hydro Link Projects Corp. (HLPC)*	Developing, constructing and operating power generating plants
Blaze Capital Limited (BCL)*	Investing in infrastructure projects including but not limited to mass transport

**Has not yet started commercial operations as at March 31, 2019*

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

On October 5, 2012, the Parent Company's BOD approved during their meeting the private placement of 250.0 million of its listed common shares consisting of 173.6 million treasury common shares and 76.4 million common shares owned by a shareholder. The Placement Shares, with a par value of ₱1 per share was sold at a price of ₱2.89 per share and crossed in the Exchange on October 8, 2012. The BOD likewise approved the issuance of an equal number of shares of the Parent Company at an issue price equal to the net proceeds per share in favor of the lending shareholder. The shares will be issued out of the increase in the Parent Company's authorized capital stock from ₱1.32 billion divided into 1.32 billion shares with a par value of ₱1 to ₱1.62 billion divided into 1.62 billion shares with par value of ₱1. On December 28, 2012, the SEC approved the Company's application for increase in authorized capital stock. Subsequently, the 76.4 million common shares were issued.

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

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

The Parent Company's BOD declared a 20% stock dividend or an equivalent to 346.6 million of the Parent Company's outstanding shares on May 19, 2016. The shares were distributed to the stockholders of record as at February 10, 2017 and issued from the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion common shares with par value of ₱1 to ₱3.3 billion divided into 3.3 billion common shares with a par value of ₱1. On January 11, 2017, the SEC approved the Parent Company's application for increase in authorized capital stock (see Note 34).

On October 12, 2017, the Board of Directors approved the conversion of the Parent Company's debt and deposits for future subscription amounting to ₱450,000,000 to equity at ₱1.13/share to three (3) subscribers. The number of issued shares increase by 398,230,088 shares resulting to 2,477,668,925 outstanding shares.

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

The accompanying consolidated financial statements of the Parent Company and the above mentioned subsidiaries (collectively referred herein as "the Group") as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 were authorized for issue by the Board of Directors on April 12, 2019.

2. **Basis of Preparation**

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair value and agricultural produce which is measured at fair value less cost to sell at the point of harvest. These consolidated financial statements are presented in Philippine Peso, which is the Group's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated.

Basis of Adoption and Presentation

In 2015 and prior years, the Group accounted and presented the bearer plants as biological assets. In 2016, the Group adopted the amendments to *PAS 16, "Property and Equipment" and PAS 41, "Agriculture": Bearer Plants* which clarify that biological assets that meet the definition of bearer plants will be accounted for in the same way as property, plant and equipment.

Accordingly, in 2016, the Group restated the opening of the Consolidated Statement of financial position at the earliest period (January 1, 2015) to reflect the reclassification of bearer plants from biological assets to property and equipment (see Note 13).

Consolidated financial statements presented below:

		December 31, 2015		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of financial position:				
Property and equipment – net	13	₱472,579,972	₱403,666,418	₱876,246,390
Biological asset – net		403,666,418	(403,666,418)	–

		January 1, 2015		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of financial position:				
Property and equipment – net	13	₱442,085,994	₱334,531,067	₱776,617,011
Biological asset – net		334,531,067	(334,531,067)	–

		For the year ended December 31, 2015		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of cash flows				
Additions to:				
Property and equipment	13	(₱89,329,146)	(₱69,135,351)	(₱158,464,497)
Biological assets		(69,135,351)	69,135,351	–

		For the year ended December 31, 2014		
	Note	As Previously Reported	Adjustment	As Restated
Consolidated Statement of cash flows				
Additions to:				
Property and equipment	13	(₱96,934,934)	(₱32,994,138)	(₱129,929,072)
Biological assets		(32,994,138)	32,994,138	–

The above restatement has no impact on the Consolidated Statements of income, Consolidated Statements of comprehensive income, and Consolidated Statements of changes in equity in 2019 and 2018.

Statement of Compliance
The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations - International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

Principles of Consolidation
The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

When the Group loses control over a subsidiary, at the date when control is lost, it: (a) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amount; (b) derecognizes the carrying amount of any noncontrolling interests including any components of other comprehensive income attributable to them; (c) recognizes the fair value of the consideration received; (d) recognizes the fair value of any investment retained in the former subsidiary at its fair value; (e) account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the parent had directly disposed of the related assets and liabilities, and (f) recognizes any resulting difference as gain or loss in profit or loss attributable to the parent.

Noncontrolling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the Consolidated Statements of income, Consolidated Statements of comprehensive income and Consolidated Statements of changes in equity and within equity in the Consolidated Statements of financial position, separately from equity attributable to the equity holders of Parent Company.

The subsidiaries and the percentage of ownership of the Parent Company are as follows:

		Percentage of ownership	
Name of subsidiary	Nature of business	**2019**	2018
ABERDI	Manufacturing and trading/Service/Agriculture	**100**	100
BAC*	Agriculture	**100**	100
NC	Agriculture	**100**	100
SHDI, *Formerly AC**	Real estate	**100**	100
ABBWCI*	Water service	**100**	100
MCPI*	Power plant operations	**49**	49
PTCHC	Holdings	**100**	100
HLPC*	Power plant operations	**100**	100
BCL*	Infrastructure	**100**	–

**Has not yet started commercial operations as of March 31, 2019.*

All of the above subsidiaries were incorporated in the Philippines.

Investment in ABERDI
ABERDI obtained control in the ownership of BAC and NC. BAC is still in its development stages. NC started its commercial operations as at March 1, 2007. Prior to 2013, NC manages the palm oil nursery and plantation operations. The separate financial statements of these companies are included in the consolidated financial statements as at March 31, 2019 and December 31, 2018.

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

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

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

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

Investment in SHDI
In December 2014, the Parent Company bought SHDI from ABERDI to undertake its socialized housing projects. As at April 5, 2018, SHDI has not yet started its commercial operations. On March 13, 2015, SHDI filed an application with the SEC to amend its primary purpose in the Articles of Incorporation from engaging business in agriculture to socialized housing property development which was later approved on April 10, 2015.

Investment in ABBWCI
In March 2015, the Parent Company invested ₱5.0 million in ABBWCI, representing 100% equity holdings. ABBWCI engages in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol, Misamis Oriental. As at March 31, 2019, ABBWCI has not started its operations.

Investment in MCPI
In 2007, the Parent Company invested ₱4.9 million in MCPI representing 49% equity holdings. However, control over the operating and financial policies of MCPI is exercised by the Parent Company through its representations in the BOD. Accordingly, MCPI qualifies as a subsidiary of the Parent Company. The financial statements of MCPI as at and for each years ended March 31, 2019 & December 31, 2018 are included in the consolidated financial statements.

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

Investment in PTCHC
In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of PTCHC and Panay Consolidated Land Holdings Corporation (PCLHC), respectively, at par value. The investment represents 95% and 100% equity holdings of PTCHC and PCLHC, respectively. PTCHC and PCLHC are newly organized companies in 2010.

On December 8, 2010, PTCHC acquired 100% of equity holdings of Palm Concepcion Power Corporation (PCPC), formerly DMCI Concepcion Power Corporation. DMCI Power Corporation, PCPC's former parent company, transferred and conveyed to PTCHC all of the rights, title and interest in and to the shares of stock of PCPC. The acquisition cost is higher than the fair value of the identifiable net assets of the acquired subsidiary. Accordingly, goodwill of ₱21,472,567 is recognized in the 2010 Consolidated Statements of financial position. In 2011, additional acquisition cost amounting to ₱1,199,375 was capitalized as investment in subsidiaries which resulted to additional goodwill of the same amount. In 2012, when the Group's equity interest in PCPC was reduced to 30%, the entire goodwill was derecognized.

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

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

In May 2013, ACEHI sold all its interest in PCPC and PCLHC to focus its investing power to its existing power projects imminent in its development pipeline. In light of this event, PTCHC had taken the opportunity to acquire the entire stake of ACEHI bringing its interest to 70% on both entities. Later before the end of the year, Oriental Knight Limited (OKL) bought out and subscribed to the 30.46% equity interest of PCPC from the PTCHC. Additional shares were subscribed by the PTCHC bringing its equity interest to 39.54%. On the other hand, the PTCHC's interest in PCLHC as at December 31, 2013 remained at 70%. On December 11, 2013, the BOD and shareholders of PCLHC and PCPC approved the merger of the two entities, with PCPC as the surviving entity. As at December 31, 2013, PTCHC still holds sufficient interest in PCPC for it to be able to exercise significant influence. PTCHC's interest in PCLHC was presented under the investment in associate account as a result of the merger application as at December 31, 2013. During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC as well as the increase in authorized capital stock of PCPC. After the merger, the Parent Company's holding through PTCHC retained its 30% interest in the outstanding capital of PCPC as at December 31, 2014 (see Note 11).

