



111142019000947

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

SEC Registration No. 0000108270
Company Name GOLDEN BRIA HOLDINGS, INC.
Industry Classification Financial Holding Company Activities
Company Type Stock Corporation

Document Information

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(Company's Full Name)

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

Ma. Teresa P. Tumbaga									
Contact Person									

(02) 8873-2922									
Company Telephone Number									

1	2
Month	Day
Calendar Year	

17-C
FORM TYPE

0	7
Month	Day
Annual Meeting	

N/A
Secondary License Type, If Applicable

Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Total Amount of Borrowings

Foreign

To be accomplished by SEC Personnel concerned

File Number								

LCU

Document I.D.								

Cashier

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 quarterly period ended **September 30, 2019**
2. SEC Identification Number **108270**
3. BIR Tax Identification No. **000-768-991-000**
4. **Golden Bria Holdings, Inc.**
Exact name of issuer as specified in its charter
5. **Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **San Ezekiel, C5 Extension, Las Piñas City, Philippines** **1746**
Address of Principal Office Postal Code
8. **(632) 8873-2922 / (632) 8873-2543**
Issuer's telephone number, including area code
9. **Not Applicable**
Former name, former address and former fiscal year, if changed since last report
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 of Common Stock Outstanding
Common stock	644,117,649

11. Are any or all of the securities listed on a Stock Exchange?
Yes ☒ No ☐
12. Indicate by check mark whether the registrant:
 - (a) has 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 RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes ☒ No ☐

TABLE OF CONTENTS

PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements

- Consolidated Statements of Financial Position as of September 30, 2019 and December 31, 2018
- Consolidated Statements of Income for the nine-months ended September 30, 2019 and 2018
- Consolidated Statements of Comprehensive Income for the nine-months ended September 30, 2019 and 2018
- Consolidated Statement of Changes in Equity for the nine-months ended September 30, 2019 and 2018
- Consolidated Statements of Cash Flows for the nine-months ended September 30, 2019 and 2018
- Notes to Consolidated Financial Statements

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

- Results of Operation covering nine months of 2019 vs. nine months of 2018
- Financial Condition as of September 30, 2019 vs December 31, 2018
- Material Changes (5% or more) - Statement of Financial Position
- Material Changes (5% or more) - Statement of Comprehensive Income
- Commitments and Contingencies

PART II – OTHER INFORMATION

Item 3. Nine (9) months of 2019 Developments

Item 4. Other Notes to 9 months of 2019 Operating and Financial Results



GOLDEN BRIA HOLDINGS, INC. AND A SUBSIDIARY
(A Subsidiary of Fine Properties, Inc.)
STATEMENTS OF FINANCIAL POSITION
As of September 30, 2019 and December 31, 2018
(Amount in Thousands)

	Notes	UNAUDITED September 2019	AUDITED December 2018
ASSETS			
Current Assets			
Cash on-hand and in-banks	5	₱702,476	₱501,480
Contracts receivable	6	7,197,282	4,499,710
Contract Assets	2	1,396,224	1,396,224
Other receivables	6,19	1,601,388	1,004,743
Real estate inventories	7	6,552,300	6,445,039
Other current assets	8	1,833,126	1,301,020
Total Current Assets		19,282,796	15,148,216
Non-current Assets			
Contracts receivable	6	2,673,177	2,256,190
Property and equipment – net	9	379,376	330,115
Investment properties	10	538,664	587,412
Security deposits	8	94,303	62,417
Total Non-current Assets		3,685,520	3,236,134
TOTAL ASSETS		₱22,968,316	₱18,384,350
LIABILITIES AND EQUITY			
Current Liabilities			
Interest-bearing loans	11	₱3,085,369	₱1,170,463
Trade and other payables	12	4,583,614	4,392,255
Rawlands payables	12	1,322,121	1,582,159
Customers' deposits	13	2,564,066	1,899,366
Due to related parties	19	940,306	952,553
Income tax payable		10,746	19,513
Total Current Liabilities		12,506,222	10,016,309
Noncurrent Liabilities			
Interest-bearing loans	11	827,430	826,325
Deferred tax liabilities – net	18	1,221,921	997,787
Reserve for maintenance fund	14	621,615	426,434
Retirement benefit obligation		38,433	38,433
Total Noncurrent Liabilities		2,709,399	2,288,979
Total Liabilities		15,215,621	12,305,288
EQUITY			
Capital stock		644,118	644,118
Additional paid-in capital		2,970,209	2,970,209
Retained earnings		4,132,552	2,458,919
Revaluation reserves		5,816	5,816
Total Equity		7,752,695	6,079,062
TOTAL LIABILITIES AND EQUITY		₱22,968,316	₱18,384,350

See accompanying Notes to Financial Statements



**GOLDEN BRIA
HOLDINGS, INC.**

GOLDEN BRIA HOLDINGS, INC. AND A SUBSIDIARY
(A Subsidiary of Fine Properties, Inc.)
STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended September 30, 2019 and 2018
(Amount in Thousands)

	Notes	UNAUDITED JUL – SEP Q3-2019	UNAUDITED JAN – SEP 2019	UNAUDITED JUL – SEP Q3-2018	UNAUDITED JAN – SEP 2018
Real estate sales	2	₱2,052,855	₱5,764,055	₱1,384,286	₱3,931,254
Interest income on contract receivables	6	18,219	60,510	23,257	63,275
Income from chapel services		11,313	32,341	8,852	27,188
Interment Income		10,279	27,652	8,360	24,184
		2,092,666	5,884,558	1,424,755	4,045,901
COSTS AND EXPENSES	16				
Costs of sales and services		1,068,456	3,002,017	697,502	2,002,839
Other operating expenses		305,798	974,001	286,050	803,347
		1,374,254	3,976,018	983,552	2,806,186
OPERATING PROFIT		718,412	1,908,540	441,203	1,239,715
OTHER INCOME					
(EXPENSE)– Net	17	(31,021)	17,579	14,049	67,491
PROFIT BEFORE TAX		687,391	1,926,119	455,252	1,307,206
TAX EXPENSE	18	(72,107)	(252,486)	(136,576)	(392,162)
NET INCOME		615,284	1,673,633	318,676	915,044
OTHER COMPREHENSIVE LOSS					
Unrealized fair value loss on available-for-sale financial assets		–	–	(1,905)	2,613
		–	–	(1,905)	2,613
TOTAL COMPREHENSIVE INCOME		₱615,284	₱1,673,633	₱316,771	₱917,657
Basic and Diluted Earnings Per Share	21	₱0.96	₱2.60	₱0.49	₱1.42

See accompanying Notes to Financial Statements



GOLDEN BRIA
HOLDINGS, INC.

GOLDEN BRIA HOLDINGS, INC. AND A SUBSIDIARY
(A Subsidiary of Fine Properties, Inc.)
STATEMENT OF CHANGES IN EQUITY
For the nine months ended September 30, 2019 and 2018
(Amount in Thousands)

	Capital Stock	Paid-in Capital	Revaluation Reserves	Retained Earnings	Total Equity
Balance at January 1, 2019	₱644,118	₱2,970,209	₱5,816	₱2,458,919	₱6,079,062
Total comprehensive income for the period	—	—	—	1,673,633	1,673,633
Balance at September 30, 2019	₱644,118	₱2,970,209	₱5,816	₱4,132,552	₱7,752,695
Balance at January 1, 2018	₱644,118	₱2,970,209	₱5,130	₱896,388	₱4,515,845
Total comprehensive income for the period	—	—	2,613	915,044	917,657
Balance at September 30, 2018	₱644,118	₱2,970,209	₱7,743	₱1,811,432	₱5,433,502

See accompanying Notes to Financial Statements



**GOLDEN BRIA
HOLDINGS, INC.**

GOLDEN BRIA HOLDINGS, INC. AND A SUBSIDIARY
(A Subsidiary of Fine Properties, Inc.)
STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2019 and 2018
(Amount in Thousands)

