



**April 16, 2018**

**PHILIPPINE STOCK EXCHANGE**

9th Floor, Philippine Stock Exchange Tower,  
28th Street corner 5th Avenue, BGC Taguig City

Attention: Mr. Jose Valeriano B. Zuño III  
OIC – Head, Disclosure Department

Subject: Golden Haven, Inc.: **SEC 17A – December 31, 2017**

Gentlemen:

Please see attached SEC 17A Report.

Thank you.



Frances Rosalie T. Coloma  
Officer-in-Charge

# COVER SHEET

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S.E.C. Registration Number									

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(Company's Full Name)

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

Frances Rosalie T. Coloma
Contact Person

(02) 873-2922
Company Telephone Number

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Month	Day		
Calendar Year			

17-A
FORM TYPE

0	7	1	5
Month	Day		
Annual Meeting			

Secondary License Type, If Applicable

Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number									

LCU

Document I.D.									

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2017**
2. SEC Identification Number **108270**
3. BIR Tax Identification No. **768-991-000**
4. Exact name of issuer as specified in its charter **Golden Haven, Inc. (formerly Golden Haven Memorial Park, Inc.)**
5. **Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **San Ezekiel, C5 Extension, Las Piñas City, Philippines**  
Address of principal office
- 1746**  
Postal Code
8. **(632) 873-2922 / (02) 873-2543**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock</b>	<b>644,117,649</b>

11. Are any or all of these securities listed on a Stock Exchange?

Yes ☒ No ☐      **Name of Stock Exchange:** **Philippine Stock Exchange**  
**Class of Securities Listed:** **Common Stocks**

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that 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 ☐

13. Aggregate market value of voting stocks held by non-affiliates:

**₱1.5 billion as of December 31, 2017**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes ☐      No ☐      **NOT APPLICABLE**

**DOCUMENTS INCORPORATED BY REFERENCE**

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

Consolidated Financial Statements as of and for the year ended December 31, 2017 (incorporated as reference for Item 7 and 12 of SEC Form 17-A)

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## **PART I – BUSINESS**

### **Item 1. Business**

#### **Overview**

Golden Haven, Inc. (the “Company”), formerly Golden Haven Memorial Park, Inc., incorporated in November 1982, is one of Philippines’ leading developers of memorial parks in the country in terms of land developed. Aside from the development and sale of memorial parks, the Company likewise develops, constructs and operates columbarium facilities. With the acquisition of Bria Homes, Inc. (“Bria”), the Company is now also engaged in mass housing business.

Bria Homes, Inc. is a corporation duly organized and existing under the laws of the Republic of the Philippines. The primary purpose of Bria is to acquire, own, use, improve, develop, subdivide, sell, mortgage, engage, lease, develop, and hold for investment or otherwise improve, manage, or dispose of real estate of all kinds including buildings, houses, apartments, and other structures of whatever kind. Bria is principally engaged in the mass housing business with housing projects located around the country.

Bria Homes, Inc. is the fastest growing mass housing developer in the Philippines. It caters to ordinary Filipinos who dreams of having high quality and affordable homes. Bria established its national footprint by continuously growing and making quality projects. To date, Bria, has a total of 30 developments across some of the country’s most progressive cities and municipalities nationwide.

In relation to its death care business, the Company has nine memorial parks located in the cities of Las Piñas and Cagayan de Oro as well as in the provinces of Bulacan, Cebu, Iloilo, Zamboanga, Nueva Vizcaya, Pampanga and General Santos. The Company also has four existing columbaries within its memorial parks in Las Piñas, Cebu, Cagayan de Oro, and Zamboanga and a 20,000-vault columbarium located beneath the Santuario de San Ezekiel Moreno, a chapel constructed by the Company along C5 Road, Pulang Lupa, Las Piñas.

The Company offers memorial lots at varying lot sizes and price points within each of its existing memorial park and within those memorial parks presently in development. The four basic lot packages are lawn lot; garden niche; family patio; and family estate. Purchasers of a family estate lot can elect to construct a mausoleum, the design and construction of which must conform to the Company's parameters as part of the terms of the purchase. The Company also provides, as an additional service and at additional cost to the client, construction and associated services for these mausoleums.

#### **Recent Developments and Acquisitions**

In September 4, 2017, the Company's primary business purpose was amended to real estate in order to gain flexibility in undertaking business expansion while it remains engaged in the death care industry. It was approved by the Securities and Exchange Commission (SEC) on October 20, 2017.

On 27 December 2017, the Company executed a Deed of Absolute Sale of Shares for its acquisition of substantially all issued and outstanding capital stock of Bria Homes, Inc. legally and/or beneficially owned by Cambridge Group, Inc., (“Cambridge”).

On 27 December 2017, the Company executed a Deed of Absolute Sale of Shares for its acquisition of substantially all issued and outstanding capital stock of Bria Homes, Inc. legally and/or beneficially owned by Cambridge Group, Inc., (“Cambridge”) at the purchase price of ₱20.0935 per share or an aggregate purchase price of ₱3,014,027,483, payable in cash.

At the same date, the Board of Directors authorized the issuance of 150,000,000 common shares to Cambridge Group, Inc., out of the unissued authorized capital stock of the Company, at the subscription price of ₱20.0935 per share or an aggregate subscription price of ₱3, 014,027,483. The issuance is

undertaken pursuant to the stockholders' approval for the issuance by way of private placement of up to 150,000,000 shares of the Company on October 16, 2017.

The Company believes that the Bria Acquisition will (i) diversify its real estate business by entering into the mass housing market, (ii) accelerate growth and enhance profitability through the creation of additional revenue streams independent of its current business, (iii) allow the Company to maximize the value of its land bank by providing other avenues for its utilization, (, and (iv) build shareholder value.

On February 1, 2018, in the special board meeting, the Company's Board of Directors (BOD) approved the change of name from Golden Haven, Inc. to Golden Bria Holdings, Inc. The amendments to the Company's Articles of Incorporation and By-Laws approved by the SEC on March 6, 2018.

On March 23 2017, the Bureau of Internal Revenue (BIR) approved the change in Bria'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 Piñas. The change in Bria's registered office is yet to be approved by the SEC. The new registered address of Bria is also its principal place of business. The registered office of the Company, which is also its principal place of business, is located at San Ezekiel, C5 Extension, Las Piñas City.

During the year, the Company also launched its first memorial chapel and crematorium complex in Las Piñas City, progressing with its vision to become the first complete, full-service death care company in the country. With the completion of chapel and crematorium, the Ezekiel Complex in Las Piñas now offers a full range of memorial services.

As of the date of this filing, the Company also has entered into agreements for the acquisition of raw lands with an aggregate area of 53.7 hectares in Bauan, Subic, Antipolo, Sariaya, Isabela, Amadeo, Bukidnon and Naga. These raw lands are acquired for future project expansions of the Company.

## **Products and Services**

### ***Death care Business***

The death care services market comprises products and services during the period of mourning and grief following the death of a loved one. The market generally includes funerary arrangements (care for the deceased and cosmetic embalming in preparation for viewing), burial or cremation services, and the sale of caskets, urns and memorabilia.

As of the date of this filing, the Company's key products and services consist of the sale of memorial lots and columbarium vaults made available to the public through the Company's developments. On March 1, 2017, the Company opened its first memorial chapel and crematorium facility, allowing it to expand the services and products it offers to more segments of the death care industry. As of the date this filing, the Company offers their products and services in the following locations:

- The Ezekiel Complex, which houses the Ezekiel Columbarium, and the Golden Haven Memorial Chapels and Crematorium
- Golden Haven Las Piñas Park
- Golden Haven Cebu Park
- Golden Haven Cagayan de Oro Park
- Golden Haven Zamboanga Park
- Golden Haven Iloilo Park
- Golden Haven Bulacan Park
- Golden Haven Pampanga Park
- Golden Haven Nueva Vizcaya Park
- Golden Haven General Santos Park

With the exception of the Golden Haven Cagayan de Oro Park, all of the foregoing developments are wholly-owned by the Company. On the other hand, the development of the Golden Haven Cagayan de Oro Park has been undertaken through a joint venture with a third-party land owner.

### ***Residential Development Business***

In the light of the recent acquisition of Bria Homes Inc., the Company is now also engaged in the mass housing business with housing projects located around the country.

Bria Homes, Inc. is the fastest growing mass housing developer in the Philippines. It caters to ordinary Filipinos who dreams of having high quality and affordable homes. It has 30 developments across some of the most progressive cities and municipalities nationwide. The Company established its national footprint by continuously growing and making quality projects. As of current, the Company is present in 17 cities and municipalities nationwide.

### **Distribution Methods of Products**

#### ***Death care Business***

The Company relies extensively on third party agents to sell its products and services in the country. As the terms of engagement by the Company of these agents are non-exclusive, these agents, in general, may likewise offer products and services of the Company's competitors. The Company cannot give any assurance that these agents will give adequate focus to the Company's products and services and not favor or give priority to any other products these agents may otherwise offer. If a large number of these agents were to reduce focus on the Company's products and services, or otherwise terminate their arrangements with the Company, there can be no assurance that the Company would be able to replace these agents in a timely or effective manner.

The Company also has limited control over these third party agents and cannot monitor all aspects of their work. With this limited control, the Company cannot give assurance that none of its third party agents will make misleading representations and promises on the Company's products and services, leading to customer disputes and damage to the Company's reputation.

### ***Residential Development Business***

The Company believes it has one of the most extensive marketing networks of all Philippines housing development companies.

#### **Local Marketing Network**

The Company's local marketing and distribution network of independent contractors and agents for its housing development activities consists of various teams with a combined total of approximately 14,771 active agents. Of these marketing teams, 713 are accredited licensed realtors and 12 teams are direct marketing groups.

The Company believes that it offers its marketing teams competitive compensation terms. The Company's commission structure and incentive schemes vary relative to the network's affiliation and sales structure.

The Company's exclusively contracted marketing teams are compensated through a monthly allowance and are provided administrative support by the Company, including office space and expense allowances. Broker companies are compensated with relatively higher commissions with funding allocations for business development programs.



## **International Marketing Network**

The Company believes that the OF (Overseas Filipinos) population constitutes a significant portion of the demand for its housing and land development projects. The demand comes from both the direct purchase by the OF or purchase by relatives of the OF financed by OF remittances. As such, the Company seeks to adequately service and reach the OF and international markets. For that purpose, the Company has established an extensive international marketing network.

This network consisted of approximately 52 partners and 1,391 independent agents located in countries and regions with large OF populations, including the United States, as of 31 December 2017.