On January 6, 2015, the SEC approved PCPC's application of the increase in authorized capital stock which reduced the Parent Company's holding through PTCHC to 20% as at March 31, 2019 and December 31, 2018.

Investment in HLPC
On January 12, 2011, the Parent Company and HLPC entered to a deed of subscription, which increased HLPC's authorized share capital from 10,000 to 160,000 shares with par value of one hundred pesos (₱100) per share. Out of the 150,000 increase in authorized shares of HLPC, the Parent Company subscribed an aggregate share of 37,500 common shares which represents ninety three and seventy five percent (93.75%) of the resulting total issued and subscribed share capital of 40,000 shares. Accordingly, goodwill of ₱250,000 is recognized in the 2011 Consolidated Statements of financial position. In December 2011, a deed of assignment was entered into by the Parent Company and HLPC's stockholder, assigning the remaining six and twenty five percent (6.25%) shares of HLPC to the Parent Company.

Investment in BCL
In May 22, 2017, the Parent Company acquired 100% stockholdings of BCL, a British Virgin Islands company, incorporated and registered on August 8, 2011 for ₱25 million which resulted to a goodwill of ₱43,007. BCL has a 33.33% ownership in East West Rail Transit Corporation (EWRTC) which is part of a consortium for the East-West Railway Project. The Consortium, composed of EWRTC and Alloy MTD Group (represented by MTD Philippines Inc.) has submitted as unsolicited proposal to the Philippine National Railways to build and then operate and maintain the East-West Rail Project. The East-West Rail Project is an integrated light rail mass transportation system and is intended to help alleviate the gap in the transportation infrastructure in the metropolis. This project is in line with the objective of the government to increase the ratio of rail transport systems to the rocketing ridership demand in Metro Manila and other major urban cities. The Project will involve the development, design, construction, supply, completion, testing, commissioning, and operation & maintenance of the East-West Rail Project that will traverse the corridor of Quezon Avenue in Quezon City and España Boulevard in Manila.

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

3. **Changes in Accounting Policies**

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, 2018. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The Group does not have any share-based transactions. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*

  The Group has adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:
  - Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
  - The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
  - The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening Retained Earnings or other component of equity, as appropriate.
  - As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

  Classification and measurement

  Except for certain receivables, under PFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

  Under PFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

  The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018 (see Notes 4, 5, 8, 11 and 17):

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	FVPL	Amortized cost	FVOCI
Loans and receivables:				
Cash	₱93,812,552	₱–	₱93,812,552	₱–
Receivables	419,330,841	–	419,330,841	–
Advances to a related party	163,156,701	–	163,156,701	–
Refundable deposits	4,171,690	–	4,171,690	–
AFS Investments	457,014,387	329,154,369	–	127,860,018
	₱1,137,486,171	₱329,154,369	₱680,471,784	₱127,860,018

The adoption of PFRS 9 affected the Group's classification and subsequent measurement of its quoted and unquoted equity securities previously classified as AFS investments. In compliance with PFRS 9, unrealized and realized fair value re-measurements from EIFVPL will be recognized in the profit or loss, the unrealized and realized fair value re-measurements from EIFVOCI will be recognized in other comprehensive income (OCI). The adoption of PFRS 9 affected the Group's retained earnings by ₱115.21 million, AFS investments by ₱457.01 million and OCI by ₱106.13 as of January 1, 2018.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 9. The first column shows what the amounts would have been had PFRS 15 not been adopted and the third column shows amounts prepared under PFRS 15:

Consolidated statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
AFS investments	₱401,818,423	(₱401,818,423)	₱–
EIFVPL	–	233,170,738	233,170,738
EIFVOCI	–	168,647,685	168,647,685
OCI	(189,358,400)	(75,444,937)	(264,803,337)
Retained earnings	521,834,796	125,692,620	647,527,416

Consolidated statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
Realized gain on sale of EIFVPL	₱–	₱50,039,440	₱50,039,440
Unrealized fair value loss on EIFVPL	–	(23,267,631)	(23,267,631)
OCI	–	28,900,000	28,900,000

Consolidated statement of cash flows

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 9
Net cash from operating activities	₱10,453,460	₱122,755,440	₱133,208,900
Net cash from investing activities	197,026,065	(122,755,440)	74,270,625

There are no changes in classification and measurement for the Group's financial liabilities.

Impairment of Financial Instruments
Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except receivables and those

measured at FVTPL are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The adoption of the ECL requirements of PFRS 9 did not result in an adjustment to the impairment allowances of the Group's debt financial assets.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9*, *Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.
  d. Accounting for Cancellation of Real Estate Sales in PIC Q&A No. 2018-14.

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

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

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

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

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

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (CTS) would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate (EIR) method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group elected to apply the modified retrospective method to all contracts at the date of initial application which is January 1, 2018.

Under the modified retrospective method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to those contracts not completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The adoption of PFRS 15 affected the Group's recognition of revenue and cost of real estate sales. In compliance with PFRS 15, costs that relate to satisfied (or partially satisfied) performance obligations should be expensed as incurred. These costs are allocated to the saleable units, with the portion allocable to the sold units being recognized as costs of sales while the portion allocable to the unsold units being recognized as part of real estate inventories. In compliance with PFRS 15, revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The pattern of recognition is made overtime. The adoption of PFRS 15 affected the Group's retained earnings by ₱17.07 million, receivables by ₱47.79, inventories by ₱23.55 million and deferred tax liabilities by ₱7.17 million as of January 1, 2018.

Presentation and disclosure requirements

As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the Group's adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on the Group's consolidated statement of cash flows for 2018. The first column shows what the amounts would have been had PFRS 15 not been adopted and the third column shows amounts prepared under PFRS 15:

Consolidated statement of financial position

	As of December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
ICR	₱353,224,669	(₱310,834,348)	₱42,390,321
Contract assets	–	310,834,348	310,834,348
Customer's deposits	68,365,034	(68,365,034)	–
Contract liabilities	–	68,365,034	68,365,034
Real estate held for sale	1,691,699,107	(27,120,336)	1,664,578,771
Deferred tax liability - net	65,963,306	(8,130,412)	57,832,894
Retained earnings	666,512,404	(18,984,988)	647,527,416

Consolidated statement of comprehensive income

	For the year ended December 31, 2018		
	Previous PFRS	Increase (decrease)	PFRS 15
Cost of real estate sales	₱289,969,511	₱3,696,350	₱293,665,861
Provision for tax	61,182,526	(1,108,905)	60,073,621
Net income	291,543,019	(2,547,445)	288,995,574

- The Group has determined that there is only one performance obligation in the contract to sell. The Group has determined that each of its contracts to sell covering subdivision land and residential house units has a single performance obligation together with the services to transfer the title of real estate property upon full payment of the buyer. Input method was used for the measure of progress. Before the adoption of PFRS 15 obligations, the previous basis of measurement of progress was input method for serviced land and output method for land improvements. In addition, revenue from the service for title transfer was recognized as revenue at a point in time when the transfer of the title happened.

- PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*
On March 14, 2018 the PIC issued PIC Q&A 2018-11 which provides guidance on the correct classification of land owned by a real estate developer in accordance with PAS 2, *Inventories*, PAS 40, *Investment Property or* PAS 16, *Property Plant and Equipment*.

  The Group adopted PIC Q&A 2018-11 and complied with the classification requirement of its land in accordance with the interpretation in the Group's consolidated financial statements and correspondingly, the Group reclassified its land held and improvements amounting to ₱648.75 million to real estate held for sale as of December 31, 2017.

  The following are the restatements of the prior years consolidated financial statements resulting from the adoption of new accounting standards:

Consolidated statement of financial position

	As of December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Land held for future development	₱648,752,617	₱–	₱648,752,617
PIC Q&A 2018-11	–	(648,752,617)	(648,752,617)
Total	₱648,752,617	(₱648,752,617)	₱–
Real estate held for sale	₱767,147,504	₱–	₱767,147,504
PIC Q&A 2018-11	–	648,752,617	648,752,617
Total	₱–	₱–	₱1,415,900,121

Consolidated statement of cash flows

	For the year ended December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows used in operating activities	(₱27,230,389)	₱–	(₱27,230,389)
PIC Q&A 2018-11	–	(157,673)	(157,673)
Total	(₱27,230,389)	(₱157,673)	(₱27,388,062)

	For the year ended December 31, 2017		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows from investing activities	₱284,245,605	₱–	₱284,245,605
PIC Q&A 2018-11	–	157,673	157,673
Total	₱284,245,605	(157,673)	₱284,403,278

Consolidated statement of cash flows

	For the year ended December 31, 2016		
	Previous PFRS	Increase (decrease)	PFRS 15
Cash flows from operating activities	₱210,589,521	₱–	₱210,589,521
PIC Q&A 2018-11	–	(7,380,386)	(7,380,386)
Total	₱210,589,521	(₱7,380,386)	₱203,209,135
Cash flows from investing activities	₱45,125,540	₱–	₱45,125,540
PIC Q&A 2018-11	–	7,380,386	7,380,386
Total	₱45,125,540	₱–	₱52,505,926

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

  The amendment has no impact to the Group's consolidated financial statements since entities within the Group are not venture capital organization or alike.