	UNAUDITED JUL – SEP Q3-2019	UNAUDITED JAN – SEP 2019	UNAUDITED JUL – SEP Q3-2018	UNAUDITED JAN – SEP 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	₱687,391	₱1,926,119	₱455,252	₱1,307,206
Adjustments for:				
Interest income	(18,395)	(61,307)	(23,318)	(63,466)
Depreciation and amortization	29,551	80,841	18,023	46,306
Interest expense	86,109	156,988	22,144	58,555
Operating profit before working capital changes	784,656	2,102,641	472,101	1,348,601
Decrease (increase) in:				
Contracts receivable	(1,115,533)	(3,114,559)	(773,633)	(1,851,462)
Other receivables	(421,954)	(596,645)	(433,449)	(1,000,595)
Real estate inventories	16,131	108,399	(542,106)	(1,893,994)
Other current assets	(70,175)	(532,106)	(193,484)	(466,316)
Security deposits	(12,258)	(31,886)	(7,363)	(13,557)
Increase (decrease) in:				
Trade and other payables	(645,464)	191,359	(162,949)	1,212,491
Rawlands payable	(105,724)	(260,038)	392,609	1,053,170
Customers' deposits	239,971	664,700	432,610	751,386
Other liabilities	62,400	182,934	903,930	861,791
Cash from (used in) operations	(1,267,950)	(1,285,201)	88,266	1,515
Interest received	18,395	61,307	23,318	63,466
Cash paid for income taxes	(9,555)	(37,119)	(8,955)	(16,654)
Net Cash From (Used in) Operating Activities	(1,259,110)	(1,261,013)	102,629	48,327
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of investment properties	(119,178)	(166,912)	(92,324)	(228,835)
Acquisitions of property and equipment	(22,701)	(130,102)	(20,579)	(60,958)
Cash Used in Investing Activities	(141,879)	(297,014)	(112,903)	(289,793)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availments of interest-bearing loans	436,871	1,916,011	(61,452)	(225,230)
Interest paid	(86,109)	(156,988)	(22,144)	(58,555)
Net Cash From Financing Activities	350,762	1,759,023	(83,596)	(283,785)
NET INCREASE (DECREASE) IN CASH	(1,050,227)	200,996	(93,870)	(525,251)
CASH AT BEGINNING OF PERIOD	1,752,703	501,480	364,485	795,866
CASH AT END OF PERIOD	₱702,476	₱702,476	₱270,615	₱270,615

See accompanying Notes to Financial Statements

GOLDEN BRIA HOLDINGS, INC. AND A SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Organization and Operations

Golden Bria Holdings, Inc. (HVN or the Parent Company), formerly Golden Haven, Inc., was incorporated in the Philippines on November 16, 1982. The Parent Company's primary purpose is to invest, purchase or otherwise to acquire and own, hold, use, sell, assign, transfer, lease mortgage, exchange, develop, manage or otherwise dispose of real property, such as but not limited to memorial lots and chapels, or personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporations. As of September 30, 2019, the Parent Company is 63.97% effectively owned subsidiary of Fine Properties, Inc. (FPI), which is a holding company (see Note 1.2).

The Parent Company opened a memorial chapel, which began operations in 2017. A new revenue stream, which includes memorial service (chapel and outside viewing) and cremation. Also, in the same year, the Parent Company's Board of Directors (BOD) and stockholders in a special board meeting approved the following amendments to the Company's Article of Incorporation and By-laws, which amendments were approved by the Securities and Exchange Commission (SEC) on October 20, 2017:

- (a) the change in corporate name from Golden Haven Memorial Park, Inc. to Golden Haven, Inc.;
- (b) the private placement of 150,000,000 in common shares (see Note 20); and,
- (c) to include in its primary purpose the investing, purchasing or otherwise to acquire and own, hold, use, sell, assign, transfer, lease mortgage, exchange, develop, manage or otherwise dispose of real property, such as but not limited to memorial lots and chapels, or personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporations.

In 2017, HVN acquired 99.99% ownership interest in Bria Homes, Inc. (BHI). Accordingly, BHI became a subsidiary of HVN (see Note 1.2). BHI is presently engaged in developing and selling real estate properties, particularly, residential houses, and lots.

On February 1, 2018, the Parent Company's BOD approved the change in the Parent Company's corporate name from Golden Haven, Inc. to Golden Bria Holdings, Inc. The said change was approved by the SEC and Bureau of Internal Revenue (BIR) on March 6, 2018 and May 18, 2018, respectively.

On November 10, 2016 and March 23, 2017, the SEC and BIR approved the change in BHI's registered office from 3L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City to Lower Ground Floor, Bldg. B Evia Lifestyle Center, Daang Hari Rd., Almanza Dos, City of Las Pinas. The new registered address of BHI is also its principal place of business. The registered office of HVN, which is also its principal place of business, is located at San Ezekiel, C5 Extension, Las Piñas City. The registered office of FPI is located at 3rd Level, Starmall Las Piñas, CV. Starr Avenue, Pamplona, Las Piñas City.

The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE) beginning June 29, 2016 (see Note 20).

1.2 Business Combination

The 2019 and 2018 consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary (collectively referred herein as the Group).

Prior to the acquisition of the Parent Company, BHI is 99.99% owned by Cambridge Group, Inc. (CGI), a related party under common ownership.

In 2017, FPI subscribed 5,000,000 shares issued by CGI, which represents 83.33% of ownership interest of CGI. Hence, the latter became a subsidiary of FPI starting 2017.

Also, in 2017, the Parent Company executed a Deed of Absolute Sale of Shares for its acquisition of substantially all issued and outstanding capital stock of BHI which is legally and/or beneficially owned by CGI. The Parent Company acquired 9,999,430 common shares for ₱301.42 per share or an aggregate purchase price of ₱3,014.03 million or 99.99% of the outstanding and issued shares of BHI. As a result, BHI became a wholly-owned subsidiary of the Parent Company.

The Parent Company believes the acquisition of BHI will diversify its real estate business by entering into the mass housing market, accelerate growth and enhance profitability through the creation of additional revenue streams independent of its current business and allow the Parent Company to maximize the value of its land bank by providing other avenues for its utilization, and build shareholders' value.

As condition to the acquisition of BHI, the Parent Company's BOD authorized the issuance of 150,000,000 common share to CGI by way of private placement out of the unissued authorized capital stock, at a subscription price of ₱20.0935 per share or an aggregate subscription price of ₱3,014.03 million (see Note 20).

Both the Parent Company and BHI are entities under common control of FPI. Accordingly, the Parent Company accounted for the acquisition of BHI under pooling of interest method of accounting [see Note 2.3 (b)].

The difference between the net assets of BHI at business combination and the amount of the shares issued by HVN to CGI amounting to ₱522.7 million is accounted for as equity reserves which were eventually closed to Additional paid-in capital.

The computation of the equity reserves recognized as a result of the combination of HVN and BHI is presented below:

Assets received	₱7,919,014,623
Liabilities assumed	(5,427,711,979)
Net assets of BHI	2,491,302,644
Consideration (see Note 20.1)	(3,014,027,483)
Equity reserves recognized	(₱522,724,839)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 *Basis of Preparation of Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

As discussed in Note 1.2, BHI became a subsidiary of the Parent Company in 2017. Accordingly, starting 2017, the Group prepares consolidated financial statements. Since the Parent Company has no subsidiary prior to 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2016 is that of the Parent Company only.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments and interpretation to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Transfers of Investment Property
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration

Discussed below are the relevant information about these standards, amendments and interpretation.

- (i) PAS 40 (Amendments), *Investment Property – Transfers of Investment Property*. The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. The application of this amendment has no impact on the Group's financial statements as the Group properly recognizes land held for capital appreciation as Investment Properties and only subsequently reclassifies it to Real Estate Inventories when these properties are used as memorial lots for development and sale (see Notes 7 and 10).
- (ii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized cost, fair value through profit and loss (FVPL), and fair value through other comprehensive income (FVOCI);
 - an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Group applied PFRS 9 using transitional relief allowed by the standard. This allows the Group not to restate its comparative prior period's financial statements. However, the adoption of this standard has no significant impact on the classification and measurement of the Group's financial assets and liabilities. Most of the Group's financial assets are being held to collect the associated cash flows and will continue to be accounted for at amortized cost. In addition, the Group's application of ECL methodology on its financial assets at amortized costs did not result in any significant adjustments to the Group's financial statements as of January 1, 2018 and for the current year. The Group's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Note 2.5 and 2.10, while the related disclosure on credit risk is included in Note 23.

- (iii) PFRS 15, *Revenue from Contract with Customers*, together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard replaced PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize.

The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of the following:

- Philippines Interpretation Committee (PIC) Question & Answer (Q&A) No. 2018-11, *Classification of Land by Real Estate Developer*, which requires real estate developers to classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards;
- PIC Q&A 2016-04, *Application of PFRS 15, "Revenue from Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*. This Q&A clarifies that sales of residential properties under pre-completion stage is recognized over time on the basis that the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.
- PIC Q&A 2018-12, *PFRS 15-Implementation Issues Affecting the Real Estate Industry*. This Q&A provides guidance on the application of PFRS 15 to real estate industry particularly on how and when to measure and recognize revenue arising from real estate sales.
- PIC Q&A 2018-14, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*. This Q&A provides guidance on the appropriate accounting treatment for cancellation of real estate sales.

Relative to the adoption of PFRS 15 and relevant PIC Q&As, the SEC issued the following Memorandum Circulars (MC) which provide transition relief to the real estate industry by allowing certain provisions of the standard and interpretations for three years or until 2020.

- MC No. 14 Series of 2018. This circular allows the deferral of the following provisions from PIC Q&A 2018-12:
 - (a) accounting for the significant financing component in a contract to sell;
 - (b) inclusion of land in the determination of percentage of completion; and,
 - (c) treatment of uninstalled materials in the determination of percentage of completion.
- MC No. 3 Series of 2019. This circular allows the deferral of the application of PIC Q&A 2018-12-H, *Accounting for Common Usage Area*, specific to the accounting for common usage service area, and PIC Q&A 2018-14.