Through this network, the Company is well-represented in key cities abroad with the highest concentration of OF communities. The Company's presence is significant in countries and regions such as North America, Europe, Middle East and Asia including Japan. These international brokers are established in their respective areas and serve as the Company's marketing and promotion agents in their territories, to promote the Company and its products. In addition, some of these agents have bought houses from the Company in the past. The Company believes that its long standing relationships with these agents over the years distinguish it from its competitors.

The Company, together with these international brokers and agents, regularly sponsors road shows and participates in international fairs and exhibits, Filipino social and professional gatherings, and other OF-related events.

Awareness efforts are primarily conducted through periodic TV advertising on Philippine primetime television and sustained TV advertising on The Filipino Channel, as well as print advertising on national and geo-based publications.

## **Land Development and Acquisition**

### ***Death care Business***

Part of the Company's key strategies is to continue to work on developing existing, undeveloped and contiguous land areas of its memorial parks, which would allow it to increase its inventories to meet emerging market demand for its products. Development activities will include site preparation, landscaping, beautification and other related civil works on the relevant areas intended to make the same suitable for further development into memorial park spaces.

As of December 31, 2017, the Company has properties for its developments with a total size of 132 hectares in the following locations:

- Las Piñas City
- Cebu
- Cagayan de Oro
- Zamboanga
- Iloilo
- Bulacan
- Pampanga
- Nueva Vizcaya
- General Santos
- Bauan
- Subic
- Antipolo
- Sariaya
- Isabela

- Amadeo
- Bukidnon
- Naga

The Company also considers the feasibility of obtaining required governmental licenses, permits, authorizations, and adding necessary improvements and infrastructure, including sewage, roads and electricity against a purchase price that will maximize margins within the limits of available financing.

### ***Residential Development Business***

The Company sources land for its projects either through direct purchase. The evaluation process on land acquisitions focuses on 4 major factors: (a) legality of the documents covering the piece of property; (b) valuation of the property; (c) technical characteristics of the property; and (d) other factors impacting on the suitability and feasibility of future projects. As and when needed, the Company also engages third parties, such as surveyors and engineers, to verify that the land it seeks to acquire is covered by the technical description of the title.

Before the Company acquires land to develop land, the Company also conducts its own valuation of the property based on, among other factors, other similar properties in the market and an assessment of the potential income derivable from any development suitable for the property.

Before directly acquiring land, the Company conducts engineering and environmental assessments in order to determine if the land is suitable for construction. The land must be topographically amenable to housing development.

The Company has developed specific procedures to identify land that is suitable for its needs and performs market research to determine demand for housing in the markets it wishes to enter. These factors include:

- the general economic condition of the broad environment of the property;
- suitable land must be located near areas with sufficient demand or that the anticipated demand can justify any development;
- site's accessibility from nearby roads and major thoroughfares;
- the availability of utility infrastructure, such as electric transmission facilities, telephone lines and water systems; and
- the overall competitive landscape and the neighboring environment and amenities.

The Company also considers the feasibility of obtaining required governmental licenses, permits, authorizations, and adding necessary improvements and infrastructure, including sewage, roads and electricity against a purchase price that will maximize margins within the limits of available financing.

### **Joint ventures**

The Company has grown its land bank primarily through direct purchases. However, the Company has also entered into joint venture agreements with land owners or other park developers, specifically for its future project in Antipolo, Rizal and Subic, Zambales. These joint venture arrangements are seen to offer certain advantages to the Company, particularly because the Company is not required to pay for the land in advance. The Company's interest in these joint ventures varies depending on the value of the land against the estimated development cost.

Historically, the Company has not experienced any material difficulties in finding joint venture partners to supply land and currently does not expect to experience any such difficulties in the future. The Company believes that this is due to its strong track record, and the track record of its affiliates, which boasts numerous successfully completed projects all over the country, which gives its joint venture partners confidence that their specific project will be handled successfully. Further, there is a prevalence of land owners in the Philippines who wish to develop their land in a multitude of ways, but who may not have the resources, both financial and expertise, to do so.

The Company's joint venture arrangements typically require the joint venture partner to contribute the land to the project, with the Company bearing all costs related to land development, or the continuance thereof, and the construction of park facilities. The Company and its joint venture partner then agree on which of the resulting subdivided saleable lots will be allocated to the Company and which lots will be allocated to the joint venture partner, in accordance with their respective joint venture interests.

Sales and marketing costs are allocated to both the Company and the joint venture partner, with the joint venture agreement specifying a percentage of the contract price for the lots allocated to the joint venture partner as the sales and marketing costs (including commissions to brokers) attributable to the sale of such lots. However, the Company is responsible for organizing and conducting actual sales and marketing activities.

The joint venture partner is also required to warrant his/her title over the land and, if necessary, to clear the land of tenants and informal occupants before the Company commences development work on the land. All costs relating to clearing the land of tenants and informal occupants are the responsibility of the joint venture partner, although the Company may provide cash advances to cover a portion of these costs, which will then be deducted from any sale proceeds attributable to the joint venture partner.

### **Business Strategies**

The Company aims to continue to pursue its goal of becoming the biggest, fully-integrated death care and mass housing provider in the Philippines. To achieve this objective, key components of the Company's strategies include:

- *Expansion of death care facilities and mass residential housing development by active and strategic acquisitions of land and/or existing death care facilities*

Aside from the launch of new sales phases within its existing memorial parks and columbaria as well as existing mass residential housing developments, the Company intends to continue its strategic expansion throughout the country. This expansion, via land acquisitions and the acquisition and re-development of existing memorial parks, will focus on those locations or areas where the real estate projects by affiliate companies have been established, or being developed to capitalize on the marketing synergies between the affiliated companies.

With a view to establishing its brand, in both death care and mass residential housing development, presence in multiple key cities, the Company aims to expand its land bank through multiple acquisitions in a diverse set of cities and provinces nationwide. Leveraging on its experience and track record in land development, land acquired is expected to vary based on the needs of the Company's target population, the type of services required in the area, or customer (or prospective customer) preferences in general direct acquisition of raw land or developed property remains the preferred means of expansion, with the possibility of entering joint ventures as a secondary means of acquisition.

- *Expansion of death care services to include embalming, cleansing, dressing and cosmetic restoration of the deceased in preparation for viewing, and other memorial services*

As of the date of this filing, the Company has opened its first memorial chapels and crematorium facility within the Ezekiel Complex in Las Piñas. The Las Piñas memorial chapel contains 12 viewing rooms of varying sizes, and is leased out to its clients for the traditional wake and viewing period before the

deceased is buried or cremated. It also looks to offer video memorialization and online streaming capabilities to enable on-line participation of the deceased's relations during religious and other memorial ceremonies. The completion of this facility gives the company another possible avenue for recurring revenues.

With the completion of this first facility and the opening of future memorial chapel and crematorium facilities, the Company is able to offer, in addition to its existing death care products, at-need burial or at-need cremation services covering embalming, cleansing, dressing and cosmetic restoration of the deceased in preparation for viewing, and other memorial services. The Company believes that by offering these expanded services, the Company would be able to simplify and reduce any duress experienced by its clients with the death care process. Further, the inclusion of such services in addition to its existing death care products enhances the Company's product and service portfolio, making its present and prospective offerings more attractive to its clients.

- *Expansion of death care products by development of pre-need death care plans and packages*

The Company intends to expand its death care product portfolio by developing, by itself or through any one or more subsidiaries or affiliates, planned pre-need death care packages, which would be designed to include a mix of the Company's suite of products, such as memorial lots and funeral services (embalming, cleaning, cosmetic restoration and the use of the Company's chapels during the viewing period), the supply of caskets or urns, and cremation or burial services – customized according to the client's preferences.

The inclusion of pre-need death care plans will enable the Company to offer its entire range of products before these are actually required, at discounted rates compared to at-need purchases. Such packages will also allow clients to customize their requirements and to pay for the relevant products and services over an extended payment period.

- *Brand building and marketing both domestically and internationally*

With projects in various cities and provinces, covering Luzon, Visayas and Mindanao, the Company plans to undertake aggressive nation-wide marketing and advertising efforts to enhance its brand recognition in both death care and mass residential housing developments, throughout the Philippines and to become the first name and the provider of choice for death care products and services as well as for mass residential housing developments.

The Company intends to aggressively promote this position especially to overseas Filipino workers. In line with this, the Company intends to increase and strengthen arrangements with international brokers and agents who operate in key cities and countries in North America, Europe, the Middle East and Asia.

- *Continue to evaluate projects for synergies*

The Company intends to continue to evaluate potential projects, particularly with respect to opportunities among the affiliates and its mass residential housing development subsidiary, in order to maximize cost efficiencies, resources and other opportunities to derive synergies across its related parties.

- *Maintain strong financial position*

The Company intends to maintain its strong financial position by controlling costs and maintaining its net cash position. The Company is able to control development costs by generating a significant portion of its project financing from pre-sales of residential units. By securing post-dated checks and providing a variety of financing options to buyers, the Company limits its cash outlays prior to obtaining project funds. The Company also controls development costs by entering into joint development agreements

with landowners, which is a cost-effective means of obtaining rights to develop land as initial costs are fixed and future payments are a fixed percentage of revenue from sales and leasing activity.

The acquisition of a mass residential housing development company significantly increased the financial position of the Company and it aims to continue and maintain its current consolidated financial position.

- *Continue to manage land bank and land acquisitions*

The Company has an in-house group composed of senior managers whose primary responsibility is to search (for suitable properties), negotiate (including joint-venture options), acquire and manage its strategic land bank. The land bank management group is comprised of technical, finance and legal experts, and is aided by the Company's network of brokers. The Company also maintains goodwill amongst the owners of major tracts of land in the Philippines. Through the foregoing, the Company continually identifies attractive locations for future projects, prospective partners and negotiates joint venture arrangements to ensure a long-term pipeline of developmental projects in both its death care business and mass residential housing development.

- *Extensive marketing efforts*

The Company established its own in-house sales force, who are tasked to market and sell only Company products in both its death care and mass residential housing development businesses. The Company also provides its brokers and sales agents with competitive commission schemes and other incentives. Beyond this, the Company gives its sales force skills-build-up programs as a way of planning and managing their career growth with the Company. A parallel effort is the continuous recruitment of competent brokers and sales agents.

## **Site development and construction**

### ***Development and Operation of Death Care Facilities***

In developing a death care facility, the Company conducts a site evaluation to assess the suitability of a property for development into any one type of death care facility, such as a memorial park, a columbarium, a crematorium or whether such property is best suited for ancillary services such as memorial chapels. Aside from property costs, land access, water and power supply and other infrastructure determine a site's suitability for each type of death care facility. The Company simultaneously conducts a market assessment, considering potential market size, the income levels and the presence of established competition in the area.