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

  The Group is currently assessing the impact of adopting the above amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  The interpretation does not have a significant effect on the Group's consolidated financial statements.

Future Changes in Accounting Policies

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 consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.
  The Group is currently assessing the impact of adopting PFRS 16.

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

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

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

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

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting the amendments

Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
Whether an entity considers uncertain tax treatments separately
The assumptions an entity makes about the examination of tax treatments by taxation authorities
How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
How an entity considers changes in facts and circumstances
An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.
The Group is currently assessing the impact of adopting the amendments.

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

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

Effective beginning on or after January 1, 2020

Amendments to PFRS 3, *Definition of a Business*

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies*,

Changes in Accounting Estimates and Errors, *Definition of Material*

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

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

Effective beginning on or after January 1, 2021

PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

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

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

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

Cash
Cash includes cash on hand and in banks.

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

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

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

As of December 31, 2018, the Group's financial instruments are of the nature of loans and receivables, AFS investments and other financial liabilities.

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL. This accounting policy pertains to the Group's "Cash", "Receivables", "Refundable deposits" and "Advances to a related party".

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

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

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

This accounting policy applies primarily to the Group's "Accounts and other payables" (except statutory payables), "Short-term debt" and "Long-term debt".

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

measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

Financial Instruments - Initial Recognition, Subsequent Measurement and Reclassification (upon adoption of PFRS 9)
Initial recognition
The Group classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

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. Except for 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 fair value through profit or loss, 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 determined under PFRS 15.

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. 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.

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 recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets designated at fair value through OCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost
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
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured using the EIR method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Group's "Cash", "Receivables" and "Advances to a related party".

Financial assets at FVOCI
Debt instruments. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

Equity instruments. The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its unquoted equity investments under this category.

As of March 31, 2019, the Group does not have debt instruments at FVOCI.

Financial assets at FVPL
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for

debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This accounting policy applies to the Group's quoted equity instruments.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

This accounting policy applies to the Group's quoted equity instruments.

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

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 since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group applies a simplified approach in calculating ECLs for "Receivables". Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For leasing receivables, the Group has established a provision matrix that is based on its historical credit loss experience. For ICR, the Group uses a vintage analysis that is based on its historical credit loss experience. Both are further adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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's "Cash " and "Advances from related party" are graded to be low credit risk investment based on the credit ratings of depository banks and related parties as published by Bloomberg Terminal.

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

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Financial Liabilities
A financial liability is derecognized when the obligation under the financial liability is discharged or cancelled or has expired.

Real Estate Held for Sale
Real estate held for sale are initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the development and improvement of the properties. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

Borrowing Cost
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes real estate held for sale and property, plant and equipment, is being constructed are capitalized as part of the cost of that asset. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Deposits for Land Acquisition
This represents deposits made to land owners for the purchase of certain parcels of land which are intended to be held for sale in the future. The Group normally makes deposits before a CTS (contract to sell) is executed between the Group and the land owner. These are recognized at cost.

Inventories
Inventories pertain to ABERDI agricultural produce and are initially recorded at cost. Cost consists of direct costs in bringing the inventories to their present location and condition. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value.

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

Agricultural produce
The Group's growing produce (e.g. fresh fruit bunches, under inventories) are measured at their fair value from the time of maturity of the bearer plant until harvest. The Group uses the future selling prices and gross margin of finished goods, adjusted to remove the margin associated to further processing, less future growing cost as the basis of fair value. The Group's harvested produce to be used in processed products are measured at fair value at the point of harvest based on the estimated selling prices reduced by cost to sell and adjusted for margin associated to further processing.

Investments in Associates

Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for under the equity method. Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. The carrying value is also decreased for any cash or property dividends received.

Investment Properties

Investment properties consist of properties held to earn rental income, for capital appreciation or both. These are initially recorded at cost, including transaction cost. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation for depreciable investment properties is computed on a straight-line method over estimated useful lives ranging from 10 to 20 years. The useful lives and depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from the use of the properties for lease.

Investment properties are derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the consolidated statements of income in the year of retirement or disposal. Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to property, plant and equipment; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from property, plant and equipment to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property. Transfers to or from investment properties are measured at the carrying value of the assets at the date of transfer.

Property, Plant and Equipment

Property, plant and equipment are carried at acquisition cost or construction cost less accumulated depreciation and amortization, and impairment in value, if any. The initial cost of property, plant, and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to expense as incurred. In situation 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.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in statements of comprehensive income for the period.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over their estimated lives or term of the lease, whichever is shorter, crushing equipment included in machinery and equipment and bearer plants, which are depreciated using units-of-production method.

	Years
Refined bleached deodorized (RBD) and fractionation machineries	2 - 25
Building and improvements	10 - 20
Leasehold improvements	2 - 5
Machineries and equipment	2 - 10
Other equipment	1 - 10

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

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

Construction in progress represents structures under construction 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 ready for operational use.

Bearer Plants
Bearer plants are measured at cost less accumulated depreciation recognized at the point of harvest. 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.

Units-of-production method is used for depreciating the bearer plants. Depreciation is charged according to the cost of fruits harvested.

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

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable and is included as part of the "Accounts and other payables" account in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset and is included as part of the "Prepayments and other current assets" account in the consolidated statement of financial position to the extent of the recoverable amount.

Deferred Input VAT
Deferred input VAT represents portion of input VAT incurred and paid in connection with purchase of capital assets in excess of ₱1.00 million per month. As provided by Republic Act No. 9337 which is implemented by Revenue Regulation 4-2007, said portion of the input VAT shall be deferred and

depreciated over the shorter of the expected useful lives of said capital asset or five years, whichever is shorter. Deferred Input VAT is stated at its realizable value.

Creditable Withholding Tax (CWT)
CWTs, which are included under “Prepayments and other current assets” account in the consolidated statements of financial position, is recognized for income taxes withheld by customers. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

Impairment of Nonfinancial Assets
The carrying values of nonfinancial assets such as prepayments and other current assets, investments in associates, investment properties, property plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset may no longer exist or may have decreased. If any such indication exists, the asset’s recoverable amount is estimated and the allowance for impairment is accordingly reversed or reduced as applicable.

Equity
Capital stock and additional paid-in capital
The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par value of the equity share.

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

Retained earnings (deficit)
Retained earnings (deficit) 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.

Revenue Recognition (Upon adoption of PFRS 15)
Revenue from contracts with customers is recognized when control of the goods or services are 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 has generally concluded that it is the principal in its revenue arrangements.

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

Real estate sales
The Group derives its real estate revenue from sale of lots and house and lot units. 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 monthly project accomplishment report prepared by the project engineers which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as "Contract assets".

Any excess of collections over the total of recognized ICR and contract assets are recognized as "Contract liabilities".

Cost of real estate sales and Cost to obtain contract

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 units being recognized as cost of sales while the portion allocable to the unsold units 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.

Cost to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as "Prepaid commission" under Prepayments and other current assets 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 as earned. 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.

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

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 assets is recognized for the earned consideration that is conditional.

Contract liabilities

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

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

Revenue Recognition (prior to adoption of PFRS 15)

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

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

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

Any revenue in excess of collections that are unconditional are recognized as "Installment contracts receivable (ICR)".

Any excess of collections over the recognized receivables and any deposits from customers not meeting the revenue recognition criteria are classified as "Deposits from customers" in the consolidated statements of financial position.

<u>Cost Recognition (prior to adoption of PFRS 15)</u>
Cost of real estate sales is recognized consistent with the revenue recognition method applied of land and housing units sold before the completion of the development is determined on the acquisition cost of the land plus its full development costs, which include estimatedfuture development works, as determined by the Group's engineers.

<u>Cost and Expense Recognition (prior to and upon adoption of PFRS 15)</u>
Costs of goods sold are recognized when goods are sold upon delivery to buyers. Cost of service, operating and other expenses which include expenses related to administering and operating the business and are expensed upon utilization of the service or at the date they are incurred.

<u>Revenue Recognition (prior to and upon adoption of PFRS 15)</u>
Sale of agricultural goods
Revenue is recognized when the goods are delivered to the customer.

Income from forfeited deposits
Income from forfeited collections recorded under "Other 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.