The Group elected to defer the adoption of the relevant concepts in PIC Q&A 2018-12 and 2018-14 in accordance with MC No. 14 Series of 2018 and MC No. 3 Series of 2019.

Had the Group elected not to defer the above specific provisions, it would have the following impact in the consolidated financial statements:

- the exclusion of land and uninstalled materials in the determination of percentage of completion 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 sale of residential house and lots and condominium units for the year ended December 31, 2018;
- the mismatch between the percentage of completion of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for the contract asset and interest expense for the contract liability using the effective interest rate method and this would have affected the retained earnings as at January 1, 2018 and the revenue from real estate sale of residential house and lots, and condominium units for the year ended December 31, 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes; and,
- 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 adopted). This would have increased retained earnings as at January 1, 2018 and recognized the gain from repossession for the year ended December 31, 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognizes any difference between the carrying amount of the derecognized contract receivable or contract asset and the repossessed property in profit or loss.

The Group's adoption of PFRS 15 has resulted in changes in its accounting policies (see Note 2.13) and adjustments to the opening balance of the Retained Earnings recognized in the Group's financial statements as of January 1, 2018. The Group has applied the new standard retrospectively without restatement of comparative periods presented, with the cumulative effect of initial application recognized as an adjustment to the opening balance of Retained Earnings account at January 1, 2018. In accordance with the transition provisions of PFRS 15, the standard has only been applied to contracts that are not completed as of January 1, 2018.

The Group's transition to PFRS 15 has resulted to a decrease in the Retained Earnings as of January 1, 2018 by ₱5.2 million.

The following adjustments are made to the Group's consolidated financial statements of December 31, 2018 and its beginning retained earnings and related accounts as January 1, 2018.

- reclassified portion of Contract Receivables relating to rights to payment which are conditioned upon the completion of units sold to Contract Assets account;
- restated the balances of Contract Receivables, Real Estate Inventories, Real Estate Sales, Cost of Sales and Services and beginning Retained Earnings to reflect the appropriate revenue recognition policy based on its determination of percentage-of-completion; and,
- capitalized commissions directly related to contract acquisitions, previously charged under Other Operating Expenses in the consolidated statement of comprehensive income, as part of Other Current Assets account in the consolidated statement of financial position.

The table below shows the effects of the adoption of PFRS 15 in the consolidated statement of financial position as of January 1, 2018.

	As Previously Reported	Effects of Adoption of PFRS 15	As Restated
<i>Changes in Current Assets</i>			
Contract receivables	₱3,676,912,811	(₱13,552,395)	₱3,663,360,416
Contract assets		1,200,336	1,200,336
Real estate inventories	4,728,968,498	6,510,830	4,735,479,328
Other current assets	728,723,272	617,603	729,340,875
Net decrease in current assets		<u>(₱5,223,626)</u>	
<i>Changes in Equity</i>			
Retained Earnings	₱896,388,106	<u>₱5,223,626</u>	₱891,164,480

The following tables summarize the impact of adopting PFRS 15 in the Group's consolidated financial statements as of and for the year ended December 31, 2018.

Consolidated Statement of Financial Position			
	As Previously Reported	Effects of Adoption of PFRS 15	As Restated
<i>Changes in Current Assets</i>			
Contract receivables	₱4,499,709,981	P2,046,449,306	₱6,546,159,287
Contract assets	1,396,224,260	(1,396,224,260)	-
Real estate inventories	6,445,038,998	(1,127,628,506)	5,317,410,492
	1,301,019,846	(58,139,253)	1,242,880,593
Net decrease in current assets		(535,542,713)	
<i>Changes in Non-Current Assets</i>			
Contract receivables	2,256,189,684	9,014,322	2,265,204,006
<i>Changes in Equity</i>			
Retained earnings	₱2,458,918,610	(P526,528,389)	₱1,932,390,221

Consolidated Statement of Comprehensive Income			
	As Previously Reported	Effects of Adoption of PFRS 15	As Restated
<i>Changes in Profit of Loss</i>			
Revenues	₱5,774,903,453	(₱1,013,129,744)	₱4,761,773,709
Cost of sales and services	2,881,322,089	(539,516,982)	2,341,805,107
Other operating expenses	1,218,336,558	58,139,253	1,276,475,811
Net profit	₱1,567,754,130	(₱1,494,507,473)	₱ 73,246,657

- (iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*. The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this amendment has no impact on the Group's financial statements.

(b) Effective in 2018 that are not Relevant to the Group

The following amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Group's financial statements:

PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4, Insurance Contracts

Annual Improvements to
PFRS (2014-2016 Cycle)

- PAS 28 (Amendments) : Investment in Associates and Joint Ventures –
Measuring an Associate or Joint Venture at
Fair Value
- PFRS 1 (Amendments) : First-time Adoption of Philippine Financial
Reporting Standards – Deletion of
Short-term Exemptions

(c) *Effective Subsequent to 2018 but not Adopted Early*

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).
- (ii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management has initially assessed that the adoption of this new standard will not have a material financial impact on the Group's financial statements.

- (iii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.
- (iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (v) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group:
 - PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.2 Basis of Consolidation

The Group's consolidated financial statements as of September 30, 2019 and for the year ended December 31, 2018 comprise the accounts of the Parent Company and its subsidiary as disclosed in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expense and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the financial statements.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

A subsidiary is an entity (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, an entity is deconsolidated from the date that control ceases.

2.3 Business Combinations

Business combination is subject to either of the following relevant policies:

(a) Acquisition Method

This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

(b) Pooling of Interest Method

Under the pooling of interest, the assets and liabilities of the Group are reflected in the consolidated financial statements at carrying values. The difference between the net assets of the acquiree at business combination and the amount of consideration transferred by the acquirer is accounted for as equity reserve.

The consolidated statement of comprehensive income reflects the results of the Group, irrespective of when the combination took place and retained earnings reflects the accumulated earnings of the Group as if the entities had been combined at the beginning of the year. Any revaluation reserves under the equity of the Group, is carried over in the consolidated financial statement at its pooling of interest values determined as if the pooling of interest method has been applied since the entities were under common control.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements, except depreciation and amortization that are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9*

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The financial assets category currently relevant to the Group is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at transactions price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment value.

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash, Contracts Receivables, Due from related parties, Security deposits (presented under Other Assets) and Other Receivables (except Advances to contractors).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Finance Cost.

(b) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39*

Financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which the investments were acquired and their characteristics. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables and Available-for-sale (AFS) financial assets.

A more detailed description of the categories of financial assets relevant to the Group as of September 30, 2019 follows:

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash, Contracts Receivables, Due from related parties, Security deposits (presented under Other Assets) and Other Receivables (except Advances to contractors) in the statement of financial position. Cash include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include equity securities, investment in mutual funds and gold club shares.

All financial assets within this category are subsequently measured at fair value. Gain or loss from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of profit or loss. Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

A financial asset is reclassified out of the FVTPL category when the financial asset is no longer held for the purpose of selling or repurchasing it in the near term or under rare circumstances. A financial asset that is reclassified out of the FVTPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

(c) Impairment of Financial Assets Under PFRS 9

From January 1, 2018, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all contract and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of contract receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due (see Note 23.2).

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Impairment of Financial Assets Under PAS 39

As of June 30, 2019, the Group assessed at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(e) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

2.6 Inventories

a) *Real Estate Inventories*

Real estate inventories include raw land, residential house and lots for sale, condominium units and property development costs. At the end of the reporting period, real estate inventories are valued at the lower of cost and net realizable value. Cost includes acquisition costs of the land plus the costs incurred for its development, improvement and construction, including capitalized borrowing costs (see Note 2.17). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Real estate inventories for sale are written down to their net realizable values when such accounts are less than their carrying values.

b) *Construction Materials*

Construction materials (presented as part of Other Current Assets) pertains to cost of uninstalled and unused construction and development materials at the end of the reporting period. It is recognized at purchase price and is subsequently recognized as part of real estate inventories when installed or used during construction and development of real estate projects.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Reposessed inventories arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the reposessed property is recognized in the consolidated statement of comprehensive income.

2.7 Other Current Assets and Advances to Contractors

Other current assets and Advances to contractors (presented as part of other receivables in the statement of financial position) are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.8 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets starting on the month following the date of acquisition or completion of the assets.

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Service vehicle	5 years
Service equipment	3-5 years
Park maintenance tools and equipment	3-5 years
Chapel and office furniture, fixtures and equipment	2-5 years
System development cost	3-5 years
Chapel and office building	15 years

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.17) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Leasehold improvements are amortized over their expected useful lives of five years (determined by reference to comparable assets owned) or the term of lease, whichever is shorter.