After a favorable feasibility study, the Company begins the project development process starting with the process of securing regulatory approvals and clearances from various government departments, including the DENR, the LLDA and, if necessary, the DAR, as well as the local government units having jurisdiction over the project area. For more information on the regulations applicable to the Company and its business, see the section "Regulatory and Environmental Matters".

Concurrent with its regulatory compliance efforts, the Company undertakes the process of master planning, design and engineering. Golden Haven has its own architects, engineers, and design experts to plan its developments, and at present has a technical services team of 20 employees. On occasion, the Company may engage third party architects, designers and planners. Design and architectural and engineering development timetables vary by project, depending on its scale and design.

Once a project has received a development permit from the relevant local government unit, the Company then applies for a permit to sell from the HLURB to allow the pre-selling of memorial lots and columbarium niches.

Land development, landscaping, infrastructure, and construction work for the Company's projects are all contracted out to various independent contractors. Over its history, the Company has utilized a total of more than 50 independent contractors, and is not dependent on any single firm or contractor.

As of the date of this filing, the Company believes that it has secured all material licenses, permits, consents and registrations from the relevant regulatory authorities which it is required to obtain under applicable law to enable it to engage in the development, operation and maintenance of memorial parks and columbaria.

### ***Residential Development Business***

For its residential development activities, the Company begins its project development process after extensive site evaluation by the Company and certain third party contractors, acquisition of the land (either directly or through a joint venture agreement) and a final decision by the Company to develop such land.

Before the site development process can begin, the Company must obtain regulatory approvals and clearances from various government departments. These include the DENR and the DAR, as well as from the local government unit with jurisdiction over the area where the project will be located. For more information, see "Regulatory and Environmental Matters" for a discussion of government regulations with which the Company must comply in the course of developing its projects.

The Company routinely secures the required governmental approvals for its projects during the planning, construction and marketing stages of project development. The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business. The Company believes that it has at all times obtained the required government approvals relevant for each project depending on its respective stage of development.

The site development process involves the planning of the potential project, including determination as to the suitable market segment, master planning, design of houses and landscape design. Development timetables vary from project to project, as each project differs in scale and design. Typically, site development after land acquisition takes at least one year, during which time the Company prepares both the master plan for the entire project (which can take several months and may be revised over the course of the project) and detailed plans for each project phase (which can take up to two months), obtains the necessary government approvals and permits and conducts pre-marketing activities. Once the project has received a development permit from the relevant local government unit and a permit to sell from the HLURB, pre-sales of subdivision lots can begin (often on an initial phase of the project), as well as some initial development work on the project site. Future expansion of the project will depend on the level of sales. As one phase is sold, a new phase of the project will be open for sales and this process is repeated until project completion.

The Company, as often as possible, utilizes its in-house design capabilities and market research data to plan developments. Aside from determining the feasibility of a project, the objective of this study is to determine the property type for development (i.e., whether a project will be developed as a lot-only project, a house and lot project or a combination of both). The Company believes that its extensive experience and expertise in residential real estate development allows it to reduce costs, maintain competitive prices and increase sales. From time to time, the Company hires third-parties to design and plan projects. The work performed by these third-parties must comply with specifications provided by the Company and, in all cases, is subject to the Company's review. In particular, the Company hires third-parties, including international firms, to design projects which are complex and require specific technical expertise and to design specific high-end projects.

For its housing units, the Company internally develops the construction designs. The Company's architects and engineers are trained to design structures to maximize efficiency and minimize production costs. The Company's current designs allow customers to upgrade finishing details on a customized basis after the housing units are delivered and future vertical expansion through the addition of a second storey. The Company will continue to invest in the development of design and planning construction to further reduce



costs and continue to meet customer needs. As of 31 December 2017, the Company employed a total of 7 architects and 28 engineers.

The Company finances the development of projects through a combination of pre-sales and internally-generated funds, particularly for the construction of common areas and facilities during the early stages of a project. The Company also maintains some flexibility in timing the progress of its development projects to match the progress of pre-sales. Thus, the progress of a development is greatly influenced by the level of pre-sales.

### **Maintenance Fund**

#### ***Death care Business***

Since the sale of the Company's memorial lots and columbarium vaults require it to perform certain future and perpetual obligations, such as the payment of real estate and any other taxes that may be imposed on the memorial park or the columbarium facility, as well as the continuing operation or maintenance thereof, the Company has established perpetual care funds or maintenance funds designed to address these future and continuing obligations.

In general, the cost of these undertakings (or anticipated cost thereof) is incorporated into the purchase price for the memorial lot or the columbarium vault in the form of a one-time maintenance fee, and a portion of the proceeds collected from purchasers is then allocated into the relevant maintenance fund. Where the sale of the product is by way of installments, this maintenance fee is likewise collected ratably from each installment and set aside for such purpose.

The Company's maintenance funds typically take the form of funds escrowed with, and managed by, a third party manager under an escrow and management agreement entered into by the Company for this purpose, and the income from such maintenance funds are then used to finance the operating and maintenance costs of the applicable death care facility. Under this fund management arrangement:

- The Company has no right to amend the fund management arrangements established that may in any way reduce or impair the principal of the maintenance fund, or divert income thereof to any purpose other than the perpetual care and maintenance of the relevant memorial park or columbarium, including expenses for the maintenance and preservation of the scenery, background and landscape of its areas, cleaning, pruning and maintenance of the grounds, boundaries, walks, roadways and structures. Any release of income from the maintenance fund must be supported by receipts, billing statements, statements of account and similar documents evidencing the use of such funds for the maintenance and administrative costs of the relevant memorial park or columbarium.
- The Company has no right or authority to decrease the principal amount of the maintenance fund except for major rehabilitation of the relevant memorial park or columbarium as a result of natural calamities, fire, earthquake, typhoons, floods, civil war and the like.
- The escrow agent and fund manager may, in its sole discretion, invest the maintenance funds into the following forms of investments: (i) treasury notes or bills, BSP Certificates of Indebtedness or other government securities, bonds or other evidence of indebtedness, the servicing and repayment of which are fully guaranteed by the Government, (ii) deposits with the fund manager and other banks, and (iii) loans or investments upon the direction of the Company or of a court of competent jurisdiction or other competent authority in writing indicating the nature of the transaction, the borrower's or other party's name, the amount involved and the collateral, if any.
- In the event that the income of the maintenance fund for a period is not adequate, the balance of any repair and maintenance expenses is then financed directly by the Company.

As of December 31, 2017, the balance of the Company's maintenance funds in the aggregate amounted to ₱266.27 million.

### **Contracts with Suppliers**

#### ***Death care Business***

In general, the Company enters into fixed-priced standard form contracts, awarded after a bidding process, with its contractors, with the cost of materials included as part of the contract price. Payments are generally on a percentage of completion or milestone basis. In each development, contractors are managed and evaluated by a project manager, directly employed by the Company.

Project duration from launch to completion for a memorial park project or a columbarium project typically takes anywhere from one to two years, depending on the scale and size of the memorial park project or the columbarium project.

After completion of a project, the Company then engages independent contractors to operate and maintain its memorial parks and columbarium facilities. These contractors customarily provide the security, janitorial, gardening and repair and maintenance requirements of each development. The Company engages several firms, based on a competitive selection process and for fixed terms or durations, and is not dependent on any single provider for each of these various services.

However, because of the technical and highly-specialized nature of memorial services and cremations, the Company restricts the management and operation of its memorial service facilities and its crematorium to in-house personnel, rather than rely on contracted or third party personnel. Each memorial service facility or crematorium will have its own manager, accounting and administrative, and customer support staff as well as the technical experts providing the services offered.

The Company has likewise standardized its maintenance protocols, including periodic re-planting, repainting and other maintenance activities, to which each contractor is expected to conform.

#### ***Residential Development Business***

For its housing development activities, site development and construction work is contracted out to various qualified and accredited independent contractors. For larger projects, such as site development work, contracts are awarded on the basis of competitive bidding. For smaller-scale projects, such as the construction of certain structures within a project or of specific housing units, the Company will directly contract specific contractors based on its previous experience with such contractor for a specific type of project. In all cases, the Company's accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. The Company maintains relationships with over 40 accredited independent contractors and deals with each of them on an arm's-length basis. The Company is not and does not expect to be dependent upon one or a limited number of suppliers or contractors.

The Company does not enter into long-term arrangements with contractors. The awarded contracts typically cover the provision of contractor's services in relation to a particular project or particular housing units. To ensure compliance with Company requirements and to maintain the quality of the developments, the Company has a team of project engineers who perform the following functions:

- Directly managing site development and construction activities;
- Coordinating the activities of the Company's contractors and suppliers;
- Overseeing quality and cost controls; and
- Ensuring compliance with zoning and building codes and other regulatory requirements.



Typically, the Company enters into fixed-price contracts with its contractors, with the cost of materials included as part of the price.

Housing unit construction will typically take two to four months to complete depending on the size. Most construction materials are provided by the contractors themselves in accordance with the terms of their contracts. In certain cases, the Company guarantees payment to the Company-specified suppliers for purchases by contractors of construction materials. In these cases, the Company makes direct payments to such suppliers, with the amounts paid by the Company for construction materials deducted from payments to the contractors.

Progress payments are made to contractors during the term of the contract based on the accomplishment of pre-determined project performance milestones. The Company usually retains 5% to 10.0% of each progress payment in the form of cash for up to three months from the date the contracted work is completed and accepted by the Company. The amounts retained are used to meet contingency costs, such as addressing claims from purchasers thereby limiting the financial burden on the Company

The Company has a broad base of suppliers.

### **Research and Development**

#### ***Death care Business***

While the Company engages in research and development activities focusing on the types of materials and designs used for memorial park and memorial chapel developments all over the world, as well as market studies on potential locations and new products, and gathering market data on the local customer base, the expenses incurred by the Company in connection with these activities are not material.

The Company's research and development activities also include organizing regular trips for its operations personnel, architects and engineers to various cities in America, Europe, and Asia to enable them to become more attuned to high quality developments and latest trends from overseas.

#### ***Residential Development Business***

While the Company engages in research and development activities focusing on the types of construction materials used for its housing units, construction methodology, value-engineering for its projects and quality assurance, as well as market studies and gathering data on target retail customer base, the expenses incurred by the Company in connection with these activities are not material.

The Company's research and development activities include organizing regular trips for its operations personnel, architects and engineers to various cities to enable them to become more attuned to high quality developments and latest trends from overseas.