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

Water service income
This is recognized when services are rendered and normally when billed.

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

General Administrative and Selling Expenses
General administrative expenses constitute costs of administering the business while selling expenses constitutes commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding commission on real estate sales) are recognized as incurred.

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

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

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net retirement 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 retirement benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the 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).

Operating Lease - Group as lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

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 income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit 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 assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Foreign Currency Transactions</u>
Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited to or charged against current operations.

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

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

As of March 31, 2019 and December 31, 2018, the Group has no potentially dilutive common shares.

<u>Events After the Reporting Date</u>
Post year-end events up to the date of auditor's report that provide additional information about the Group's 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 consolidated financial statements when material.

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.

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.

Existence of a contract

The Group's primary document for a contract with a customer is a signed CTS. It has determined, however, that in cases wherein CTS are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

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.

Classification of equity instruments as FVPL and FVOCI

Management exercises certain judgments in determining the classification of its equity instruments either at FVPL or FVOCI. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The management has determined that the Group's equity investments that are traded in the stock exchange are classified as at FVPL and the Group's equity investments that are not traded in the stock exchange are classified as at FVOCI.

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

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

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

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

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

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

- *Quantitative criteria*
  The borrower is more than 60 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

- *Qualitative criteria*
  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The borrower is experiencing financial difficulty or is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial assets has disappeared because of financial difficulties
- Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter Bankruptcy or other financial reorganization
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.
An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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 and cost recognition on real estate projects

The Group's revenue and cost recognition require management to make use of the POC that may affect the reported amounts of revenues under PAS 18 and PFRS 15 and cost under PAS 18. POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists.

Collectability of the sales price
In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 25% would demonstrate the buyer's commitment to pay. The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱294 million and ₱353.22 million as of March 31, 2019 and December 31, 2018, respectively (see Note 5).

Evaluation of impairment of financial assets under PAS 39
Recoverability of specific receivables including amounts due from related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible. In the case of refundable utility deposits, the Group considers the utility service companies' ability to continuously provide the services. Any increase in impairment on financial assets would increase operating expenses and decrease the related accounts.

The Group's allowance for doubtful accounts amounted to ₱474,380 as of March 31, 2019 and December 31, 2018 (see Note 5).

Evaluation of impairment of financial assets under PFRS 9
The Group uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The Group uses vintage analysis approach to calculate ECLs for ICRs 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 assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of March 31, 2019 and December 31, 2018, the allowance for impairment losses on receivables of the Group amounted to ₱0.47 million (see Note 5) and the carrying values of the related financial assets are as follows:

	2019	2018
Cash (Note 4)	108,735,211	₱75,730,032
Receivables and contract assets (Note 5)		563,535,706
Advances to a related party (Note 15)	-	86,896,516
Refundable deposits (Note 8)	40,370,735	3,879,053

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 less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱1,664.58 million and ₱1,415.90 million as of March 31, 2019 and December 31, 2018, respectively (see Note 6).

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (e.g. property and equipment and investment in associates) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the nonfinancial assets follow:

	2019	2018
Investments in associates (Note 10)	**₱ 1,330,582,196**	₱1,232,298,149
Prepayments and other current assets* (Note 8)	**279,889,513**	228,099,874
Property, plant and equipment (Note 12)	**899,944,498**	892,143,269
Investment properties (Note 11)	**103,513,635**	115,269,635
Other noncurrent assets	**89,289,927**	113,759,222

**Excluding refundable deposits*

The Group recognized an allowance for impairment loss amounting to ₱17.56 million in 2018.

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amonts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income. The carrying values of these assets amounted to ₱17.4 million and ₱10.97 million as of March 31, 2019 ad December 31, 2018, respectively. As of December 31, 2018 and 2017, the Group has unrecognized deferred tax assets amounting to ₱79.85 million and ₱32.82 million, respectively (see Note 18).

Estimating retirement benefit obligation
The determination of the Group's pension liabilities and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in the consolidated financial statements and include among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension liabilities. The Group's retirement obligation amounted to ₱33.72 million and ₱26.81 million as of December 31, 2018 and 2017, respectively (see Note 19).

4. **Cash**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Cash on hand	**₱1,254,721**	₱904,738
Cash in banks	**107,480,489**	74,825,294
	₱108,735,211	₱75,730,032

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates of approximately less than 1% annually.

The Group's cash in banks include dollar denominated accounts with Philippine Peso equivalents amounting to ₱99,954 and ₱ ₱100,074 as at March 31, 2019 and December 31, 2018, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of ₱52.50/$1.00 and ₱52.563/$1.00 as at March 31, 2019 and December 31, 2018, respectively.

The Parent Company established and opened a project deposit account with the Development Bank of the Philippines for the purpose of complying with the requirements of Republic Act No. 7279, otherwise known as the "Urban Development and Housing Act of 1992" relative to the Parent Company's socialized housing at West Highland Subdivision Project located in Butuan, Agusan Del Norte. As at March 31, 2019 and December 31, 2018, total cash in bank set-aside as project deposit account amounted to ₱6 million.

Financial income recognized in the consolidated statements of income on cash in banks amounted to ₱6,888 and ₱13,552 for the quarters ending March 31, 2019 and March 31, 2018 respectively (see Note 20).

5. **Accounts Receivable**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Contract assets	**₱159,385,747**	₱310,834,348
Dividend receivable (Note 10)	**80,000,000**	80,000,000
Trade receivables	**12,513,671**	44,950,173
ICR	**134,799,526**	42,390,321
Other receivables	**181,197,764**	85,835,244
	567,896,708	564,010,086
Allowance for credit losses	**-474,380**	-474,380
	567,422,328	563,535,706
Noncurrent portion of contract assets	**266,972,071**	180,140,939
	₱300,450,257	₱383,394,767

Contract receivables on sale of real estate represent amounts due and collectible in monthly installment over a period of 5 to 15 years, and bear interest ranging from less than 10% to 18% in 2019 and 2018.

The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Interest income on contract receivables on sale of real estate amounted to ₱.9 million and ₱1.2 million for the first quarter in 2019 and 2018, respectively (see Note 20).

No contract receivables on sale of real estate are collateralized as of March 31, 2019 and December 31, 2018.

Accrued interest receivable includes interest from contract receivables, notes receivable and loans receivable.

Dividend receivables pertain to the cash dividend declarations on November 23, 2018 from PEI, amounting to ₱13.00 million, and on December 14, 2018 from PCPC, amounting to ₱80.00 million. On December 10, 2018, the Group was able to collect the dividend amounting to ₱13.00 million

Trade receivables include receivables from water service and sale of palm olein and its by-products which are noninterest-bearing and are normally collected within seven (7) days.

Other receivables which are interest-free include receivables from various companies for the sale of equity securities and various advances to suppliers and contractors. These receivables are noninterest-bearing and are normally on 30-day terms.

There was no additional provision for doubtful accounts in the first quarter of 2019.

6. **Real Estate Held for Sale**

Real estate held for sale represents land, development costs and construction materials issued to the Group's various projects in Cagayan de Oro City, Initao, Valencia City, Bukidnon and Butuan detailed as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Land	**₱ 237,064,655**	₱484,425,012
Development cost and materials	**1,382,746,353**	1,180,153,759
	₱ 1,619,811,008	₱1,664,578,771

Real estate held for sale with carrying value of ₱352.14 million as of March 31, 2019 and December 31, 2018, respectively, are collateralized to the loans obtained from UCPB, AUB, BPI, BPIF, UBP, and DBP (see Note 15).

7. **Inventories, Prepayments and Other Current Assets**

a. Inventories

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Unaudited)
Crude palm oil	**₱ 10,169,602**	₱9,885,423
Palm Olein	**22,834,004**	20,349,997
Refined bleached deodorized oil	**37,033,746**	34,408,147
Palm Stearin	**9,463,785**	8,323,645
Palm acid oil and fatty acid distillate	**5,921,604**	6,145,660
Supplies and materials	**842,323**	–

Palm kernels	**435,728**	451,333
	₱86, 700,792	₱79,564,205

b. Prepayments and Other Current Assets

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Deposit for land acquisition	**₱98,233,487**	₱98,233,487
Creditable withholding taxes	**89,367,178**	63,786,157
Value-added input taxes	**58,998,875**	22,265,804
Other deposits	**4,415,798**	24,964,445
Prepaid expenses	**17,171,797**	12,106,922
Prepaid commission	**10,125,973**	3,879,053
Advances to officers and employees	**1,576,405**	2,864,006
	₱279,889,513	₱228,099,874

Deposits for land acquisition pertain to installment payments made by the Group to the sellers where sales contracts have yet to be executed. Deposits for land acquisition amounting to 8.52 million were transferred to real estate held for sale when the related sales contracts were executed (see Note 6).