Fully depreciated and fully amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 *Investment Properties*

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less any impairment in value (see Note 2.15).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the disposal of investment property is recognized in profit or loss in the period of disposal.

Transfers to memorial lots and improvements are made from investment properties when and only when, there is a change in use, evidenced by commencement of development with a view to sell.

2.10 *Financial Liabilities*

Financial liabilities, which include interest-bearing loans, trade and other payables except tax-related payables, rawlands payable, reserve for maintenance fund and due to related parties, are recognized when the Group becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under Finance Costs in the statement of comprehensive income.

Interest-bearing loans and borrowings, which are recognized at proceeds received, net of direct issue costs, are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

For financial assets and liabilities [i.e., advances to/from perpetual care fund (PCF)] subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and its counterparty allows for net settlement of the relevant financial assets and financial liabilities when both to elect on a net basis. In the absence of such election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Revenue and Expense Recognition

Revenue comprises revenue from real estate sale and rendering of interment and chapel services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control over the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

The Group develops real properties such as residential house and lot, condominium units and memorial lots. The Group often enters into contracts to sell real properties as they are being developed. The Group also provides interment and chapel services inside its memorial parks. The significant judgment used in determining the timing of satisfaction of the Group's

performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(a). Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(a)]:

- (a) *Real estate sales on residential house and lots*– Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.
- (b) *Real estate sales on memorial lots*– Revenue from the Group’s sale of memorial lots, which are substantially completed and ready for use, is recognized as the control transfers at the point in time with the customer.
- (c) *Rendering of services* – income from interment and chapel services is recognized at a point in time when control over the services transfers to the customer.

Incremental costs of obtaining a contract to sell real estate property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.17).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.5(c)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group’s 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 [see Note 2.10].

In addition, real estate sales are recognized only when certain collection threshold was met over which the Group determines that collection of total contract price is reasonably assured. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sales, consideration received from customers are recognized as Customers’ Deposits in the consolidated statement of financial position. Customers’ deposit

is recognized at the amounts received from customers and will be subsequently applied against the contract receivables when the related real estate sales is recognized.

Subsequent cancellations of prior years' real estate sales are recognized in profit loss in the current year as they occur. The original cost of memorial lots sold are reverted back to inventory while the outstanding receivables at the time of cancellation is reversed. The resulting difference is recognized as part of Other operating income or expenses accounts in the statement of comprehensive income.

For income tax purposes, however, revenue and cost on real estate sales is reported using the installment method wherein the realization of gross profit real estate sales is computed based on collected contract receivables except where 25% or more of the contract price is collected within the initial year of sale, in which case, the entire gross profit is recognized as income for that year.

In 2017 and prior periods, the Group recognized revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for real estate sales, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. For rendering of services, revenue is recognized when the performance of the contractually agreed tasks has been rendered. This is generally when the customer has approved the services that have been provided.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, if any, which are included as part of the cost of the related qualifying asset (see Note 2.17).

2.14 Leases – Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Impairment of Non-financial Assets

The Group's property and equipment, investment properties and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.16 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined contribution plan and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)] and Philippine Dealing & Exchange, Corp. (PDEX) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL and PDEX provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the losses on the return on plan assets are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest is reported

as part of Finance Income or Finance Costs in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (e.g. Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Short-term Benefits

The Group recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.17 *Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset.

The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 *Income Taxes*

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

2.19 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits. Also included is the difference between the consideration for the acquisition and the net assets of BHI under the pooling of interest method.

Revaluation reserves comprise gains and losses arising from remeasurements of post-employment defined benefit plan and fair valuation of AFS financial assets arising from gains or losses due to the revaluation of AFS securities.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the statement of comprehensive income, reduced by the amount of dividends declared, if any.

2.20 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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

2.21 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing the net profit for the period attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year (see Note 21).

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares (see Note 21).

2.22 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluation of the Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group's performance obligation are satisfied as follows:

- *Residential condominium units and house and lots*- Management determines that revenues from sale of residential condominium units and house and lots is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.
- *Memorial lots*- Management determines that its revenue from sale of memorial lots, which are substantially completed and ready for use, shall be recognized at a point in time when the control of goods have passed to the customer, i.e., upon issuance of purchase agreement (PA) to the customer.

(ii) Interment and Cremation Services

The Group determines that revenue from interment and cremation services shall be recognized at a point in time based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided.

(b) Determination of ECL on Contract and Other Receivables and Due from Related Parties (2018)

The Group uses a provision matrix to calculate ECL for contract and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables are disclosed in Note 23.

In relation to advances to related parties, PFRS 9 notes that the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Based on the relevant facts and circumstances existing at the reporting date, management has assessed that all strategies indicate that the Group can fully recover the outstanding balance of its receivables, thus, no ECL is required to be recognized.

(c) Impairment of AFS Financial Assets (2017)

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee.

(d) Distinction Among Investment Properties, Owner-managed Properties and Real Estate Inventories

The Group classifies its acquired properties as Property and Equipment if used in operations, as Investment Properties if the Group intends to hold the properties for capital appreciation or rental and as Real Estate Inventories if the Group intends to develop the properties for sale.

(e) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has assessed that its existing lease agreements at the end of each reporting period qualifies under operating lease.

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

Presented in the succeeding pages are the key assumptions concerning the future, and other sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Basis for Revenue Recognition Benchmark

As discussed in Note 2.13(a), real estate sales are recognized when the collectibility of the sales price is reasonably assured. The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(b) Revenue Recognition for Performance Obligations Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(c) Impairment of Contracts and Other Receivables and Due from Related Parties (2017)

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties (including related party), the counterparties current credit status, average age of accounts, collection experience and historical loss

experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimate and actual loss experience.

The management's assessment and carrying values of contracts receivable and other receivables are shown in Note 6.

(d) Fair Value Measurement for AFS Financial Asset

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

(e) Determination of Net Realizable Value of Real Estate Inventories

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the time the estimates are made. Management determined that the carrying values of its real estate inventories are lower than their net realizable values based on the present market rates. Accordingly, management did not recognize any valuation allowance on these assets as of December 31, 2018 and 2017.

(f) Estimation of Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 9. Based on management's assessment as at December 31, 2018 and 2017, there is no change in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(g) Fair Value Measurement of Investment Property

The Group's investment property composed of land are carried at cost at the end of the reporting period. In addition, the accounting standards require the disclosure of the fair value of the investment properties. In determining the fair value of these assets, the Group engages the services of professional and independent appraiser applying the relevant valuation methodologies as discussed in Note 26.3.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets (offset against deferred tax liabilities) recognized as at December 31, 2018 and 2017 will be fully utilized in the coming years (see Note 18).

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.15). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2018, 2017 and 2016, no impairment losses were recognized on property and equipment, investment properties and other non-financial assets (see Notes 9 and 10).

(j) Valuation of Post-employment DBO

The determination of the Group's obligation and cost of post-employment defined benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 2.16 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Group's two main revenue sources, which represent the products and services provided by the Group, namely Residential Projects and Deathcare.

- (a) Residential* – this segment pertains to the housing market segment of the Group. It caters on the development and sale of residential house and lots, subdivision lots, and condominium units.

- (b) *Deathcare* – the segment pertains to sale of memorial lots, interment income, and income from chapel services.

4.2 Analysis of Segment Information

The following table present revenue and profit information regarding business segments of the Group for the period ended September 30, 2019.

	Death Care	Residential	Total
Revenues	₱1,110,995	₱4,773,563	₱5,884,558
Cost of sales and services	(458,450)	(2,543,567)	(3,002,017)
Gross profit	652,545	2,229,996	2,882,541
Other operating expenses	318,376	655,625	974,001
Depreciation and amortization	(26,426)	(54,415)	(80,841)
	291,950	601,210	893,160
Segment profit before tax and depreciation and amortization	₱360,595	₱1,628,786	₱1,989,381
Segment Assets	₱4,118,699	₱18,302,901	₱22,421,600
Segment Liabilities	₱2,050,321	₱11,003,073	₱13,053,394

The results of operations from the two segments are used by management to analyze the Group's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Group's operation. Expenses are allocated through direct association of costs and expenses to operating segments.

4.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	<i>(in thousands)</i>
Assets:	
Total segment asset	₱22,421,600
Due from related parties	8,052
Investment property	538,664
Group Total Assets	₱22,968,316
Liabilities:	
Total segment liabilities	₱13,053,394
Due to related parties	940,306
Deferred tax liabilities	1,221,921
Group Total Liabilities	₱15,215,621

4.4 Disaggregation of Revenue from Contract with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 4.1 and 4.2.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties and disclosed herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown in Note 15.

5. CASH

The account consists of the following:

	<i>(in thousands)</i>
Cash on hand	₱5,088
Cash in bank	667,388
Cash equivalents	30,000
	<u>₱702,476</u>

Cash on hand comprises of revolving fund, commission fund and petty cash fund intended for the general use of the Group. Cash in banks generally earn interest at rates based on daily bank deposit rates. The related interest income earned amounted to ₱797 thousand and ₱191 thousand on September 30, 2019 and 2018, respectively, is presented as Finance Income under Other Income – net account in the statements of comprehensive income (see Note 17.1).