### **Insurance**

#### ***Death care Business***

The Company has insurance coverage for its real and personal properties, columbaries and its main office, covering fire, lighting, earthquake, typhoon and flood. The Company also maintains motor vehicle insurance, and death and total or partial disability for its employees with benefits depending on the employee's position in the Company. However, there is no assurance that the amount of cover will be adequate in the event of a covered event or that the insurers will pay in claims promptly and in full.

The Company does not carry any business interruption insurance.

### ***Residential Development Business***

The Company has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, the Company's insurance policies include coverage for, among other things, buildings and improvements, machinery and equipment, furniture, fixtures and fittings against damage from fire and natural perils, machinery breakdown, third-party liability to the public and construction works. For its vertical projects, the Company has also obtained insurance with various general contractors. The Company does not carry business interruption insurance.

### **Sales and Marketing**

#### ***Death care Business***

##### **Target Market**

The Company believes that purchasers of its memorial lots, niches and eventually, its memorial services, are typically heads of households, between 25 to 55 years of age, with a median family income of between ₱75,000 to ₱100,000, and have generally attained financial stability.

In general, clients purchase the Company's memorial lots and niches in advance or before the need for such products arises.

The Company believes that proximity to the home of a prospective client dictates such client's decision to purchase a death care product or avail of death care services. Accordingly, the Company has built, and it will continue to build, death care facilities, products and services in various strategic locations across the country. The Company also believes that rising incomes and economic development in the provinces will drive demand for its products throughout the Philippines.

##### **Sales and Agency Network**

The Company has over 4,000 independent accredited agents organized into more than 150 sales networks located nationwide to generate sales of memorial lots and columbarium vaults.

The Company's agents are compensated solely on a commission basis. Agents are generally not exclusive and can offer real estate packages and other product and service offerings, including products and services that may compete with those of the Company.

The Company, through its internal marketing and sales organization, manages and monitors the performance of its sales teams and individual agents. Aside from the evaluation, training and management of the Company's independent agents, its sales and marketing organization is responsible for market evaluations, pricing and credit packages, and the preparation of marketing materials such as fliers and brochures. As of the date of this Prospectus, the Company has a total of 35 employees directly responsible for its sales and marketing functions.

### ***Residential Development Business***

##### **Target Market**

With the Company's continual growth together with its core values, the Company is truly the perfect choice for ordinary Filipinos - from OFWs to local office workers, from factory employees to entrepreneurs, from balikbayan to retirees. Until every Filipino attains the Bria Home they deserve, it will continue to welcome Filipinos to their new homes. Since its establishment, it primes itself on the development of affordable

house and lot packages and easy-on-the-pocket condominium units that caters to ordinary Filipino families who aspire to acquire their own homes. It had become the perfect choice for average Filipino workers who wanted to invest in a home that is both high quality and affordable.

To date, the Company has a total of 30 developments across some of the country's most progressive towns and cities.

### **Sales and Agency Network**

The Company believes it has one of the most extensive marketing networks of all Philippines housing development companies.

#### *Local Marketing Network*

The Company's local marketing and distribution network of independent contractors and agents for its housing development activities consists of various teams with a combined total of approximately 14,771 active agents. Of these marketing teams, 713 are accredited licensed realtors and 12 teams are direct marketing groups.

The Company believes that it offers its marketing teams competitive compensation terms. The Company's commission structure and incentive schemes vary relative to the network's affiliation and sales structure.

The Company's exclusively contracted marketing teams are compensated through a monthly allowance and are provided administrative support by the Company, including office space and expense allowances. Broker companies are compensated with relatively higher commissions with funding allocations for business development programs.

#### *International Marketing Network*

The Company believes that the OF (Overseas Filipinos) population constitutes a significant portion of the demand for its housing and land development projects. The demand comes from both the direct purchase by the OF or purchase by relatives of the OF financed by OF remittances. As such, the Company seeks to adequately service and reach the OF and international markets. For that purpose, the Company has established an extensive international marketing network.

This network consisted of approximately 52 partners and 1,391 independent agents located in countries and regions with large OF populations, including the United States, as of 31 December 2017.

Through this network, the Company is well-represented in key cities abroad with the highest concentration of OF communities. The Company's presence is significant in countries and regions such as North America, Europe, Middle East and Asia including Japan. These international brokers are established in their respective areas and serve as the Company's marketing and promotion agents in their territories, to promote the Company and its products. In addition, some of these agents have bought houses from the Company in the past. The Company believes that its long standing relationships with these agents over the years distinguish it from its competitors.

The Company, together with these international brokers and agents, regularly sponsors road shows and participates in international fairs and exhibits, Filipino social and professional gatherings, and other OF-related events.

Awareness efforts are primarily conducted through periodic TV advertising on Philippine primetime television and sustained TV advertising on The Filipino Channel, as well as print advertising on national and geo-based publications.

## **Pricing and Installment Plans**

### ***Death care Business***

The price of a memorial lot or niche is location specific and is dependent on several factors, including the cost of land, development and construction costs and the estimated operating costs of a memorial park or columbarium, pricing of competitors within proximity of the development, income levels of the target market, among other considerations.

Selling of prospective memorial parks and niches begin as soon as the Company has completed securing all of the necessary government approvals and has completed the preparation of marketing materials. At launch, the Company has pre-determined the number of memorial lots or niches to be offered at the launch price. Succeeding releases of memorial lots and niches are at increasing prices, depending on market demand and the acquisition of any necessary government approval.

Aside from cash purchases, the Company also offers installment plans for its memorial lots and niches allowing for monthly payments over a term of between one to five years. Mandatory down payment is typically in between 15% to 20% of the purchase price. Monthly amortizations are inclusive of an effective interest rate of 6% to 12% per annum depending on the term of the installment plan.

Installment sales are documented through a purchase agreement between the purchaser and the Company. Under these agreements, in the event of a default, the purchaser forfeits all rights to the subject memorial park lot or columbarium vault. Any refund, after evaluation and deemed valid, shall be governed by the applicable laws at the time of the purchase; otherwise, the Company retains all payments made by the purchaser as liquidated damages.

The Company believes that through the combination of its customer selection process, pricing and installment plans, it has adequately managed the risk of defaults.

Upon full payment of a memorial lot or the niche, the Company issues to its purchasers a certificate evidencing the buyer's perpetual right to use the memorial lot or the niche, as applicable.

For its memorial chapels and crematorium, the Company charges a fixed daily rate for the lease of its chapel viewing rooms. Packages for chapel viewing room, inclusive of body preparation and caskets, range from PHP 60,000.00 to PHP 350,000.00.

There is also a separate rate applied from cremation services, with rates ranging from PHP 18,000.00 to PHP 165,000.00. Booking for these services require a down payment upon reservation, with balance paid upon use. The Company also offers bundled promotional rates that include both chapel viewing room, and cremation services at discounted rates.

### ***Residential Development Business***

The Company's customers can generally purchase the Company's products through:

- Government-assisted financing.
- in-house (Company-provided) financing;
- bank financing; and
- cash purchases;

Under these four major modes of payments, the Company designs flexible and creative financing packages for its customers to make their acquisitions possible.

Customers of the Company obtain financing from the Government. Government-subsidized loans under the government financial institution programs still continue to be the largest source of purchaser financing for the socialized market.

The Company also offers in-house financing to buyers. There are cases wherein in-house financing schemes serve as stepping stones to facilitate transactions. In these instances, the buyers use the in-house financing facility but convert to bank financing within a certain period.

There are also instances where customers of the company obtain Mortgage loans from private banks. These are offered to buyers who are perceived to be acceptable credit risks and certain housing price points. To streamline the loan processing application, the Company has arrangements with several banks regarding the processing of applications with respect to the financing of unit purchases.

Cash-basis acquisitions are usually given special discounts. Negotiated discounts are also allowed for accelerated payment schedules and other bulk payments. This is to encourage capable buyers to pay upfront for their property acquisition.

#### *In-house financing*

The Company has established processes and procedures designed to screen homebuyers applying for in-house financing to ensure that they are financially capable of paying their monthly amortizations. The Company conducts strict and thorough credit checks which include but are not limited to:

- employment/career/business background checks;
- credit card verification using national credit databases; and
- conducting physical verification of claims regarding residences and properties owned by the buyer.

The Company typically finances 90% to 94% of the total purchase price of the property being sold. The loans are then repaid through equal monthly installments over periods ranging from five to 15 years. The interest rates charged by the Company for in-house financing typically range from 10% per annum to 15% per annum, depending on the term of the loan, with the financing agreement providing for an escalation of the interest rate in the event of a general rise in interest rates charged by the banks and other financial institutions.

Where a buyer has obtained in-house financing for a purchase, the Company will retain the title to the property until full payment of the loan. During this period, if the buyer defaults on the payment of the monthly installments due, the Company has the right to cancel the sale and retain payments already made by the buyer. The Company faces certain risks relating to the cancellation of sales involving its residential projects and if the Company were to experience a material number of sales cancellations, the Company's historical revenues would be overstated."

#### *Mortgage loans*

Mortgage loans from commercial banks are available to individuals who meet the credit risk criteria set by the relevant bank and those individuals who are able to comply with such bank's documentary requirements and credit investigation. To assist prospective buyers obtain mortgage financing from commercial banks, the Company has arrangements with several commercial banks. Further, the Company ensures that all of its units are properly and completely documented to adequately comply with the bank's requirements.

In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). The HGC is a Government-owned and controlled corporation that operates a credit guaranty program in support of the Government's efforts to promote home ownership. It provides risk guarantees and fiscal incentives for loans and credit facilities for residential purposes provided by banks and financial institutions. In the event a buyer defaults in connection with an HGC-registered loan or credit facility, the HGC guarantees the payment to the extent of the outstanding balance, interest and yield. The interest and yield on loans and credits guaranteed by the HGC is exempt from taxation.

#### *Customer service and warranties*

The Company believes it is important to ensure that quality service is afforded to homebuyers throughout and after the relevant sales period, including during house lay-out, construction, move-in and introduction to the homeowners' association. The Company's Customer Care Department (the "CCD") has qualified staff dedicated to addressing these concerns.

Apart from the standard contractual warranties on the purchased unit, for each project the Company engages the services of a professional property management group which oversees the affairs of the homeowners' association. This helps homebuyers to achieve a smooth introduction to their new neighborhood and further enhances good customer relations. The property management group's functions include financial management, security, landscape maintenance and association social activities.

#### *Construction stage*

At this stage, the production team takes over and starts the actual construction of the unit. However, the CCD still takes active part by coordinating with the homebuyers and updating them on the developments of his housing unit. At any time of the construction, the homebuyer can opt to enroll in a CCD program where he can schedule a visit and inspection of his housing unit with the assistance of a technical staff who will be on hand to explain or answer any questions or requests.