Prepaid expenses include prepaid supplies, insurance and taxes and licenses which are applicable in the future period.

Prepaid commissions pertain to commissions paid to brokers and marketing agents on the sale of real estate projects. These capitalized costs are charged to expense as "Marketing" in the "General, administrative and selling expenses" as the related revenue is recognized.

8. EIFVPL, EIFVOCI and Available-for-Sale Investments

Quoted and unquoted equity securities
The classification of quoted and unquoted equity securities prior to January 1, 2018 are AFS investments. AFS investments amounting to ₱457.01 million was reclassified to investments in EIFVPL and EIFVOCI as at January 1, 2018, following the adoption of PFRS 9.

The Group's EIFVPL consist of marketable equity securities that are traded in the stock exchange and stated at fair value. The fair values have been determined directly by reference to published prices in an active market. Changes in the fair value are recognized in profit and loss.

Fair value of the Group's EIFVOCI is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). Changes in fair value are recognized are recognized directly in equity.

The rollforward analysis of investments in EIFVOCI and EIFVPL follows:

	March 31, 2019		
	FVPL	**FVOCI**	**AFS**
Balances at beginning of year, as restated	**₱ 233,170,738**	**₱168,647,685**	**–**
Disposal			**–**
Fair value adjustment (Note 22)	**13,046,583**	**(53,486,703)**	**–**
Balances as of March 31, 2019	**₱ 246,217,321**	**₱ 114,813,436**	**₱–**

The rollforward analysis of AFS investments follows:

	2018
Balances at beginning of year	₱457,014,387
Cost of sold AFS investment	
Fair value adjustment	
Reclassification	(457,014,387)
Balances at end of year	**₱–**

The related subscriptions payable on the above investments amounted to ₱0.16 million as of December 31, 2018 and 2017. In 2018, the Group sold its 72,716,000 shares of Apex Mining Corporation (AMC) for ₱122.76 million resulting in a gain amounting to ₱50.04 million. In 2017, the Group sold its 176,236,000 shares and 278,469,784 shares of AMC and Philippine Realty and Holdings Corporation (PRHC) for a total of ₱387.54 million resulting in a gain amounting to ₱65.84 million.

9. **Investment in Associates**

This account consists of the Group's investments in the following companies as of March 31, 2019 and December 31, 2018.

	Percentage of ownership		Amount	
	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)	**As of 03/31/2019 (Unaudited)**	As of 12/31/2018 (Audited)
PCPC	**20.00%**	20.00%	**₱269,233,122**	₱247,218,353
PEI	**20.00%**	20.00%	**1,003,603,245**	931,199,493
EWRTC	**33.33%**	33.33%	**57,745,829**	53,880,303
			₱1,330,582,196	₱1,232,298,149

The rolllforward analysis of this account follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Acquisition cost	**₱1,109,461,443**	₱1,105,595,917
Additions during the year		–
Dividends	**(93,005,420)**	(93,005,420)
Net acquisition cost	**1,016,456,023**	1,012,590,497
Accumulated equity in net earnings		
Balances at beginning of year	**219,707,652**	(32,385,664)
Share in net income	**94,418,521**	252,093,316
	314,126,173	219,707,652
	₱1,330,582,196	₱1,232,298,149

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 Group holds 20% of equity ownership as of March 31, 2019 and December 31, 2018.

The following table sets out the summarized financial information of PEI as of March 31, 2019 and December 31, 2018:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Current assets	**₱782,041,042**	₱787,571,313
Noncurrent assets	**2,378,373,262**	2,420,957,054
Current liabilities	**1,821,288,931**	1,062,002,893
Noncurrent liabilities	**1,266,611,198**	918,512,234
Net sales	**259,707,022**	971,558,117
Net expense	**149,589,349**	599,942,655
Net income	**110,117,673**	371,615,462

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. In 2015, the SEC approved PCPC's application of the increase in its authorized capital stock which reduced the Group's equity interest to 20%. The Group continues to account its investment in PCPC as investment in associate as it continues to exercise significant influence over PCPC.

The following table sets out the summarized financial information of PCPC as of March 31, 2019 and December 31, 2018:

	As of 03/31/2019 (Unaudited)	**As of 12/31/2018 (Aaudited)**
Total Assets		
Current Assets	**₱3,319,233,063**	₱3,218,106,881
Noncurrent Assets	**10,662,655,175**	11,550,877,633
	₱13,981,888,238	₱14,768,984,514
Total Liabilities		
Current Liabilities	**₱1,501,655,325**	₱1,778,560,628
Noncurrent Liabilities	**7,743,342,259**	8,922,388,784
	₱9,244,997,584	₱10,700,949,412
Total Equity		
Capital stock	**₱4,286,000,000**	₱4,286,000,000
Accumulated losses	**450,890,654**	-217,964,898
	₱4,736,890,654	₱4,068,035,102
Gross revenues for the period/year	**₱4,877,289,779**	₱1,128,814,343
Net income for the period/year	**₱ 183,554,272**	₱385,541,829

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

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

The following table sets out the summarized financial information of EWRTC as of March 31, 2019 and December 31, 2018:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Current assets	**₱39,947,875**	₱40,111,635
Noncurrent assets	**18,965**	19,043
Current liabilities	**460,748,940**	462,637,705
Noncurrent liabilities		–

Net sales	–	1,305
Net expense	–	1,365,435
Net income	–	-1,364,130

10. **Investment Properties - Net**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Properties held for capital appreciation – net	**₱ 101,903,571**	₱113,659,572
Properties held under lease	**1,610,064**	1,610,063
	₱103,513,635	₱115,269,635

Investment properties are stated at cost less any impairment. The fair value of the Group's investment properties amounted to ₱398.37 million as of March 31, 2019 and December 31, 2018, respectively. The fair value was determined by Cuervo Appraisers, Inc., an SEC accredited and independent real estate appraiser who inspected the property, investigated local market condition and gave consideration to the extent, character and utility of the property and highest best use of property. The valuation model is in accordance with that recommended by the International Valuation Standards Committee and has been applied in accordance with PFRS 13, Fair Value Measurement. As of March 31, 2019 and December 31, 2018, the fair values are based on observable inputs from similar properties (level 2 inputs).

Land held for capital appreciation are as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Cost:		
Balances at beginning of year	**₱179,823,894**	₱179,823,894
Additions	**–**	–
Transfer to real estate held for sale (Note 6)	**(77,920,323)**	(66,164,322)
Net carrying value	**₱101,903,571**	₱113,659,572

Land held for lease are as follows:

	As of 03/31/2019 & 12/31/2018		
	Land and Improvements	**Building**	**Total**
Cost:			
Balances at beginning and end of year	**₱1,610,063**	**₱7,142,747**	**₱8,752,810**
Accumulated depreciation:			
Balances at beginning of year	**–**	**7,142,747**	**7,142,747**
Additions	**–**	**–**	**-**
Balances at end of year	**–**	**7,142,747**	**7,142,747**
	₱1,610,063	**₱-**	**₱1,610,063**

Rental income generated from land held under lease included in "Other income" amounted to ₱ .91 million in 2018, respectively.

The Group collateralized investment properties with a carrying amount of ₱- and ₱395.9 million as of March 31, 2019 and December 31, 2018 on its long-term debts from AUB (see Note 15).

There are no restrictions on the realizability of investment properties nor on the remittance of income. There are also no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance or enhancements as of March 31, 2019 and December 31, 2018.

11. **Property and Equipment - Net**

Rollforward analysis of this account is shown below:

old ents	**Bearer Plants**	**RBD and Fractionation Machineries**	**Building and Improvements**	**Machineries and Equipment**	**Construction in Progress**	**Other Equipment**	**Total**
334	**342,023,686**	**253,042,963**	**56,966,567**	**305,070,381**	**43,011,570**	**144,918,416**	**1,249,158,214**
-	**-**	**415,179**	**-**	**-**	**-**	**2,617,873.00**	**3,033,051.57**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
334	**342,023,686**	**253,458,142**	**56,966,567**	**305,070,381**	**43,011,570**	**147,536,289**	**1,252,191,266**
030	**9,255,959**	**2,671,375**	**47,435,044**	**174,531,388**	**-**	**115,738,149**	**357,014,945**
427	**-**	**-**	**406,406**	**-**	**-**	**4,359,345**	**4,768,177**
–	**–**	**–**	**–**	**–**	**–**	**-**	**0**
457	**9,255,959**	**2,671,375**	**47,841,450**	**174,531,388**	**0**	**120,097,494**	**352,246,768**
-	**-**	**-**	**-**	**-**	**-**	**-**	**0**
877	**332,767,727**	**250,786,767**	**9,125,117**	**130,538,993**	**43,011,570**	**27,438,795**	**899,944,498**

old ents	Bearer Plants	RBD and Fractionation Machineries	Building and Improvements	Machinery and Equipment	Construction in Progress	Other Assets	Total
334	359,583,194	253,042,963	56,966,567	312,972,292	41,555,362	130,821,367	1,259,066,376
–	–	–	–	2,410,715	1,456,208	18,279,018	22,145,941
–	–	–	–	(10,312,626)	–	(4,181,969)	(14,494,595)
334	359,583,194	253,042,963	56,966,567	305,070,381	43,011,570	144,918,416	1,266,717,722
289	8,688,871	2,279,638	45,757,818	176,009,912	–	109,464,908	345,145,436
741	567,088	391,737	1,677,226	8,050,234	–	10,297,230	25,422,256
–	–	–	–	-9528758	–	-4,023,989	-13,552,747
030	9,255,959	2,671,375	47,435,044	174,531,388	-	115,738,149	357,014,945

There are no contractual commitments to purchase property and equipment.