6. CONTRACTS AND OTHER RECEIVABLES

6.1 *Contracts Receivables*

The account consists of the following:

	<i>(in thousands)</i>
Current	₱7,197,282
Non-current	2,673,177
	<u>₱9,870,459</u>

Contracts receivables represent receivables from sale of residential houses and lots, subdivision lots, memorial lots, and condominium units, which are normally collectible within 1 to 15 years. Contracts receivables have an annual effective interest rate of 6.00% to 16.00% both in 2019 and 2018. Interest income related to contracts receivables amounted to ₱60.5 million and ₱63.3 million on September 30, 2019 and 2018, respectively, and are reported under Revenues in the statements of comprehensive income.

The Group's contracts receivables are effectively collateralized by the real estate properties sold to the buyers considering that the title over the rights in the real estate properties will only be transferred to the buyers upon full payment.

Included in the contracts receivables are receivables obtained by way of deed of assignment from Household Development Corporation (HDC), a related party under common ownership. In consideration of the assignment, BHI shall pay HDC a cash consideration totaling ₱274.5 million. As of September 30, 2019 the unpaid portion of the cash consideration

amounting to ₱141.2 million is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 12.1).

6.2 Other Receivables

The account consists of the following:

	<i>(in thousands)</i>
Receivable from contractors and brokers	₱1,073,654
Advances to contractors and others	438,082
Receivables from other services	34,654
Advances to employees	11,812
Due from related parties	8,052
Others	35,134
	<u>₱1,601,388</u>

Receivables from contractors pertains to excess of advances over the remaining liability related to construction development while receivables from brokers pertains to the collection they received on behalf of the Group that are yet to be remitted to the Group.

Advances to contractors and others mainly represent advances to contractors or suppliers as advance payments for purchase of construction materials, supplies and construction services.

Advances to employees represent cash advances and noninterest-bearing short-term loans granted to the Group's employees, which are collected through liquidation and salary deduction.

Others mainly pertain to receivables from the buyers for documentary fees and other assistance related to processing and transfer of lots and units sold.

7. REAL ESTATE INVENTORIES

Details of real estate inventories, which are stated at cost and is lower than NRV, are shown below.

	<i>(in thousands)</i>
Raw land	₱3,235,236
Residential lots for sale	1,624,975
Memorial lots for sale	689,998
Property development costs	587,233
Residential houses for sale	342,523
Condominium units for sale	72,335
	<u>₱6,552,300</u>

Residential houses and lots for sale represent houses and lots in subdivision projects for which the Group has already been granted the license to sell by the Housing and Land Use Regulatory Board of the Philippines. Residential houses include units that are ready for occupancy and units under construction.

Memorial lots for sale consist of acquisition costs of the land, construction and development costs, and other necessary costs incurred in bringing the memorial lots ready for sale.

Condominium units for sale pertain to the accumulated land costs, contracted services and other development costs incurred in developing the Group's condominium projects.

The property development costs represent the accumulated costs incurred in developing the real estate properties for sale. Costs incurred comprise of actual costs of land, construction and related engineering, architectural and other consultancy fees related to the development of residential projects.

Raw land pertains to the cost of several parcels of land acquired by the Group to be developed and other costs incurred to effect the transfer of the title of the properties to the Group.

In 2019, certain parcels of land previously classified as investment properties which amounted to ₱215.7 million, were transferred to Real estate inventories due to change in use for the said assets (see Note 10).

8. OTHER ASSETS

This account consists of the following as of September 30, 2019:

	<i>(in thousands)</i>
Current:	
Construction materials	₱1,323,669
Prepaid commission	332,700
Creditable withholding taxes	130,562
Prepaid expenses	16,962
Input VAT	10,406
Deferred input vat	8,834
Security deposits - current	5,896
Other assets	4,097
	<u>1,833,126</u>
Non-current -	
Security deposits	94,303
	<u>94,303</u>
	<u>₱1,927,429</u>

Construction materials pertain to aluminum forms and various materials to be used in the construction of residential houses

Deferred input VAT pertains to the unamortized portion of input VAT from purchases of capital goods which are subject to amortization.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at September 30, 2019 is shown below.

	Building	Leasehold Improvements	Service Vehicle	Service Equipment	Park Maintenance Tools and Equipment	Furniture, Fixtures and Equipment	System Development Cost	Construction in Progress	Total
September 30, 2019 Cost	₱192,667	₱40,049	₱140,395	₱16,040	₱32,801	₱166,640	₱29,641	₱10,432	₱628,665
Accumulated depreciation and amortization	(30,880)	(24,159)	(72,461)	(11,271)	(25,826)	(69,755)	(14,937)	—	(249,289)
Net carrying amount	₱161,787	₱15,890	₱67,934	₱4,769	₱6,975	₱96,885	₱14,704	₱10,432	₱379,376

The amount of depreciation and amortization is presented as part of Cost of Sales and Services and Other Operating Expenses in the statements of comprehensive income (see Note 16).

Depreciation expense of park maintenance tools and service equipment were charged under park operations, which is subsequently closed to maintenance care fund (see Note 14).

10. INVESTMENT PROPERTIES

The changes in the carrying amounts of investment properties as presented in the statements of financial position are as follows:

	<i>(in thousands)</i>
Balance at beginning of year	₱587,412
Additions during the year	166,912
Reclassification to real estate inventories	(215,660)
Balance at end of period	₱538,664

The Group's investment properties consist of land. Certain investment properties totaling ₱215.7 million in 2019 were transferred to memorial lots for sale under Real Estate Inventories since these properties are being developed as memorial lots for sale during the period. No gain or loss was recognized during the transfer since the investment properties are measured at cost.

None of the Group's investment properties have generated rental income. There were also no significant directly attributable cost, purchase commitments and any restrictions as to use related to these investment properties during the reporting periods.

Management has assessed that there were no significant circumstances during the reporting periods that may indicate impairment loss on the Group's investment properties.

The fair value and other information about the measurement and disclosures related to the investment properties are presented in Note 25.2.

11. INTEREST-BEARING LOANS

Short-term and long-term interest-bearing loans and borrowings pertain to bank loans which are broken down as follows:

	<i>(in thousands)</i>
Current	₱3,085,369
Non-current	827,430
	<u>₱3,912,799</u>

The bank loans represent secured loans from local commercial banks. The loans which have maturities ranging from 1 to 15 years bear annual interest rates ranging from 5.5% to 10% in 2019 and 5.5% to 8.5% in 2018.

Interest expense incurred on these loans amounted to ₱157.0 million and ₱58.6 million for the period ended September 30, 2019 and 2018, respectively. Interest expense presented as part of Finance Costs under Other Income (Charges) section in the statements of comprehensive income. There are no outstanding interest payable as of September 30, 2019 and 2018 related to these loans.

The loans are net of debt issue cost amounting to ₱12.5 million as of September 30, 2019. The amortization of debt issue cost amounting to ₱4.7 million is presented as part of Finance Cost under Other Income – net account statements of comprehensive income.

Certain loans of the Group are secured by contract receivables with a carrying amount of ₱2,692.5 million as of September 30, 2019.

12. TRADE AND OTHER PAYABLES AND RAWLANDS PAYABLE

12.1 Trade and Other Payables

This account consists of:

	<i>(in thousands)</i>
Trade payables	₱3,583,633
Accrued expenses	495,223
Deferred output tax	274,272
Commission payable	131,316
Retention payable	76,864
Withholding taxes payable	16,113
VAT payable	5,781
Other payables	412
	<u>₱4,583,614</u>

Trade payables comprise mainly of liabilities to suppliers and contractors arising from the construction and development of the Group's real estate properties. It also includes liability on assigned receivables which pertains to the outstanding balance of the cash consideration with respect to the receivables assigned by HDC to BHI (see Note 6).

Deferred output tax is the portion of VAT attributable to outstanding contract receivables. This is reversed upon payment of monthly amortization from customers.

Accrued expenses pertain to accruals of professional fees, salaries and other employee benefits, utilities, advertising, marketing and other administrative expenses.

Commission payable refers to the liabilities of the Group as of the end of the reporting periods to its sales agents for every sale that already reached the revenue recognition threshold of the Group.

Retention payable pertains to the amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are remitted to the contractors.

12.2 *Rawlands Payable*

Rawlands payable pertains to the amount of outstanding liability regarding the acquisitions of raw lands from third parties which will be used in the development of the Company's projects.

The Group purchased various rawlands for expansion and development of the Group's subdivision and memorial lots projects. The outstanding balance arising from these transactions amounted to ₱1.3 billion and ₱1.6 billion as of September 30, 2019 and December 31, 2018, respectively.