#### *Move-in and introduction to homeowners' association*

Upon completion of the house, the CCD facilitates turn-over of the unit to the homebuyer. This includes delivery of certificates of warranty/guarantee on the housing unit and a comprehensive homeowner's kit. The Company has an established system to address homebuyer's concerns especially in the first 3 months of move-in. The Company puts great emphasis on the timing of responding to any such concerns, ensuring that repairs/rectification procedures are at par with the Company's standards. While there is a standard policy on repairs, the Company, on a case-to-case basis, extends its services beyond these procedures to better achieve total customer satisfaction.

### **Competition**

#### ***Death care Business***

The Philippine death care industry is fragmented. Companies within the industry provide only segments of the death care value chain which covers a range of products and services starting from memorial services (inclusive of embalming, cleaning, and cosmetic restoration), memorial chapel spaces leased out for the wake period prior to cremation or burial, death care merchandise sales (caskets, urns, keepsakes, tombstones, and other similar products), cremation, burial services, to the sale of memorial lots and columbarium niches.

Although the Company is unique in its capacity to offer products and services in more than one segment of the death care industry, the Company competes against other service providers in various segments of the death care value chain.

For the sale of memorial lots, the Company competes against other large developers such as the Manila Memorial Parks Group, the Holy Cross Memorial Parks Group, the Eternal Gardens Memorial Parks Group and the Forest Lake Memorial Parks Group.

Aside from the foregoing major developers, the Company competes against smaller memorial park developers throughout the country. These would typically be family-owned corporations with relatively smaller memorial park projects in select provinces.

There are likewise several developers of columbarium projects in the country. The Company believes that most of these developers would be single-project companies, typically in Metro Manila and surrounding provinces. Several parish churches in Metro Manila have built small columbaries within or adjacent to the church compound which are offered to the public.

With respect to memorial services, the Company will compete against several established companies in the country, such as St. Peter Chapels, La Funeraria Paz, Loyola Memorial Chapels and the Cosmopolitan Memorial Chapels.

### ***Residential Development Business***

The residential development market in the Philippines is intensely competitive. The Company has significant competitors for its socialized housing and land development business. Nevertheless, the Company's strong regulatory know-how, solid execution track record and nationwide footprint are difficult to replicate and effectively serve as a strong barrier against competition on a nationwide level. Because of the availability of joint venture arrangements with landowners and the ability to finance these projects through unit pre-sales, it is relatively easy for smaller players to enter into this business. There is, therefore, competition for land that is suitable for project development. There is also competition among various developers for residential real estate brokers.

Currently, the Company's competitors in its residential development business include companies such as Deca Homes (8990 Holdings, Inc.), Homemark Inc., Charles Building (Charles Builder Group of Companies), New Apec, Fiesta Communities, Borland, Axeia, Lynville, Pro Friends and others. On the basis of publicly available information and its own market knowledge, the Company believes that it is positioned to be one of the leading property developers in the Philippines that is focused on the mass market segment. The Company's management also believes that the Company is able to offer competitive commissions and incentives for brokers and that the Company is able to compete on the basis of the pricing of its various products as well as brand recognition.

### **Transactions with related parties**

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions).

### **Intellectual Property**

The Company owns a variety of intellectual property rights for its brands, including the trade or business name "Golden Haven" and the Golden Haven trademark, and has applications for registration of additional trademarks, including the Santuario de San Ezekiel Moreno, Bria Homes and Bria Flats trademark, pending with the Intellectual Property office. These trademarks are important in the aggregate because name recognition and exclusivity of use are contributing factors to the success of the Company's developments.

Trademarks are considered as one of the most effective marketing tool of a Company, because trademarks can easily be identified and remembered. As such, they are considered as brand or service identifiers. While Philippine law does not require the registration of trademark used or to be used by companies, nor is it required for business operations, the registration of company trademarks is necessary in order for the company to have the exclusive right to use the same in connection with the services it provides.



## **Regulatory and Environmental Matters**

### ***Death care Business***

The development of death care facilities such as memorial parks, columbaries and crematory facilities is highly complex, and the construction, operation and maintenance thereof are subject to extensive and continuing regulation in the Philippines. The following is a discussion of the material Philippine legislation governing the death care business, though it does not purport to be a comprehensive description of all laws that may apply to the Company, its business and its operations.

As of the date of this filing, the Company believes that it has secured all material licenses, permits, consents and registrations from the relevant regulatory authorities that it is required to obtain under applicable law to enable it to engage in the development, operation and maintenance of memorial parks and columbaries.

### **Zoning and Land Use**

Death care industry encompasses funeral homes, memorial parks or cemeteries and crematoria. Zoning is the delineation or division of a city or municipality into functional zones where only specific land uses are allowed.

#### ***Local Government Code***

Land use may be limited by zoning ordinance enacted by Local Government Units (“LGUs”). Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. The appropriate *Sangguniang Bayan* or the *Sangguniang Panglungsod* has the power to enact integrated zoning ordinances in consonance with the approved comprehensive land use plan.

The *Sangguniang Bayan* or the *Sangguniang Panglungsod* also has the power to regulate the establishment, operation, and maintenance of funeral parlors and the burial or cremation of the dead.

#### ***Agrarian Reform Law***

Under Republic Act No. 6657, otherwise known as the “Comprehensive Agrarian Reform Law of 1988”, the approval by the DAR is necessary for the reclassification or conversion of land to non-agricultural use.

#### ***National Building Code of the Philippines***

Presidential Decree No. 1096, otherwise known as the “National Building Code of the Philippines”, establishes the framework of minimum standards and requirements for all buildings and structures by guiding, regulating, and controlling their location, site, design, quality of materials, construction, use, occupancy, and maintenance, including their environment, utilities, fixtures, equipment, and mechanical electrical, and other systems and installations.

A building permit from the Building Official shall be required in all construction, alteration, repair, movement, conversion or demolition of any building or structure.

Funeral establishments, memorial parks or cemeteries and crematoria must comply with the pertinent provisions of the National Building Code of the Philippines.

### **Housing and Land Use Regulatory Board**

Executive Order No. 648 series of 1981 (“E.O. No. 648”), as amended by Executive Order No. 90, declared the HLURB as the planning, regulatory and quasi-judicial instrumentality of the government for land use development. HLURB has the power to promulgate zoning and other land use control standards and guidelines which shall govern land use plans and zoning ordinances of LGUs. Pursuant to this, HLURB enacted rules and regulations for memorial parks or cemeteries and funeral establishments.



### *Funeral Establishments*

HLURB, pursuant to E.O. No. 648, issued the “Implementing Rules and Regulations to Govern the Processing of Applications for Locational Clearance of Funeral Establishments” (“IRR for Funeral Establishments”) on 10 March 1999. These regulations set out the guidelines for the application of locational clearance, design standards and necessary permits for the operation of funeral establishments.

Under the IRR for Funeral Establishments, funeral establishments are classified into three categories: (a) Category I - funeral establishments with chapels and embalming facilities and offering funeral services; (b) Category II - funeral establishments with chapels and offering funeral services without embalming facilities; and (c) Category III - funeral establishments offering only funeral services from the house of the deceased to the burial place. Depending on the category, a funeral establishment may only be established within a specific zone.

A locational clearance is required for all proposed funeral establishments. In addition, all funeral establishments must comply with the Code on Sanitation of the Philippines on sanitary permits and sanitary requirements for funeral chapels, embalming and dressing room and morgue.

The DOH and the respective LGU shall have the authority to monitor funeral establishments.

### *Memorial Parks or Cemeteries*

HLURB, pursuant to E.O. No. 648, promulgated the “Rules and Regulations for Memorial Parks/Cemeteries”. These regulations set out the guidelines for the development and operations of proposed and existing memorial parks or cemeteries and define location restrictions, design parameters and road specifications.

All memorial parks or cemeteries must be located in areas zoned for cemetery purposes, in accordance with the comprehensive land use plan or zoning ordinance, or in the absence thereof, in areas deemed appropriate by the HLURB. They shall not be allowed in environmentally critical areas, as defined in Presidential Proclamation No. 2146 series of 1981, or on grounds where water table is not higher than four and 4.50 meters below ground surface as certified by the National Water Resources Board (“NWRB”).

The LGU concerned must approve the Preliminary Memorial Park or Cemetery Plan and Final Memorial Park or Cemetery Plan. Approval of the Preliminary Memorial Park or Cemetery Plan shall be valid only for a period of one hundred eight days from date of approval and may be revalidated once after expiration of said period.

The approval of the Final Memorial Park or Cemetery Plan is shown by the issuance of a development permit by the LGU concerned. The development permit shall be valid for a period of two years from date of issue; however, if physical development is not commenced within said period, the grantee of the permit may apply for its revalidation within the next succeeding year. If development permit expires, no development shall be allowed unless a new application for approval is filed.

All existing memorial parks or cemeteries, or proposed memorial parks or cemeteries which are being developed for perpetual lease or sale of plots and has accomplished at least 20% of the total development, must be registered with the HLURB, if necessary. The survey returns of the mother title including the technical description of each lot (i.e., section and block with number of lots per block in each section of the lot), which shall form part of the certificate of lease or deed of sale, shall be registered with the HLURB. No owner or dealer shall lease or sell any plot without a license issued by the HLURB.

### *Crematoria*

The Rules and Regulations for Memorial Parks/Cemeteries also set out the minimum requirements for the construction of crematoria. All crematoria must comply with design parameters such as types of rooms, design of the smoke stack and crematorium oven temperature.

## **Code on Sanitation of the Philippines**

Presidential Decree No. 856 (“P.D. No. 856”), otherwise known as the “Code on Sanitation of the Philippines”, is the consolidation of health laws and regulation on sanitation to ensure that protection and promotion of health. Chapter XXI of P.D. No. 856 covers the disposal of dead persons. The sanitary requirements for funeral establishments, memorial parks or cemeteries and crematoria are laid out in the Code on Sanitation. The Regional Health Director, or his duly authorized representative, shall have the authority to monitor and implement the sanitary rules and regulations.

The DOH, through Administrative Order No. 2010-0033 (“DAO No. 2010-0033”) issued on 6 December 2010, has promulgated revised implementing rules and regulations to regulate the practice of embalming. Embalmers are required to obtain license from the DOH, which is renewable every three years, before they are allowed to practice. DAO No. 2010-033 has also expanded the coverage of communicable diseases, which require documentary requirements for the deceased to be transported from the place of death to burial or cremation.

### *Funeral Establishments*

Funeral establishments are required to obtain sanitary permit issued by the local health office, which shall be valid for one year ending on the last day of December and shall be renewed every first month of the year.