The depreciation and amortization charges were presented as part of the following accounts:

	Note	**As of 03/31/2019 (Unaudited)**	2018 (Audited)
General and administrative expenses	24	**₱ 3,234,063**	₱16,442,595
Real estate held for sale	6	**510,635**	6,403,558
Inventories	7	**1,023,479**	2,576,103
		₱4,768,177	₱25,422,256

In 2018, management assessed that the carrying amount of bearer plants may not be fully recoverable due to the three-year consecutive operating losses of the Group's agricultural segment. Accordingly, the Group preformed and impairment test review and recognized an allowance for impairment loss on it bearer plants amounting to P=17.56 million in 2018. The recoverable amount is the value in use computed by discounting the future cash flows using a discount rate of 7.07%.

The Group sold property and equipment which resulted to a gain (loss) of ₱2.97 million in 2018. Proceeds from the sale amounted to ₱3.91 million.

12. **Accounts and Other Payables**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Trade accounts payable	**₱364,886,460**	₱405,047,650
Accrued expenses	**44,199,501**	43,638,421
Output VAT	**59,042,862**	32,290,658
Construction bond and retention payable	**17,358,397**	24,100,743
Statutory payables	**4,366,290**	11,748,227
Accrued interest payable	**7,009,310**	9,964,349
Other payables	**9,250,870**	5,904,349
	₱506,113,690	₱532,694,397

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

Accrued expenses, which are normally on a 30-day term, pertain to contractual services, professional fees, rentals and other recurring expenses incurred by the Group.

Retention payable are noninterest-bearing and settled upon completion and acceptance of the relevant contracts within the year.

13. **Deposit from Contract Liabilities**

Deposits from customers and contract liabilities consist of collections from real estate customers which have not reached the threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC. As of March 31, 2019 and December 31, 2018, contract liabilities amounted to ₱70.67 million and ₱68.37 million, respectively.

14. **Related Party Transactions**

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

The Group enters into transactions with related parties. Outstanding balances at year-end are unsecured and noninterest-bearing and are settled based on agreed upon terms. The following are the related party transactions:

a. Short-term debt

The Group has loans from shareholders classified under short-term debt amounting ₱368 million and ₱362 million as of March 31 2019 and December 31, 2018, respectively (Note 15).

b. Advances made to an associate

The Group made has advances to PEI (an associate) amounting to ₱18.3 and ₱86.90 million as of March 31, 2019 and December 31, 2018, respectively.

c. In 2018, the Group entered into an agreement with EWRTC, an associate wherein the Group will manage the business operations and administer the associate's affairs for a fee. Management fees recognized in 2018 amounted to ₱16.00 million (see Note 21).

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15. **Loans Payable**

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

Short-term debt consists of:

As of March 31, 2019

Bank	Beginning Balance	Availments	Payments	Reclassification	Outstanding Balance	Interest per annum	Terms
UBP	₱100,000,000	₱90,000,000	-₱90,000,000		₱100,000,000	6.75% to 8.50%	Payable 90 days to 1 year, secured by real estate mortgage
UCPB	50,395,200	10,000,000	-10,395,200		50,000,000	6.00% to 7.50%	
CBC	100,000,000	10,000,000	-10,000,000		100,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
DBP	59,680,000	4,948,000			64,628,000	4.75% to 6.27%	
Shareholders	376,973,519			-376,973,519	-		Due upon demand
	₱687,048,719	₱114,948,000	-₱110,395,200	-₱376,973,519	₱314,628,000		

As of December 31, 2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱90,000,000	₱100,000,000	-₱90,000,000	₱100,000,000	6.75% to 8.50%	Payable 90 days to 1 year, secured by real estate mortgage
UCPB	50,000,000	10,000,000	-9,604,800	50,395,200	6.00% to 7.50%	
CBC	390,000,000	10,000,000	-300,000,000	100,000,000	5.75% to 6.75%	Payable within 90 days to 1 year, unsecured
DBP	–	59,680,000	–	59,680,000	4.75% to 6.27%	
Shareholders	14,500,000	368,973,519	-6,500,000	376,973,519		Due upon demand
	₱544,500,000	₱548,653,519	-₱406,104,800	₱687,048,719		

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

As of March 31, 2019

Bank	Beginning Balance	Reclassification	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱ 164,387,181			-₱ 35,670,321	₱ 128,716,860	5.56% to 9.10%	Payable in installment from 1 to 4 years; secured by real estate mortgage
AUB	66,219,492			(16,562,333)	49,657,159	5.50%	
BPIC	12,000,000			(4,200,000)	7,800,000	5.23%	
UCPB	180,218,808			(31,970,560)	148,248,248	5.25%	
MBI	-				-	5.50% to 6.38%	
DBP	24,210,860			(2,187,500)	22,023,360	5%	
PBCOM	62,672,218			(5,794,306)	56,877,912	8.00% to 8.5%	
CBC	8,604,624		4,229,754	(477,122)	12,357,256	8.08% to 10%	
BPIF	79,534,554			(7,371,721)	72,162,833	5.50%	
Shareholders		376,973,519		(4,793,456)	372,180,063		
Total	597,847,737	376,973,519		-109,027,320	870,023,691		
Current	325,725,830				340,364,688		
Noncurrent	₱ 272,121,907				₱ 529,659,003		

As of December 31, 2018

Bank	Beginning Balance	Availments	Payments	Outstanding Balance	Interest per annum	Terms
UBP	₱ 176,512,949	₱ 100,000,000	-₱112,125,768	₱ 164,387,181	5.56% to 9.10%	Payable in installment from 1 to 4 years; secured by real estate mortgage
AUB	169,968,825	-	(103,749,333)	66,219,492	5.50%	
BPIC	28,800,000	-	(16,800,000)	12,000,000	5.23%	
UCPB	276,835,788	-	(96,616,980)	180,218,808	5.25%	
MBI	13,333,333	-	(13,333,333)	-	5.50% to 6.38%	
DBP	30,773,360	-	(6,562,500)	24,210,860	5%	
PBCOM	86,914,595	-	(24,242,377)	62,672,218	8.00% to 8.5%	
CBC	1,489,801	8,815,298	(1,700,475)	8,604,624	8.08% to 10%	
BPIF	108,070,385	-	(28,535,831)	79,534,554	5.50%	
Total	892,699,036	108,815,298	-403,666,597	597,847,737		
Current	395,541,029	-	-	325,725,830		
Noncurrent	₱ 497,158,007			₱ 272,121,907		

Security and Debt Covenants
The Group's debt covenants require the Group to submit individual financial statements within 120 days from the report date. The Group is not subject to any financial or negative covenants from its short-term and long-term debts. The Group will comply with the covenant by submitting its individual financial statements before the 120-day deadline.

Real estate held for sale with carrying value of ₱352.14 million as of March 31, 2019 and December 31, 2018, respectively, are collateralized to the loans obtained from UBP, AUB, BPI, UCPB, BPIF and DBP (see Note 6). Investment properties with a carrying amount of ₱395.9 million as of March 31, 2019 and December 31, 2018 and 2017 are collateralized to the loans obtained from AUB (see Note 10).

Interest Expense and Other Finance Charges
Interest and other financing charges for the short-term and long-term debts as of March 31, 2019 and December 31, 2018 totaled to ₱ 23.4 million and ₱84.03 million, respectively.

16. **Equity**

Earnings per share

Basic earnings per share amounts attributable to equity holders of the Parent Company as follow:

	March 31, 2019	March 31, 2018
Net income attributable to the owners of the Parent Company	**₱181,215,052**	₱97,518,150
Weighted average number of shares	**2,477,667,911**	2,477,667,911
Basic earnings per share	**0.07314**	0.03936

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

Common stock

In 2017, there was an increase in the Group's authorized and subscribed shares of capital stock of 1,300,000,000 and 744,802,389 common shares, respectively. In 2016, there was no movement in the number of Company's authorized and subscribed shares of capital.