13. CUSTOMERS' DEPOSITS

Customers' deposits pertain to reservation fees and advance payments from buyers, which did not meet the revenue recognition criteria as of the end of the reporting periods. As of September 30, 2019 Customers' Deposits account, as presented in the current liabilities section of the consolidated statements of financial position, amounted to ₱2.6 billion (see Note 2.13).

14. RESERVE FOR MAINTENANCE FUND

Under the terms of the contract between the Group and the purchasers of memorial lots, a portion of the amount paid by the purchasers is set aside as Maintenance Care Fund (Trust Fund). The balance of the reserve for maintenance fund for memorial lots as of September 30, 2019 and December 31, 2018 amounted to ₱621.6 million and ₱426.4 million, respectively, represents the total amount of maintenance fund from all outstanding sales contracts, net of amount already remitted for fully collected memorial lots into the Trust Fund.

As an industry practice, the amount turned over to the Trust Fund is only for fully collected contracts in as much as the outstanding contracts may still be forfeited and/or rescinded. The income earned from the Trust Fund will be used in the maintenance of the memorial lots. Once placed in the Trust Fund, the assets, liabilities, income and expense of the Trust Fund are considered distinct and separate from the assets and liabilities of the Group, thus, do not form part of the accounts of the Group.

15. REVENUES

Disaggregation of Revenues

The Group derives revenues from sale of real properties and death care operations. An analysis of the Group's major sources of revenues for the period ended September 30, 2019 is presented below.

	Segments		Total
	Death Care	Residential	
Geographical areas			
Luzon	₱513,435	₱3,206,832	₱3,720,267
Visayas	258,095	345,946	604,041
Mindanao	339,465	1,220,785	1,560,250
	<u>₱1,110,995</u>	<u>₱4,773,563</u>	<u>₱5,884,558</u>

16. COSTS AND EXPENSES

16.1 Costs of Sales and Services

Presented below are the details of costs of sale and services.

	(in thousands)
Cost of real estate sales	₱2,978,303
Cost of interment	12,521
Cost of chapel services	11,193
	<u>₱3,002,017</u>

Cost of real estate sales consists of:

	(in thousands)
Cost of land	₱1,468,910
Construction and development costs	1,509,393
	<u>₱2,978,303</u>

16.2 Operating Expenses by Nature

The details of operating expenses by nature for the period ended September 30, 2019 is shown below.

	(in thousands)
Commission	₱274,036
Salaries and wages	200,911
Outside services	82,358
Depreciation and amortization	80,841
Advertising	66,176
Promotions	50,709
Transportation and travel	26,077
Utilities	20,455
<i>Balance carried forward</i>	<u>801,563</u>

	<i>(in thousands)</i>
<i>Balance carried forward</i>	801,563
Repairs and maintenance	19,865
Management fees	17,987
Taxes and licenses	17,009
Rentals	15,924
Prompt payment discount	15,064
Office supplies	12,129
Collection fees	8,837
Representation	8,574
Insurance	8,493
Professional fees	7,050
Meetings and conferences	6,116
Training and seminars	2,119
Miscellaneous expenses	33,271
	₱974,001

Miscellaneous expenses mainly consist of subscription dues and other fees such as registration, transfer and mortgage fees.

17. OTHER INCOME

17.1 Other Income (Charges)

Presented below are the details of other income (charges).

	<i>(in thousands)</i>
Finance income	₱797
Other revenues	173,770
Finance Costs	(156,988)
	₱17,579

17.2 Other Revenues

This account consists of:

	<i>(in thousands)</i>
Forfeited sales	₱163,780
Transfer fee	5,568
Interest on past due Accounts	2,702
Service Tent rental	726
Others	994
	₱173,770

Others include penalties from customers with lapsed payments, restructured accounts, and other fees collected for transactions incidental to the Company's operations such as payment for passbooks, memorial garden construction fee, among others.

18. TAXES

18.1 Registration with the Board of Investments (BOI)

On December 12, 2016, the BOI approved BHI's application for registration as an Expanding Developer of Economic and Low-Cost Housing Project on a Non-pioneer Status relative to its various units under the Lumina Tanza Phase 2, Lumina Homes San Pablo and Lumina General Trias (Phase 1 and 2) projects. Under the registration, the applicable rights and privileges provided in the Omnibus Investment Code of 1987 shall equally apply and benefit BHI with certain incentives including income tax holiday (ITH) for a period of four years from the date of registration.

18.2 Current and Deferred Taxes

The components of tax expense reported in profit or loss and in other comprehensive income for the period ended September 30, 2019 follow:

	<i>(in thousands)</i>
Current	₱28,352
Deferred	224,134
	<u>₱252,486</u>

BHI has MCIT, which can be claimed as deduction from future taxable income and regular corporate income tax liabilities within three years from 2017, amounting to ₱35 thousand.

The Group is subject to the minimum corporate income tax (MCIT), which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. The Parent Company reported RCIT in 2019 and 2018 as the RCIT is higher than MCIT in such years. However, BHI reported MCIT in 2018 since most of its income are under ITH (see Note 18.1).

In September 30, 2019 and 2018, the Group claimed itemized deductions in computing for its income tax due.

19. RELATED PARTY TRANSACTIONS

19.1 Due from Related Parties

In the normal course of business, the Group grants noninterest-bearing cash advances to its parent company and other related parties, including those under common ownership for working capital requirements, capital asset acquisition and other purposes. These advances are unsecured and generally payable in cash on demand or through offsetting arrangements with related parties.

The movements in the Due from Related Parties account are shown below.

	<i>(in thousands)</i>
Balance at beginning of period	₱8,274
Payments	(222)
Balance at end of year	<u>₱8,052</u>

19.2 Due to Affiliates

The Group obtained short-term, unsecured, noninterest-bearing advances from related parties for working capital requirements payable in cash upon demand. The outstanding balance amounting to ₱940.3 million as of September 30, 2019 is presented as Due to Related Parties.

20. EQUITY

20.1 Capital Stock

	<u>Sept 30, 2019</u>	<u>Dec 31, 2018</u>
<u>Common</u>		
Authorized	996,000,000	996,000,000
Par value per share	₱1.00	₱1.00
Issued shares	644,117,649	644,117,649
Value of shares issued	₱644,117,649	₱644,117,649
<u>Preferred</u>		
Authorized	400,000,000	400,000,000
Par value per share	₱0.01	₱0.01
Issued shares	—	—
Value of shares issued	—	—

On December 27, 2017, the Parent Company's BOD authorized the issuance of 150,000,000 common shares to CGI, a related party under common ownership, out of the unissued authorized capital stock, at a subscription price of ₱20.0935 per share or an aggregate subscription price of ₱3,014,027,483 (see Note 1.2).

As at September 30, 2019, there are 7 holders of the listed common shares owning at least one board lot of 100 shares. Such listed shares closed at ₱432.00 per share as of September 30, 2019.

20.2 Revaluation Reserves

As of September 30, 2019, the Company has accumulated actuarial gain, net of tax, due to remeasurement of post-employment defined benefit plan amounting to ₱5.8 million.

20.3 Retained Earnings

On January 29, 2016, the Parent Company's BOD approved the reversal of the remaining appropriated retained earnings of ₱400.0 million to unappropriated retained earnings to be made available for stock dividend declaration.

On March 8, 2016, the Parent Company declared stock dividends in the aggregate amount of ₱400.0 million, payable out of the unrestricted retained earnings of the Parent Company as of December 31, 2015. The shares were issued on March 17, 2016 following the SEC approval of the capital increase on March 17, 2016.

21. EARNINGS PER SHARE

The basic and diluted earnings per share were computed as follows:

	<i>(in thousands)</i>
Net profit	₱1,673,633
Divided by the number of outstanding common shares	644,118
Basic and diluted earnings per share	₱2.60

The Group has no dilutive potential common shares as at September 30, 2019, hence, diluted earnings per share equals the basic earnings per share.

22. COMMITMENTS AND CONTINGENCIES

22.1 *Operating Lease Commitments*

The Group has leases with terms ranging from one to five years with renewal options upon mutual written agreement between the parties and include annual escalation in rental rates.

The total rentals from this operating lease amounted to ₱15.9 million as of September 30, 2019 of which the major portion is shown as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 16.2).

22.2 *Capital Commitments on Use of Proceeds*

The Group has capital commitments as part of the offering proceeds to utilize the proceeds from the issuance of its common shares amounting to ₱703.0 million (net of ₱75.2 million offering-related expenses) for its land bank development, land acquisition, construction of Las Piñas chapel and crematorium and general corporate purposes. As of September 30, 2019, the proceeds were fully utilized.

22.3 *Others*

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these events and conditions will not have material effects on the Group's financial statements.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks, unless otherwise stated, to which the Group is exposed to are described below and in the succeeding page.

23.1 Interest Rate Risk

The Group has no financial instruments subject to floating interest rate, except cash in banks, which has historically shown small or measured changes in interest rates. As such, the Group's management believes that interest rate risks are not material.