### *Memorial parks or cemeteries*

Memorial parks or cemeteries are required to obtain operational clearance issued by the regional health director and sanitary permit issued by the local health office.

### *Crematoria*

All crematoria shall submit a feasibility study reviewed by the regional health office and approved by the Secretary of Health. A sanitary permit issued by the local health office shall also be required of all crematoria. The sanitary permit shall be valid for one year ending on the last day of December and shall be renewed every first month of the year.

## **Environmental Laws**

### *Philippine Environmental Impact Statement System*

The Philippine Environmental Impact Statement System was established by virtue of Presidential Decree No. 1586. Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“ECC”) prior to project construction and operation. Through its regional offices or through the Environmental Management Bureau (“EMB”), the DENR determines whether a project is environmentally critical or located in an environmentally critical area.

As a prerequisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (“EIS”) to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“IEE”) to the proper DENR regional office, without prejudice to the power of the DENR to require a more detailed EIS. The EIS refers to both the document and the environmental impact assessment of a project, including a discussion of direct and indirect consequences to human welfare and ecology as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, at a minimum, they contain all relevant information regarding the environmental effects of a project. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS system. The EIS system successfully culminates in the issuance of an ECC.

The ECC is a government certification that (i) the proposed project or undertaking will not cause a significant negative environmental impact, (ii) the proponent has complied with all the requirements of the EIS system, and (c) the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it will comply with the mitigation measures suggested therein. The ECC contains specific measures and conditions that the project proponent must undertake before and during the operation of a project, and in some cases, during the abandonment phase of the project to mitigate identified environmental impact.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“EGF”) when the ECC is issued to projects determined by the DENR to pose significant public risks to life, health, property and the environment. The EGF is intended to answer for damages caused by such projects as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund (“EMF”) when an ECC is eventually issued. The EMF shall be used to support activities of a multi-partite monitoring team that will be organized to monitor compliance with the ECC and applicable laws, rules, and regulations.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

Memorandum Circular No. 005-14 issued by the EMB on 7 July 2014 provides EMB with the guidelines in determining whether a proposal has potential impact to the environment. Criteria used in the categorization includes, among others, the likelihood, duration, frequency and magnitude of the potential impact as well as the spatial and temporal extent of the projected impact. To facilitate the expedient screening, a ready matrix for determining the category in which proposed projects fall is provided. Memorial parks or cemeteries with an area of more than five hectares while funeral establishments and crematoria with an area of more than one hectare are required to secure an ECC.

#### *Philippine Clean Air Act of 1999*

Republic Act No. 8749, otherwise known as the “Philippine Clean Air Act of 1999”, focuses primarily on pollution prevention and provides for a comprehensive management program for air pollution. The law bans burning of municipal, biomedical and hazardous waste. However, crematoria are expressly exempt from this prohibition.

Consistent with the policies of said law, all planned sources of air pollution that have the potential to emit 100 tons per year or more of any regulated air pollutant, or when required under the ECC, must secure an Authority to Construct from the EMB prior to commencement of construction or modification activities. Once new source construction or modification is completed, the source owner shall request the EMB to convert to Authority to Construct to Permit to Operate. The Authority to Construct is a one-time permit. Permit to Operate is valid for the period specified but not beyond one year from the date of issuance, unless sooner suspended or revoked. It may be renewed at least thirty days before its expiration date.

#### *Philippine Clean Water Act of 2004*

Republic Act No. 9275, otherwise known as the “Philippine Clean Water Act of 2004”, focuses primarily on water quality management in all water bodies and the abatement and control of pollution from land based sources. All owners or operators of facilities that discharge regulated effluents pursuant to this Act

are required to secure a permit to discharge. The discharge permit shall be the legal authorization granted by the DENR to discharge wastewater.

#### *Ecological Solid Waste Management Act*

Republic Act No. 9003, otherwise known as the “Ecological Solid Waste Management Act of 2000”, provides the legal framework for the systematic, comprehensive, and ecological solid waste management program which shall ensure protection of the public health and the environment. Solid waste management is required to be observed by funeral establishments, memorial parks or cemeteries and crematoria, in accordance with the Code on Sanitation of the Philippines.

### **Regulatory and Environmental Matters**

#### ***Residential Development Business***

The Company secures various government approvals such as license to sell, development permits, environmental compliance certificate, etc. as part of the normal course of its business

The Company has no principal products that has pending government approval as of December 31, 2017.

In terms of amount spent for development activities (representing our capital expenditures) as a percentage of revenue from real estate sales 50% in 2015, 21% in 2016 and 27% in 2017.

The Company typically spends about 1% of the total costs of development for environmental laws compliance. By doing such compliance, the company is able to help in the preservation of the environment as part of its social corporate responsibility.

### **Property Taxation**

Real property taxes are payable annually based on the property’s assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

### **Employees**

The following table provides a breakdown of the Company’s regular employees as of December 31, 2017:

<b>Department</b>	<b>Headcount</b>
Operations	157
Technical	33
Administration	243
<b>Total*</b>	<b>433</b>

\*consolidated number for death care and residential development business

The Company has no collective bargaining agreements with its employees and none of its employees belong to a labor union. The Company believes its relationships with its employees are generally good.

Considering the expansion of the Company’s memorial park and columbarium projects, and the launch of its memorial services and crematorium, the Company expects to increase headcount by five to seven employees for each new death care project or facility. The Company does not expect to incur any difficulties in the recruitment of these additional employees.

## **Risks related to the Company's Business**

### ***Risk relating to competition***

#### ***Death care Business***

The Philippine death care services industry is fragmented and is made up of several non-integrated service providers providing pre-need burial packages, memorial service packages and memorial lots or niches. At present, the Company believes that it is the only company in the Philippines that is positioned to provide the full range of integrated death care services, covering the provision of memorial, crematory and chapel services to the sale of death care merchandise, memorial lots and columbarium niches.

Despite this competitive positioning, the Company competes against several major companies in each aspect of death care. Some of its competitors have had a longer operating history and higher name recognition and there is no assurance that the Company will be a customer's first choice when death care services are required. Some of the current competitors and new entrants may also offer integrated services death care services, reducing the competitive positioning that the Company aims to achieve.

Aside from these major companies, the Company also competes against smaller, typically family-owned companies that operate memorial parks and provide other death care services in towns and provinces that the Company operates or intends to operate in. These smaller companies can offer death care services at substantially lower prices than the Company's offerings. Given the competition from various industry participants, the Company will continuously have to market, promote, and price its products and services but there is no assurance that such efforts will be successful.

#### ***Residential Development Business***

The Company faces significant competition in the Philippine residential property development market. In particular, the Company competes with other developers in locating and acquiring (either directly or through joint venture arrangements) parcels of land of suitable size in prime locations and at attractive prices. The Company's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that yield reasonable returns. Based on the Company's current development plans, the Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Company expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

The Philippine residential property development market is highly competitive. The Company's existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers, including several leading developers from Asia and other parts of the world. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and greater name recognition than the Company. Competition from other developers may adversely affect the Company's ability to develop and sell its products, and continued development by other market participants could result in saturation of the residential real estate market.

To mitigate this risk, the Company conducts regular market study and business intelligence updates in order to understand industry and market dynamics.

### ***Risks relating to land acquisition and land bank management***

Beyond the sales of its existing and prospective inventory, the Company's future growth and development are heavily dependent on its ability to acquire or enter into agreements to develop additional tracts of land suitable for memorial parks, chapels, columbaria, memorial service facilities projects and mass residential housing developments at commercially viable prices. Future land acquisition efforts may be adversely

affected by competition for targeted properties from other death care service providers and mass residential housing developers, as well developers of other forms of real estate projects. There is no assurance that the Company can be successful in acquiring properties for its expansion or that the Company can acquire land at costs that will allow the Company to achieve the same level of profitability previously enjoyed.

Aside from competition, the ability to acquire lands for expansion can be adversely affected by existing and prospective Government policies and rules regarding land use, zoning and conversion. The Company may encounter instances where zoning conversion applications from agricultural land to cemetery land, for example, may not be granted or may entail time periods or costs that are significantly longer or greater than expected. In such situations, the financial position and growth prospects of the Company may adversely be affected.

In addition other factors make the task of acquisition difficult, including (a) ideal location; (b) suitable size; (c) economically acceptable price; and (d) legal and informal settler issues.

The Company may have difficulty in attracting land owners to enter into joint venture agreements with it. Key issues revolve around profit and development cost sharing which affect expected investment returns. Other issues could be differences in intangible objectives, land ownership squabbles and other non-economic hindrances.

In the event the Company is unable to acquire suitable land, or to enter into agreements with joint venture partners to develop suitable land at acceptable prices, with reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

- a) The Company also faces risks relating to the management of its land bank, which could adversely affect its margins.

The land banking function is critical to the success and future operations of the Company. The Company must continuously acquire land for replacement and expansion of land inventory within its current markets. The risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land, subdivision lots and housing inventories can fluctuate significantly as a result of changing market conditions. The Company cannot assure investors that the measures it employs to manage land inventory risks will be successful. In the event of significant changes in economic, political, security or market conditions, the Company may have to sell subdivision lots and housing units at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of housing and land development projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its balance sheet, as well as reduce the amount of property available for sale. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company mitigates this risk by having an in-house group composed of senior managers whose primary responsibility is to search (for suitable properties), negotiate (including joint-venture options), acquire and manage its strategic land bank. The land bank management group is comprised of technical, finance and legal experts, and is aided by the Company's network of brokers. The Company also maintains goodwill amongst the owners of major tracts of land in the Philippines. Through the foregoing, the Company continually identifies attractive locations for future projects, prospective partners and negotiates joint venture arrangements to ensure a long-term pipeline of developmental projects.

- b) Titles over land owned by the Company may also be contested by third parties.

The Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government); however, it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or



forged title certificates over land. From time to time the Company has had to defend itself against third parties who claim to be the rightful owners of land which has been either titled in the name of the persons selling the land to the Company or which has already been titled in the name of the Company.

Historically, these claims have not had a material adverse effect on the Company and its business, but in the event that a greater number of similar third-party claims are brought against the Company in the future, or any such claims are made against land that is material to the Company's housing and land development, memorial projects, the Company's management may be required to devote significant time and incur significant costs in defending against such claims. Should any of these claims prosper, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects. Any of the foregoing circumstances could adversely affect the Company's business, financial condition and results of operations, as well as on its business reputation.

To mitigate this risk, the Company uses legal and technical research to establish the integrity of the legal title to any piece of land before concluding any transaction, be it an acquisition or joint venture.