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

As of December 31, 2018 and 2017, the Group has 3,300 million shares of authorized common stock with par value of ₱1.00 each. As of March 31, 2019 and December 31, 2018, 2,478.67 million of these shares with a total par value of ₱2,477.67 million were issued and outstanding.

Additional paid-in capital

Additional paid-in-capital amounted to ₱637.97 million as of March 31, 2019 and December 31, 2018.

Treasury shares

In 2013, the Parent Company repurchased 1,014 of its own shares at cost amounting to ₱1.00 per share.

Retained earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱630 million and ₱678 million as of March 31, 2019 and December 31, 2018, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Non-controlling interests

The Group's non-controlling interest recognized is the proportionate interests of the Parent Company in MCPI. Non-controlling interest amounted to ₱3.50 million and ₱3.51 million as of March 31, 2019 and December 31, 2018, respectively.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement 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.

Debt consists of short-term and long-term debts. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding other components of equity and cumulative unrealized loss on AFS investments and EIFVOCI amounting to ₱3,763.17 million and ₱3,375.23 as of March 31, 2019 and December 31, 2018, respectively.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2019 and 2018.

There are 2,097 and 2,098 stockholders as of March 31, 2019 and December 31, 2018 in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI).

The share price closed at ₱0.77 on March 29, 2019 and ₱0.79 on December 29, 2018.

17. **General and Administrative Expenses**

This account consists of:

	As of 03/31/2019 (Unaudited)	As of 03/31/2018 (Audited)
Personnel cost	**₱20,372,178**	20,940,701
Taxes and Licenses	**7,920,767**	7,048,320
Outside services	**3,122,791**	3,470,693
Depreciation	**3,234,063**	2,824,050
Rental	**3,252,017**	1,618,269
Professional fees	**2,544,009**	1,601,261
Transportation and travel	**1,957,172**	2,720,739
Utilities and supplies	**3,136,815**	2,004,536
Repairs and maintenance	**1,076,729**	1,267,960
Insurance	**376,868**	209,418
Board meetings	**39,731**	156,187
Directors fee	**34,000**	
Subscription and dues	**336,266**	
Entertainment, amusement and recreation		172,004
	81,657	
Trainings and seminars	**30,492**	
Bank charges	**13,397**	
Others	**467,267**	4,218,064
	₱47,996,219	₱48,252,203

Marketing expenses significantly include commission on real estate sales and advertising expenses incurred by the Group.

"Others" pertain to expenses arising from business and research development and software maintenance.

18. **Income Taxes**

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

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
RCIT	**₱37,360,009**	₱39,866,601
MCIT	**4,100,396**	373,900
	₱41,460,405	₱40,240,501

The components of the Group's deferred tax assets and deferred tax liabilities are as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Recognized in profit or loss:		
Deferred tax assets on:		
Retirement benefit obligation	**₱ 8,270,194**	₱6,770,721
Allowance for doubtful accounts	**126,439**	142,314
Capitalized borrowing cost	**7,822,916**	–
Allowance for credit losses	–	5,267,852
Capitalized commission	–	3,632,077
NOLCO	**39,825**	–

MCIT	**1,149,107**	–
	17,408,480	15,812,964
Deferred tax liabilities on:		
Deferred income on sale of real estate	**(76,040,480)**	-61,002,783
Deferred rental income	**(3,514)**	–
Unrealized foreign exchange gain	**(2,370)**	-4,411,494
	(58,637,885)	-49,601,313
Recognized directly in equity:		
Deferred tax asset on retirement benefit obligation	**4,300,898**	4,300,898
	(₱54,336,987)	₱-45,300,415

The adoption of PFRS 15 decreased the Group's deferred tax liabilities by ₱7.17 million as of January 1, 2018 (see Note 2).

The above deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	As of 03/31/2019 (Unaudited)	As of 12/31/2018 (Audited)
Deferred tax assets - net	**₱17,408,480**	₱ 12,532,479
Deferred tax liabilities - net	**-76,046,365**	-57,832,894

As of March 31 2019, carryover NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2019	**₱39,825**	–	**₱39,825**	2022
	₱39,825	–	**₱39,825**	

As of March 31 2019, MCIT that can be used as deductions against income tax liabilities are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2019	₱ 1,149,107	–	₱ 1,149,107	2022
	₱ 1,149,107	–	₱ 1,149,107	

Statutory reconciliation

The reconciliation of the provision for income tax computed at statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2019	2018
Provision for income tax computed at statutory rate	**₱ 37,243,385**	₱ 104,720,759
Adjustments for:		
Nontaxable income	**-**	-92,411,780
Nondeductible expenses	**118,690**	12,398,707
Change in unrecognized deferred tax assets	**-**	35,714,597

Expired NOLCO	**-**	-1,415,977
Interest income subjected to final tax	**(2,067)**	-23,377
Expired MCIT	**-**	1,090,692
	₱ 37,360,009	₱ 60,073,621

19. **Operating Lease Agreement**

Operating lease - Group as a Lessor

The Group leased its various properties under operating lease with various lessees. The term of the lease agreements is for three (3) to ten (10) years and is renewable upon mutual agreement of both parties. The lease agreements that are existing as of December 31, 2018 and 2017 will expire in various dates in 2019. 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 non-related parties under these operating leases amounted to ₱0.91 million in 2018.

Operating lease - Group as a Lessee

The Group entered into operating lease agreements with related and non-related parties for its warehouse and offices in Cagayan de Oro City and Metro Manila. The terms of the lease agreements are for one year and renewable upon the agreement of both parties.

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. These are recognized on a straight-line basis amounting P=1.24 million in 2018, 2017 and 2016 each. The prepaid amount included under "Other noncurrent assets" amounted to ₱30.2 million and ₱30.54 million million as of March 31, 2019 and December 31, 2018, respectively. There are no future lease payments related to these lease agreement.

Rent expense charged to profit or loss amounted to ₱4.1 million and ₱17.6 million in 2019 and 2018 respectively (see Note 18).

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

20. **Other Income**

This account consists of:

	For the three months ended 03/31/2019	For the three months ended 03/31/2018
Income from forfeited accounts (Note 20)	**(₱5,681)**	₱ 1,093,768
Surcharge income	**1,357,436**	278,692
Others	**511,483**	31,041,205
	₱1,863,238	₱ 32,413,665

Others pertain to green fees, and management fee.

21. **Financial Instruments**

Fair Value Information

The carrying amounts approximate fair values for the Group's financial assets and financial liabilities, except for the following financial instrument as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities				
Long-term debt	**870,023,690**	**870,023,690**	979,051,009	979,051,009

Cash, receivables, refundable deposits, accounts and other payables and short term-debt
The fair values approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Equity instruments at fair value through profit and loss
The carrying value is equivalent to its fair value. The fair values have been determined directly by reference to published prices in an active market (Level 1 input).

Equity instruments at fair value through other comprehensive income
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).

Long-term debt
The fair value of long-term debt is estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The Group has no financial instruments measured under Level 3 of fair value hierarchy. In 2018 and 2017, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Policies and Objectives
The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, receivables, investments in equity securities, and short and long-term debt. The main purpose of short-term and long-term debt is to finance the Group's operations. The Group has various other financial assets and liabilities such as advances to a related party, refundable deposits, trade and other payables, which arise directly from operations. The Group's policies and guidelines cover credit risk, liquidity risk and market risks. 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 main risks arising from the use of financial instruments are credit risk, liquidity risk and interest rate risk,. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

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

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. 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.

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

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets. The table below shows the credit quality and aging analysis of the Group's financial assets:

March 31, 2019

	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Cash in banks	₱108,735,211	-	-	-	₱108,735,211
Receivables	145,385,968	₱310,246,590	₱111,315,390	₱474,380	567,422,328
Advances to a related party	18,306,824	-		-	18,306,824
Refundable deposits	3,879,053	-	-	-	3,879,053
	₱369,612,336	₱10,299,564	₱42,390,321	₱474,380	₱698,343,416

December 31, 2018

	Neither past due nor impaired		Past due but not		
	High grade	Standard grade	impaired	Impaired	Total
Cash in banks	74,825,294	–	–	–	74,825,294
Receivables	204,011,473	10,299,564	42,390,321	474,380	257,175,738
Advances to a related party	86,896,516	–	–	–	86,896,516
Refundable deposits	3,879,053	–	–	–	3,879,053
	369,612,336	10,299,564	42,390,321	474,380	422,776,601

The credit quality of the financial assets was determined as follows:

Cash in banks, receivables and refundable deposits are considered as high grade financial asset as this is entered into with highly reputable counterparties.