23.2 Credit Risk

The Group operates under sound credit-granting criteria wherein credit policies are in place. These policies include a thorough understanding of the customer or counter-party as well as the purpose and structure of credit and its source of repayment. Credit limits are set and monitored to avoid significant concentrations to credit risk. The Group also employs credit administration activities to ensure that all facets of credit are properly maintained.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The position and credit limits are established appropriate to the type, nature and volume of business undertaken and the financial status of the counterparty and reviewed on a regular basis. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the statements of financial position are summarized below.

	<i>(in thousands)</i>
Cash on-hand and in-banks	₱702,476
Contracts receivable	9,870,459
Due from related parties	8,052
Security deposits	100,199
	₱10,681,186

Cash in banks are insured by the Philippine Deposit Insurance Commission up to a maximum coverage of ₱0.5 million for every depositor per banking institution. Also, the Group's contracts receivable are effectively collateralized by residential houses and lots and memorial lots. Other financial assets are not secured by any collateral or other credit enhancements.

All contracts receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to contracts receivable as the amounts recognized resemble a large number of receivables from various customers and is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The due from related parties are considered negligible since the counterparties are in good financial condition.

23.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

As of September 30, 2019, the Group's financial liabilities have contractual maturities which are presented below.

	Within 12 Months	More than One Year to Five Years
Trade and other payables	₱4,583,614	₱–
Rawland payable	1,322,121	–
Interest-bearing loans and borrowings	3,085,369	827,430
Due to related parties	940,306	–
Reserve for maintenance fund	–	621,615
	₱9,931,410	₱1,449,045

As of September 30, 2019, the aging of receivables is as follows:

<i>(In Thousands)</i>	Current	Within 90 days	91-180 days	181-360 days	Over 1 Year	Total
Contracts receivable	₱8,359,476	₱605,208	₱251,938	₱247,394	₱406,443	₱9,870,459
Due from related parties	8,052	–	–	–	–	8,052
Other receivables	1,593,336	–	–	–	–	1,593,336
Total	₱9,960,864	₱605,208	₱251,938	₱247,394	₱406,443	₱11,471,847

24. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Notes	Carrying Values <i>(in thousands)</i>	Fair Values
<i>Financial Assets</i>			
Loans and receivables			
Cash on-hand and in-banks	5	₱702,476	₱702,476
Contracts receivables	6	9,870,459	9,870,459
Due from related parties	19.1	8,052	8,052
Security deposits	8	100,199	100,199
		₱10,681,186	₱10,681,186

	Notes	Carrying Values <i>(in thousands)</i>	Fair Values
<i>Financial Liabilities</i>			
At amortized cost:			
Interest-bearing loans	11	₱3,912,799	₱3,912,799
Trade and other payables	12	4,583,614	4,583,614
Due to related parties	19	940,306	940,306
Rawland payables	12	1,322,121	1,322,121
Reserve for maintenance fund	14	621,615	621,615
		₱11,380,455	₱11,380,455

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 23.

24.2 Offsetting of Financial Assets and Financial Liabilities

As of September 30, 2019, the Group has not set-off financial instruments in 2019 and 2018 and does not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 19 can be potentially offset to the extent of their corresponding outstanding balances.

25. FAIR VALUE MEASUREMENT AND DISCLOSURES

25.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
-
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Shares listed in the PSE classified as AFS financial assets are included in Level 1 as the prices are determined based on quoted prices in active markets for identical assets.

25.2 Fair Value Measurement for Non-financial Assets

The Group's investment properties amounting to ₱538.7 million and ₱587.4 million are categorized under level 3 hierarchy of non-financial assets measured at cost as of September 30, 2019 and December 31, 2018, respectively.

26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<i>(in thousands)</i>
Total interest-bearing loans	₱3,912,799
Total adjusted equity	7,752,695
Debt-to-equity ratio	0.50:1.00

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Company for the period ended September 30, 2019 and 2018.

		30-Sept-19	2018
Liquidity:			
Current Ratio	Current Assets/Current Liability	1.54:1	1.51:1
Solvency:			
Total Liabilities-to-Equity Ratio	Total Liabilities/Total Equity	1.96:1	2.02:1
Asset-to-equity:			
Asset-to-Equity ratio	Total Assets/Total Equity	2.96:1	3.02:1
		30-Sept-19	30-Sept-18
Interest-rate-coverage:			
Interest-rate-coverage ratio	Profit Before Tax and Interest/Finance Costs (Including capitalized interest)	13.20:1	23.32:1
Profitability:			
Return-on-equity	Net Income/ Total Equity	22%	17%

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS COVERING 9-MONTHS OF 2019 VS. 9-MONTHS OF 2018

Revenues

Real estate sales

The Real Estate Sales by the Group hit **₱5,764.1 million** for the 9-months of 2019, or a **47%** increase from **₱3,931.3 million** from the 9-months of 2018, due mostly to significant increases in memorial lot sales of Golden Haven and residential unit sales of Bria Homes.

Interment income

Income from interment services grew to **₱27.7 million** in 9-months of 2019, or a **14%** increase from **₱24.2 million** in the same period 2018. The increase was due to a higher number of services rendered in 9-months 2019, compared to previous year.

Income from Chapel Services

Income from chapel services grew to **₱32.3 million** in 9-months 2019 from **₱27.2 million** in 9-months 2018, or an increase of **19%**, due to the significant growth of the number of memorial services rendered in 9-months 2019, compared to the 9-months 2018.

Costs and Expenses

Cost and expenses of the Group reached **₱3,976.0 million** in 9-months 2019 from **₱2,806.2 million** for the same period in 2018, increasing **42%**, due mainly to the following:

Costs of sales and services

The cost of sales and services increased by **50%**, to **₱ 3,002.0 million** in 9-months of 2019, from **₱2,002.8 million** in 9-months 2018, due to the higher number of memorial lots and columbarium vaults sold by Golden Haven, and residential units sold by Bria Homes in the 9-months 2019 compared to the same period previous year.

Operating expenses

Operating expenses increased by **21%**, to **₱974 million** in 9-months 2019 from **₱803.3 million** in 9-months of 2018, which was mainly due to increases in tax payments, commissions due to higher sales and in salaries and wages due to expansion projects opened during the period.

Other Income

Other income - net decreased by **74%**, to **₱17.6 million** 9-months of 2019, from **₱67.5 million** in 9-months of 2018. The decrease was mainly attributable to increases in finance cost for interest bearing loans.

Tax Expense

Tax expense decreased by **36%**, to **₱252.5 million** for 9-months of 2019 from **₱392.2 million** for 9-months of 2018. The decrease was mainly attributable to the lower taxable income base in 9-months of 2019 compared to the same period previous year.

Net Income

Total net profits increased by **83%** as a result of the movements above, to **₱1,673.6 million** in 9-months 2019 from **₱915.0 million** in 9-months of 2018.

For the 9-months of 2019, there were no seasonal aspects that had a material effect on the financial condition or results of the operations of the Group. Neither were there any trends, events, or uncertainties that have had or are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Group is not aware of events that will cause a material change in the relationship between the costs and the revenues.

There are no significant elements of income or loss, which arise from the Group's continuing operations.

FINANCIAL CONDITION AS OF SEPTEMBER 30, 2019 VS. DECEMBER 31, 2018

As of September 30, 2019, total assets of the Group were recorded at **₱22,968.3 million**, from **₱18,384.3 million** recorded as of December 31, 2018, increasing by **25%**. The increase was due to the following movements:

- Cash on-hand and cash in-banks increased from **₱ 501.5 million** as of December 31, 2018 to **₱702.5 million** as of September 30, 2019. This **40%** increase was due mainly to additional loan availed by Bria Homes, Inc.
- Total contracts receivable, including non-current, increased by **46%** from **₱6,755.9 million** as of December 31, 2018 to **₱9,870.5 million** as of September 30, 2019, due to significantly higher sales on account recorded.
- Property and equipment-net increased to **₱379.4 million** as of September 30, 2019, increasing by **15%**, from **₱330.1 million** as of December 31, 2018, due primarily to the purchase of additional property and equipment for expansion activities.
- Other receivables increased from **₱1,004.7 million** as of December 31, 2018 to **₱1,601.4 million** as of September 30, 2019. The **59%** increase is due to higher non-trade receivables recorded during the period.
- Other current assets including non-current assets increase from **₱1,363.4 million** as of December 31, 2018 to **₱1,927.4 million** as of September 30, 2019. The **41%** increase was due mostly to materials purchased related to the development of residential projects and increase in security deposits made for Group expansion projects and developments.
- Investment properties decreased from **₱587.4 million** as of December 31, 2018 to **₱538.7 million** as of September 30, 2019. The **8%** decrease was due to reclassification of Investment Properties to Real estate inventories for sale.