***Risks relating to specific target markets on residential development segment***

The Company's sales to OFWs and expatriate Filipinos comprise a significant portion of the Company's revenues. While the Company sees this segment as continuously growing, and providing it with buyers in the years to come, it is also prone to downturns, which can affect the Company's performance. These downturns may lead to (a) reduced deployment of new OFWs; (b) reduced remittances from abroad; (c) a lower purchasing power of expatriate Filipinos than currently enjoyed; or (d) any combination or all of the above, and could adversely affect demand for the Company's residential development projects from OFWs and expatriate Filipinos. Such reduction in demand could have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate the possible impact of a sudden downturn in the OFW market, it is the Company's business strategy to diversify its product offerings to serve as wide a market as possible. Any adverse developments in any one property sector may be offset or mitigated by more positive developments in other sectors. The Company also closely monitors the factors that may affect the OFW market so that the Company can take the necessary corrective measures.

***Risk relating to property development and construction management***

- a) The Company is in a business that carries significant risks distinct from those involved in the ownership and operation of established properties. This includes the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales and which may not be commercially viable. Slippages may occur in obtaining required Government approvals and permits, resulting in more costs than anticipated, or inability to complete the project on schedule and within budget.

Likewise, the time and the costs involved in completing the development and construction of projects can be adversely affected by many factors, including: (a) shortages of materials, equipment, skilled labor; (b) adverse weather conditions; (c) peso depreciation; (d) natural disasters; (e) labor disputes with contractors and subcontractors; (f) accidents; (g) changes in laws or in Government priorities; and (h) other unforeseen problems or circumstances. Where land to be used for a project is occupied by tenants and/or informal settlers, the Company may have to take steps, and incur additional costs, to remove such occupants and, if required by law, to provide relocation facilities for them. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year. Further, the failure by the Company

to complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

Further, increasing demand for the Company's death care services requires a continuous ability to foresee, recognize and adapt to shifting consumer preferences and changes in the traditions, practices and cultural beliefs of the market. For example, a shift from the tradition of using memorial lots to vaults will adversely affect the demand for memorial park projects. A shift in the tradition of storing urns in columbarium facilities to home storage or spreading of ashes will affect the performance of columbarium projects. Emerging trends, such as resonation, cremation, green burials, among others, may reduce the demand for certain services that the Company currently offers. While the Company monitors prevailing market preferences, traditions and practices as part of its marketing and product development efforts, there can be no assurance that the Company will successfully identify, or adapt to, any such disruptive trends in time. Additionally, the emergence of such disruptive trends may require additional investments and costs to allow the Company to adapt to these changes, and any such costs may adversely affect the Company's results of operations and profit margins.

The Company cannot provide any assurance that such events will not occur in a manner that would materially and adversely affect its results of operations or financial condition.

To mitigate this risk, the Company continuously seeks to improve its internal control procedures and internal accounting and to enhance project management and planning. Further, the Company substantially finances its development projects through pre-sales and internally generated funds, which allows it to maintain some flexibility in timing the progress of its projects to match market conditions.

- b) The Company relies to a significant extent on independent contractors for the development and construction of the Company's products. Their availability and quality of workmanship may not meet the Company's quality standards, or cause project delays and cost overruns. The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. There can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor who is willing to undertake a particular project within the Company's budget, which could result in costs increases or project delays. Further, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's quality standard requirements. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain housing and land development projects, and the Company may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing housing and land development projects. Any negative effect on the Company's reputation or its brand could also affect the Company's ability to pre-sell its housing and land development projects. This would impair the Company's ability to reduce its capital investment requirements. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

As with most major property development companies, the Company manages these development and construction risks by ensuring that contractual arrangements with builders, engineers, suppliers and other contractors clearly specify costs, responsibilities and the appropriate benefits or penalties that may accrue to all parties in the event of favorable or adverse developments. The Company also maintains an experienced in-house team of engineers and technicians who are tasked to oversee and manage each project.



As and when needed, the Company may also avail of the services of independent project managers and quantity surveyors to supplement its in-house project management capabilities

#### ***Risks relating to external marketing groups***

The Company relies extensively on third party agents to sell its products and services in the country. As the terms of engagement by the Company of these agents are non-exclusive, these agents, in general, may likewise offer products and services of the Company's competitors. The Company cannot give any assurance that these agents will give adequate focus to the Company's products and services and not favor or give priority to any other products these agents may otherwise offer. If a large number of these agents were to reduce focus on the Company's products and services, or otherwise terminate their arrangements with the Company, there can be no assurance that the Company would be able to replace these agents in a timely or effective manner.

The Company also has limited control over these third party agents and cannot monitor all aspects of their work. With this limited control, the Company cannot give assurance that none of its third party agents will make misleading representations and promises on the Company's products and services, leading to customer disputes and damage to the Company's reputation.

The Company mitigates this risk by establishing its own in-house sales force, which are tasked to market and sell only Company products. The Company also provides its brokers and sales agents with competitive commission schemes and other incentives. Beyond this, the Company gives its sales force skills-build-up programs as a way of planning and managing their career growth with the Company. A parallel effort is the continuous recruitment of competent brokers and sales agents.

#### ***Risks relating to project and end-buyer financing***

- a) Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Interest rates, and factors that affect interest rates, such as the Government's fiscal policy, could have a material adverse effect on the Company and on the demand for its products. For example:

- In connection with the Company's property development business, higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.
- Because a substantial portion of the Company's customers procure financing (either from banks or using the Company's in-house financing program) to fund their property purchases, higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.

In order to mitigate these risks, the Company substantially finances its development projects through pre-sales and internally generated funds. In this way, the Company maintains some flexibility in timing the progress of its development projects to match market conditions. The Company attempts to keep its costs down and selling price stable by lowering material costs through purchasing in bulk.

- b) The Company is exposed to risks associated with its in-house financing activities, including the risk of customer default, and it may not be able to sustain its in-house financing program.

The Company offers in-house financing to customers, which may expose the Company to risks of customers missing on their payments and/or defaulting on their obligations that may lead to sales cancellations. The Company cannot adequately assure the resale of any property whose prior sale has been cancelled.

The Company has used funds obtained from receivables rediscounting facilities with commercial banks to balance its liquidity position. An inability to sell receivables would remove a source of potential

external financing, increasing its reliance on internally generated funds or non-receivable external financing.

To mitigate these risks, the Company attempts to decrease the occurrence of financial defaults and sales cancellations due to the inability to pay by enforcing strict credit investigation policies and procedures. For ongoing in-house loans, the Company monitors each and every account to assist buyers and to provide immediate remedial measures in problem cases. The Company also spreads the financing risk by encouraging buyers to avail of commercial bank retail financing facilities.

- c) The Company's business and financial performance could be adversely affected by a material number of sales cancellations.

As a developer and seller of residential real estate, the Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

Historically, the Company has not experienced a material number of cancellations to which the Maceda Law has applied; however, this is no assurance that such an event will not happen. An economic downturn, high interest rate episodes, and others could trigger such sales cancellations. Should this happen, the Company may not have enough funds on hand to pay the necessary cash refunds to buyers, or the Company may have to incur indebtedness in order to pay such cash refunds. As mentioned earlier, the Company cannot assure the resale of a cancelled property, particularly during periods of economic slowdowns or downturns. Any of these events would adversely affect the Company's business, financial condition and results of operations.

In the event the Company experiences a material number of sales cancellations, the Company's historical revenues would have been overstated because such historical revenues would not have accurately reflected subsequent customer defaults or sales cancellations. Investors are also cautioned not to rely on the Company's historical income statements as indicators of the Company's future revenues or profits.

There can be no assurance that the Company will not suffer from substantial sales cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations.

To mitigate this risk, the Company has a structured and standardized credit approval process, which includes conducting background and credit checks on prospective buyers using national credit databases and, where feasible, conducting physical verification of claims regarding residences and properties owned. From time to time, the Company utilizes its receivables rediscounting lines with banks and other financial institutions and sells installment contract receivables. The Company ensures that all buyers are made aware of their responsibilities and obligations, and the resulting penalties for non-compliance. Each and every account is monitored to assist buyers and to provide immediate remedial measures in problem cases.

***The Company faces risks associated with certain recent memorial park acquisitions.***

As of the date of this filing, the Company has entered into agreements for the acquisition of eight properties located in Batangas, Subic, Antipolo, Sariaya, Isabela, Amadeo, Bukidnon and Naga, with the objective of developing these properties into memorial parks with products conforming to the Company's product and pricing policies. As of the date of December 31, 2017, the terms of the sale of certain of the lands which

the Company has agreed to acquire have not yet been completed. While the Company believes that it has exercised prior due diligence in evaluating such acquisitions, there can be no assurance that the Company will not in the future be involved in or subject to claims, allegations or suits with respect to the previous business and operations of these memorial parks which arose prior to the acquisitions. Should such claims, allegations or suits arise, claimants may (rightfully or wrongly) seek redress or compensation for their claims against the Company's present management or assets, and the Company may still be at risk under principles of successor-in-interest liability. Despite the fact that the Company has, as part of such acquisitions, provided for indemnities against certain liabilities or claims or established other contractual protections, any adverse claim or liability could expose the Company to negative publicity, which could have a material adverse effect on its business and prospects, financial condition, and results of operations.

***Risk relating to management of growth***

- a) The Company may not be able to successfully manage its growth.

The Company intends to continue to pursue an aggressive growth strategy for its new memorial park developments; the construction and sales of more columbarium facilities, the provision of additional facilities for memorial services, sale of death care merchandise, and mass residential property and land development business. The Company foresees that this strategy will mean that management resources will be reallocated from the Company's current operations. The growth strategy will also entail creating and managing relationships with a larger group of third parties such as customers, suppliers, contractors, service providers, lenders, etc. This expansion of the Company's operations will require significant capital expenditure to finance new development projects, causing the Company to take on additional debt. It thus becomes necessary to manage the internal control and compliance functions so that compliance with legal and contractual obligations is maintained and, at the same time, operational and compliance risks are minimized.

The Company faces several risks in the execution of these initiatives; these include overestimated demand and sales expectations, actual supply and cost of land for its development, construction cost overruns, the timely grant of regulatory approvals and permits, and the performance of the Company's personnel and third party contractors.

Even with these safeguards, there is no assurance that the Company will not experience any difficulties in the course of implementing its growth strategy. These difficulties can come in the form of capital constraints, construction delays, operational difficulties at new operational locations or difficulties in operating existing businesses and training personnel to manage and operate the expanded business. An inability or failure to successfully adapt to growth, including strains on management and logistics, could result in losses or development costs that are not recovered as quickly as anticipated, if at all. If the Company is not able to manage these execution risks, its expansion initiatives may fall short of expectations and these problems could adversely affect the Company's reputation, the business, and results of operations or financial condition.