Receivables - high grade pertains to receivables with no default in payments, standard grade pertains to receivables with up to 3 defaults in payment.
Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell

financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

	March 31, 2019			
	On demand	Due within 1 year	Due beyond 1 year	Total
Financial assets:				
Cash	74,825,294	–	–	74,825,294
Receivables	124,190,196	177,920,452	265,311,680	567,422,328
Advances to a related party	18,306,824	–	–	18,306,824
Refundable deposits	–	3,879,053	–	3,879,053
	217,322,314	181,799,505	–	664,433,499
Financial liabilities:				
Accounts and other payables*	43,638,421	462,475,269	–	506,113,690
Short-term debt	–	314,628,000	–	314,628,000
Long-term debt	–	340,364,688	529,659,002	870,023,690
	43,638,421	1,117,467,957	529,659,002	1,690,765,380

	December 31, 2018			
	On demand	Due within 1 year	Due beyond 1 year	Total
Financial assets:				
Cash	75,730,032	–	–	75,730,032
Receivables	–	256,701,358	–	256,701,358
Advances to a related party	86,896,516	–	–	86,896,516
Refundable deposits	–	3,879,053	–	3,879,053
	162,626,548	260,580,411	–	423,206,959
Financial liabilities:				
Accounts and other payables*	43,638,421	444,885,975	–	488,524,396
Short-term debt	–	687,048,719	–	687,048,719
Long-term debt	–	325,725,831	272,121,907	597,847,738
	43,638,421	1,457,660,525	272,121,907	1,773,420,853

Interest rate risk
Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. 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 sets out the carrying amount, by maturity, of the Group's long term debt that are exposed to interest rate risk.

	Interest terms (p.a.)	Rate fixing period	Within 1 year	Beyond 1 year
2019	**4.75-10.5%**	**Monthly; Annually**	**340,364,688**	**589,909,878**
2018	4.75-10%	Monthly; Annually	1,012,774,549	272,121,907

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):

	2019		2018	
	Increase (decrease) in interest rates	**Effect on profit before tax**	Increase (decrease) in interest rates	Effect on profit before tax
Basis points	**0.33%**	4,507,001	0.33%	13,410,840
	-0.33%	4,507,001	-0.33%	13,410,840

There is no other impact on the Group's total comprehensive income other than those already affecting the net income

22. **Business Segment Information**

The operating subsidiaries of the Group engaged in varied principal activities or operations such as real estate, quarry and mining, service/manufacturing/trading, agriculture, power and holding of which two or more subsidiaries share the same line of business. The operating results of these segments are regularly monitored by the President who is the chief operating decision maker (CODM) of the Group for the purpose of making decisions about resource allocation and performance assessment. However, as permitted by PFRS 8, Operating Segments, the Group has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

a. Nature of products and services

b. Nature of operating processes

c. Methods used to distribute their products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's CODM.

In identifying the operating segments, management generally follows the Group's principal activities or business operations, which represent the main products and services provided by the Group as follows:

Real estate	Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales
Quarry and	Quarrying and mining of basalt rocks for production of construction

Mining	aggregates
Service/ Manufacturing /Trading	Holding and providing rights to water to public utilities and cooperatives; Manufacturing of crude palm oil; Selling of goods on wholesale and retail basis
Agriculture	Development of land for palm oil production and sale of palm seedlings and sale of crude palm oil
Power	Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet in 2019.
Holding	Holding of properties of every kind and description

Exhibit 1-B regarding business segments presents assets and liabilities as of March 31, 2019 and revenue and profit information for quarters ending March 31, 20189 and December 31, 2018 (in thousands).

23. **Other Matter**

Impasug-Ong and Kalabugao Plantations

ABERDI entered into a Development Contract (DC) with Kapunungan Sa Mga Mag-uuma sa Kaanibungan (KASAMAKA) at the Municipality of Impasug-ong, Bukidnon concerning the development of Oil Palm Commercial Plantation.

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.
- 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.

Relative to the agreement, the Group paid for leasehold rights on the land that are applicable up to year 2026 (see Note 19).

Opol Plantation

NC entered into a Development Contract for the establishment of Palm Oil Plantation in Tingalan, Opol, Misamis Oriental with Kahugpongan sa mga Mag-Uuma sa Barangay Tingalan (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
- 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.

EXHIBIT 1-A

A BROWN COMPANY, INC. & SUBSIDIARIES
AGING OF INSTALLMENT CONTRACTS AND TRADE RECEIVABLES
As of March 31, 2019

	TOTAL	Long-term	Current	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
ABCI	507,895,310	265,311,680	124,190,196	2,746,792	1,714,891	281,524	2,334,838	111,315,390
ABERDI	5,779,482	-	2,948,815	-	-	-108	2,830,775	-
TOTAL	513,674,792	265,311,680	127,139,010	2,746,792	1,714,891	281,416	5,165,613	111,315,390

N. B. Only the trade/installment contract receivables (current & non-current) were aged, gross of allowance.

						1ST QUARTER 2019									
ater		Nakeen, Bonsai, Andesite		Masinloc, PCPC		PanayLand & PalmTher		Aggregates							
/ Manufacturing/		Agriculture		Power operations		Holding		Quarry & Mining		Total		Adjustments and eliminations		Consolidated	
	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
851	39,139	**-**	-	**-**	-	**-**	-	**-**	9,652	**329,707**	213,836	**-**		**329,707**	213,836
-		**875**		**-**		**-**		**-**		**875**	875	**(875)**	(875)	**0.06**	-
851	39,139	**875**	-	**-**	-	**-**	-	**-**	9,652	**330,582**	214,711	**(875)**	(875)	**329,707**	213,836
056	40,411	**339**	405	**19**	839	**26**	32	**-**	7,946	**184,858**	188,402	**(875)**	(875)	**183,984**	189,277
204)	(1,272)	**536**	(405)	**(19)**	(839)	**(26)**	(32)	**-**	1,706	**145,724**	26,308	**-**	**-**	**145,724**	24,558
-		**-**		**-**		**-**		**-**		**-**	-	**-**		**-**	-
-	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	24,671	**-**	-	**-**	24,671
	-		-		-		-		-		-	**94,419**	41,166	**94,419**	41,166
-	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
-	0	**-**	-	**-**	-	**-**	-	**-**	-	**1,352**	1,246	**-**	-	**1,352**	1,246
252) -	1,771	**-**	-	**-**	-	**-**	-	**-**	-	**(23,446)**	(20,086)	**-**	-	**(23,446)**	(20,086)
-	-	**-**	-	**-**	-	**-**	-	**-**	-	**4**	-	**-**	-	**4**	-
-	14,099	**-**	-	**-**	-	**-**	-	**-**	0	**511**	32,414	**-**	-	**511**	32,414
-	3,041	**-**	-	**4**	251	**9**	10	**-**	-	**(37,347)**	(6,454)	**-**	-	**(37,347)**	(6,454)
456)	14,097	**536**	(405)	**(15)**	(588)	**(17)**	(23)	**-**		**86,798**	58,100	**94,419**	41,166	**181,216**	97,516
														181,219	97,518
														(3)	(2)
														181,216	97,516
646	1,063,809	**258,072**	255,711	**27,883**	144,531	**1,006,078**	926,071	**-**	22,826	**7,764,818**	7,480,581	(2,299,591)	(2,026,887)	**5,465,227**	5,453,694
378	-	**-**	-	**4**	251	**9**	488	**-**	-	**17,408**	12,532	**-**	-	**17,408**	12,532
024	1,063,809	**258,072**	255,711	**27,887**	144,782	**1,006,087**	926,559	**-**	22,826	**7,782,227**	7,493,113	**(2,299,591)**	(2,026,887)	**5,482,635**	5,466,226
															-
138	773,749	**252,490**	252,141	**26,125**	85,139	**826,842**	826,702	**-**	13,375	**3,555,454**	3,471,797	**(1,766,456)**	(1,552,120)	**1,788,997**	1,919,678
-	-	**-**	-	**4**	-	**-**	-	**-**	-	**76,046**	57,833	**-**		**76,046**	57,833
138	773,749	**252,490**	252,141	**26,128**	85,139	**826,842**	826,702	**-**	13,375	**3,631,500**	3,529,630	**(1,766,456)**	**(1,552,120)**	**1,865,044**	1,977,510
421	2,512	**159**	-	**-**	-	**-**	-	**-**	1,650	**3,229**	18,954	**-**		**3,229**	18,954
															-
667)	(1,214)	**(65)**	(246)	**(0)**	(128)	**-**	(2)	**-**	(169)	**(4,768)**	(25,422)	**-**		**(4,768)**	(25,422)
															-
-		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**		**-**	-

EXHIBIT 1-C
A BROWN COMPANY, INC. AND SUBSIDIARIES
ABCI GROUP CHART