The total liabilities of the Group increased from **₱15,215.6 million** as of December 31, 2018 to **₱12,305.3 million** as of September 30, 2019. The **24%** growth was due to the following:

- Interest-bearing loans, including non-current, increased from **₱1,996.8 million** as of December 31, 2018 to **₱3,912.8 million** as of September 30, 2019. The **96%** increase was due to additional interest-bearing loans availed during the period.

- Rawland payables decreased from **₱1,582.2 million** as of December 31, 2018 to **₱1,322.1 million** as of September 30, 2019. The **16%** decrease was due to payment of land acquisitions made during the period, as part of the Group's expansion program.
- Customers' deposits increased from **₱1,899.4 million** as of December 31, 2018 to **₱2,564.1 million** as of September 30, 2019. The **35%** increase due to a higher number in reservation sales for the period.
- Income tax payable decreased by **45%**, to **₱10.75 million** as of September 30, 2019 from **₱ 19.5 million** as of December 31, 2018 due to the tax expense paid-off during the period.
- Reserve for perpetual care increased by **46%**, from **₱426.4 million** as of December 31, 2018 to **₱621.6 million** as of September 30, 2019 due to the parallel increase in memorial lot sales on account recorded for the period.

Total stockholder's equity increased by **₱1,673.6 million**, from **₱6,079.1 million** as of December 31, 2018 to **₱7,752.7 million** as of September 30, 2019. The **28%** increase was due mainly to the increase in retained earnings, which grew by **68%**, from **₱2,458.9 million** in December 31, 2018, to **₱4,132.6 million** as of September 30, 2019, coming from the net income earned during the period.

**MATERIAL CHANGES TO THE GROUP'S STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019 COMPARED TO DECEMBER 31, 2018
(INCREASE/DECREASE OF 5% OR MORE)**

- Cash on-hand and cash in-banks increased from **₱ 501.5 million** as of December 31, 2018 to **₱ 702.5 million** as of September 30, 2019. This **40%** increase was due additional cash generated from interest-bearing loan availed this period.
- Total contracts receivable, including non-current, increased by **46%** from **₱6,755.9 million** as of December 31, 2018 to **₱9,870.5 million** as of September 30, 2019, due to significantly higher sales on account recorded.
- Property and equipment-net increased to **₱379.4 million** as of September 30, 2019, increasing by **15%**, from **₱330.1 million** as of December 31, 2018, due primarily to the purchase of additional property and equipment for expansion activities.
- Other receivables increased from **₱1,004.7 million** as of December 31, 2018 to **₱1,601.4 million** as of September 30, 2019. The **59%** increase was due to higher non trade receivables recorded during the period.
- Other current assets including non-current assets increase from **₱1,363.4 million** as of December 31, 2018 to **₱1,927.4 million** as of September 30, 2019. The **41%** increase was due mostly to materials purchased related to the development of residential projects and increase in security deposits made for Group expansion projects and developments.
- Investment properties decreased from **₱587.4 million** as of December 31, 2018 to **₱538.7 million** as of September 30, 2019. The **8%** decrease was due to reclassification of Investment properties to Real estate inventories.

- Interest-bearing loans, including non-current, increased from **₱1,996.8 million** as of December 31, 2018 to **₱3,912.8 million** as of September 30, 2019. The **96%** increase was due to additional interest-bearing loans availed during the period.
- Rawland payables decreased from **₱1,582.2 million** as of December 31, 2018 to **₱1,322.1 million** as of September 30, 2019. The **16%** decrease was due to payment of land acquisitions made during the period, as part of the Group's expansion program.
- Customers' deposits increased from **₱1,899.4 million** as of December 31, 2018 to **₱2,564.1 million** as of September 30, 2019. The **35%** increase due to a higher number in reservation sales for the period.
- Income tax payable decreased by **45%**, to **₱ 10.7 million** as of September 30, 2019 from **₱ 19.5 million** as of December 31, 2018 due to the tax expense paid-off during the period.
- Reserve for perpetual care increased by **46%**, from **₱426.4 million** as of December 31, 2018 to **₱621.6 million** as of September 30, 2019 due to the parallel increase in memorial lot sales on account recorded for the period.
- Total stockholder's equity increased by **28%** or **₱1,673.6 million** from **₱6,079.1 million** as of December 31, 2018 to **₱7,752.7 million** as of September 30, 2019, due to the increase in retained earnings coming from the net income earned during the period.

**MATERIAL CHANGES TO THE GROUP'S STATEMENT OF INCOME FOR THE 9-MONTHS OF 2019 COMPARED TO THE 9-MONTHS OF 2018
(INCREASE/DECREASE OF 5% OR MORE)**

- Real Estate Sales increased by **47%**, to **₱5,764.1 million** in real estate sales for the 9-months of 2019, from **₱3,931.3 million** from the same period in 2018, due mainly to increases in memorial lot sales of Golden Haven and residential unit sales of Bria Homes.
- Income from interment services increased by **14%**, to **₱27.7 million** in 9-months of 2019 from **₱24.2 million** in the same period 2018, due mainly to the higher number of services rendered in 9-months 2019, compared to 9-months 2018.
- Income from chapel services increased by **19%**, to **₱32.3 million** in 9-months 2019 from **₱27.2 million** in 9-months 2018, due to the increase in the number of memorial services rendered in the period compared to the same period previous year.
- Cost of sales and services increased by **50%**, to **₱ 3,002.0 million** in 9-months of 2019 from **₱2,002.8 million** in 9-months 2018, due to the increase in the number of residential units, memorial lots, columbarium vaults sold for both Bria Homes and Golden Haven in 9-months 2019, compared to 9-months 2018.
- Operating expenses increased by **21%**, to **₱974.0 million** in 9-months 2019 from **₱803.3 million** in 9-months of 2018, which was mainly due an increase in tax payments, commissions, and in salaries and wages related to higher sales and expansion projects for the period.
- Other income - net decreased by **74%**, to **₱17.6 million** 9-months of 2019 from **₱67.5 million** in 9-months of 2018. This decrease was mainly attributable to increases in finance cost for interest bearing loans

- Tax expense decrease by **36%**, to **₱252.5million** for 9-months of 2019 from **₱392.2 million** for 9-months of 2018. This was mainly attributable to the lower taxable income base in 9-months of 2019 compared to the same period 2018.
- Total net profits increased by **83%** as a result of the movements above, to **₱1,673.6 million** in 9-months 2019 from **₱915.0 million** in 9-months of 2018.

There are no other material changes on the Group's financial position and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

COMMITMENTS AND CONTINGENCIES

The Group is a lessee under non-cancellable operating lease agreements for its office spaces. The leases have terms ranging from three to five years with renewal options upon mutual written agreement between the parties, and include annual escalation in rental rates.

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations, which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these events and conditions will not have material effects on the Company's financial statements.

PART II – OTHER INFORMATION

Item 3. 9-months of 2018 Developments

A. New Projects of Investments in another line of business or corporation

None.

B. Composition of the Board of Directors

<u>Name</u>	<u>Position</u>
Manuel B. Villar, Jr.	Director, Chairman of the Board
Maribeth C. Tolentino	Director and President
Frances Rosalie T. Coloma	Director
Rizalito J. Rosales	Director
Camille A. Villar	Director
Ana Marie V. Pagsibigan	Independent Director
Garth F. Castaneda	Independent Director

C. Performance of the corporation or result/progress of operations

Please see unaudited Financial Statements and Management Discussion and Analysis.

D. Declaration of Dividends

None.

- E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements.**

None.

- F. Offering of rights, granting of Stock Options and corresponding plans thereof.**

None.

- G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate**

Not applicable.

- H. Other information, material events or happenings that may have affected or may affect the market price of security.**

None.

- I. Transferring of assets, except in normal course of business.**

None.

Item 4. Other Notes as of 9-months of 2018 Operations and Financials.

- J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.**

None.

- K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.**

There are no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

- L. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.**

See notes to Financial Statements and Management Discussion and Analysis.

- M. Material events subsequent to the end of interim period that have not been reflected in the financial statements for the interim period.**

See notes to Financial Statements and Management Discussion and Analysis.

- N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.**

None.

O. Changes in contingent liabilities or contingent assets since the last annual statement of financial position date.

None.

P. Existence of material contingencies and other material events or transactions during the interim period.

None.

Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None.

R. 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.

None.

S. Material commitment for capital expenditures, general purpose and expected sources of funds.

The movement of capital expenditures being contracted arose from the regular land development and construction requirements which are well within the regular cash flow budget coming from internally generated funds.

T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

As of September 30, 2019, no known trends, events, or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 9-months of 2019 financial statements.

U. Significant elements of income or loss that did not arise from continuing operations.

None.

V. Causes for any material change/s from period to period in one or more line items of the financial statements.

None.

W. Seasonal aspects that had material effects on the financial condition or results of operations.

None.

X. Disclosures not made under SEC Form 17-C.


None.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

Golden Bria Holdings, Inc.
Issuer

By:


Maribeth C. Tolentino
President

Date: November 14, 2019