To mitigate this risk, the Company substantially finances its development projects through pre-sales and internally generated funds. In this way, the Company maintains some flexibility in timing the progress of its development projects to match market conditions.

- b) The Company is still in the process of fully upgrading and integrating its operational and financial reporting systems and may experience difficulty in providing the Company's management and investors with financial information, particularly for interim periods.

To mitigate this risk, the Company conducts regular meetings and requires briefing from key departments.

***The Company faces risks relating to its prospective memorial parks and columbaria, chapels and memorial service facilities, including risks relating to project cost and completion.***

The Company's principal business is the development and sale of its memorial parks, and the development and sale of its columbarium projects. The Company also anticipates a steady stream of recurring revenues and income from services provided by its recently opened crematoriums, chapels and memorial service facilities. All these developments involve significant risks, such as the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales or which may not be commercially viable. In addition, the time and the costs involved in completing the development and construction of these projects can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's margins. Especially in the case of revenues recognized from sales of its memorial lots and columbarium projects, project delays may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year. Further, the failure by the Company to complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns. The Company cannot provide any assurance that such events will not occur in a manner that would materially and adversely affect its results of operations or financial condition.

***Abrupt movements in inflation and yields on investment assets may adversely affect the Company's ability to meet its costs of maintaining its memorial parks and columbaria.***

The Company relies on financial budgeting models to set up funds aimed to meet maintenance obligations of its memorial parks and columbaria and these models rely on assumptions with respect to sales volumes and collections, maintenance costs over time, and returns on the funds' investment assets. Significantly adverse deviations from these assumptions, such as slower than expected sales volumes, higher costs of materials and labour, the occurrence of natural disasters, fire and other similar events, and the yields on the investment funds assets, can make actual returns generated by investment funds insufficient to meet the Company's maintenance obligations. Such situations will reduce the Company's profits and cash flow in the future.

***Compliance with environmental, health, safety and other government regulations and costs associated therewith may adversely affect the Company's results of operations or profit margins.***

The Company's operations require compliance with government environmental, health, safety and other regulations and the procurement of various approvals, permits and licences from certain government agencies. For example, before any of the Company's properties may be fully developed into memorial parks or columbarium facilities, such development must have complied with pertinent regulations relating to, among others, land conversion, zoning and environmental clearances from the Housing and Land Use Regulatory Board ("HLURB"), the Laguna Lake Development Authority ("LLDA"), Department of Natural Resources ("DENR"), Department of Agrarian Reform ("DAR") and Department of Health ("DOH"), and other local government agencies. Other death care services, on the other hand, require periodic approvals, registrations and reportorial compliance with the DOH. The Company has incurred and will continue to incur costs and expenses to comply with such laws and regulations. Violations of these laws or regulations could result in regulatory actions with substantial penalties and there can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to environmental, health and safety matters, the costs of which could be material. In addition, any significant change in such laws or regulations or their interpretation, or the introduction of higher standards or more stringent laws or regulations could result in increased compliance costs or capital expenditures and can have adverse effects on the Company's profitability and growth prospects.

### ***Risks relating to natural catastrophes***

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's housing and land development projects, many of which are large, complex estates with infrastructure, such as buildings, roads and perimeter walls, which are susceptible to damage. Damage to these structures resulting from such natural catastrophes could also give rise to claims against the Company from third parties or from customers, for example for physical injuries or loss of property. Also, the value and attractiveness of memorial parks or columbarium facilities and housing units, for example, may be damaged by the occurrence of extremely destructive natural disasters and will adversely affect the Company's business and financial performance. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from such property, while remaining liable for any project construction costs or other financial obligations related to the property. Any material uninsured loss could adversely affect the Company's business, financial condition and results of operations.

### ***Risks relating to over-reliance on some key Company personnel***

The Company's directors and members of its senior management have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. While the Company has provided its Directors and key Senior Management with generous compensation, a highly skilled and reputable executive is always subject to piracy by competitors. Additionally, key personnel could also be lost due to catastrophic diseases (i.e., cerebral stroke, cancer, heart attacks), incapacitated by an accidents and death.

To lessen the potential negative impact of these events, the Company has institutionalized critical operational systems and procedures as a way of minimizing the over-dependence on individuals. The Company also has established organizational development policies and procedures to ensure the continuous development of its officers and staff. Performances are regularly monitored and appraised, and appropriate and timely action is taken to reward or correct the performances of its officers and staff. The Company maintains a continuous training program and an informal apprenticeship agenda to provide a constant pool of executive-calibre personnel ready for promotion.

The Company's ability to plan, design and execute current and future projects depends on its ability to attract, train, motivate and retain highly skilled personnel, particularly architects and engineers. However, this valuable human resource is also in demand by the Company's competitors. It is important to point out that other development companies face the same risks.

Any inability on the part of Company to hire and, more importantly, retain qualified personnel could impair its ability to undertake project design, planning and execution activities in-house. If these situations occur,

the Company will be left with no recourse but engage third-party consultants thereby incurring additional costs.

To mitigate this risk, the Company provides its technical personnel with competitive compensation and incentive programs.

***A substantial portion of the lands forming part of Golden Haven Iloilo Park are presently subject of land use conversion proceedings which, if adversely decided, may prevent the Company from using or continuing to use such lands as memorial park lots.***

Several parcels of land forming part of the Company's Golden Haven Iloilo Park, with an aggregate land area of approximately five hectares and which were previously classified as agricultural lands, are presently subject of land use conversion proceedings initiated by the Company (or at its instance) with the DAR.

Under prevailing law, the approval by the DAR is necessary for the reclassification or conversion of the use of lands from agricultural to non-agricultural use. Otherwise, developers of lands previously classified as agricultural lands may be made subject to sanctions imposed by the DAR and may be prevented from undertaking any non-agricultural activities on such lands.

The Company believes that the application for the land use conversion over the relevant lands forming part of the Golden Haven Iloilo Park will be approved by the DAR in due course, considering that such lands have long been re-classified and rezoned for non-agricultural purposes by the applicable legislative bodies of the relevant local government units. Further, as of the date of this filing, the Company holds all the requisite permits to develop and sell such lands as memorial park lots (including the development permit from the local governments of Iloilo and the permit to sell from the HLURB).

Nevertheless, in the event that the application for the land use conversion over the relevant lands forming part of the Golden Haven Iloilo Park is denied or otherwise disapproved by the DAR, the Company may be exposed to sanctions imposed by the DAR and may be prevented from undertaking (or continuing to undertake) its development activities within the affected area of the Golden Haven Iloilo Park, either of which, in turn, may adversely affect the Company's results of operations, business and financial performance.

***The investment assets of the Company's maintenance funds may not be sufficient to cover future death care services costs, specifically, the costs of operation and maintenance of the Company's memorial parks and columbaria, or such investment assets may suffer significant losses or experience sharp declines in their returns, which would have a material adverse effect on the Company's results of operations and its ability to discharge its obligations under sold funeral services packages and to properly maintain its memorial parks or columbaria.***

Part of the Company's business involves discharging ongoing or future obligations, such as maintaining its memorial parks and columbarium facilities. To discharge these obligations, the Company has engaged professional fund managers to maintain and manage its maintenance funds that can only be utilized for such specific purposes. As of December 31, 2017, the aggregate balance of the Company's maintenance funds was ₱266.27 million.

These investments are subject to inherent investment risks, and there is no assurance that the investments will not suffer losses in the future, or that the return on the investments will be sufficient to cover future cemetery and columbarium facilities maintenance costs.

Realized losses on the maintenance funds are recorded as other losses in the Company's statements on profit and loss and therefore would have a direct impact on its profits for the year. In addition, as these funds are maintained to discharge the Company's obligations of maintaining its memorial parks and columbaries, significant losses on these funds may result in insufficient funds for these purposes. Maintenance funds may fail to yield adequate returns to support the maintenance of the applicable cemetery



using income of the fund. In such event, the Company may be required to cover any such shortfall using its cash resources, which may have a material adverse effect on the Company's liquidity.

***Certain of the lands used by the Company for its memorial park lots remain titled in the names of the previous owners thereof.***

The Company's key properties include its lands (raw and partially developed) designated or undergoing development into death care facilities such as memorial parks and columbaria, as well as those lands where existing death care facilities have been built or located.

Certain of such lands, including those used or otherwise underlying its existing memorial parks, remain registered in the names of the previous owners thereof despite the completion of the sale to and purchase by the Company of title to and ownership thereof, as evidenced by duly executed and fully-consummated deeds of sale executed with such previous owners. As of the date of this Prospectus, the Company has initiated or is otherwise in the process of completing all administrative procedures necessary for the cancellation of the prior certificates of title covering such lands and the issuance of new certificates of title over the same properties in the name of the Company.

Under Philippine law, the certificates of title issued by the Register of Deeds issued over registered lands comprises the best evidence of ownership over such land, and third persons who may otherwise deal or transact with such lands are entitled to rely on such certificates of title. Since the relevant lands have not been registered in the name of the Company, it is therefore possible that third persons who hold claims against the previous owners of such lands may seek to enforce their claims against such previous owners against such lands to the extent the latter remain registered in the names of such persons.

The Company believes that the registration of its acquisition of the relevant lands will be completed in due course, and that the risk that the relevant Registers of Deeds will deny such formal registration or that third persons would be able to make claims against such lands is low, considering that the purchase thereof has been adequately documented, all taxes, charges or fees for which the Company is liable applicable to or arising from such purchase have been paid or otherwise accounted for, and the Company presently holds the original owners' duplicates of title covering such lands. Nevertheless, if such registration is denied or interested third persons successfully enforce their claims against such lands, the Company's current and prospective operations, its business and financial performance may be adversely affected.

***The Company's major shareholder could affect matters concerning the Company.***

Fine Properties, the ultimate parent company, continues to hold a substantial majority of the Company's outstanding voting stock, including the Common Shares. As a result, the Company's principal shareholder will be able to significantly affect the outcome of any shareholder voting, including the election of directors or most other corporate actions which require a vote by a corporation's shareholders, thereby affecting matters concerning the Company. The interest of the Company's major shareholder may not necessarily be aligned with those of minority shareholders of the Company, and Fine Properties is not under any legal obligation to exercise its rights as a shareholder in the Company in the Company's best interests or the best interests of the Company's other shareholders. If the interests of Fine Properties conflict with the interests of the Company, the Company could be disadvantaged by the actions that Fine Properties chooses to pursue.

***Risks relating to the Company's reputation***

Infringement of the Company's intellectual property rights over the various names, brands and logos which are used for its operations would have a material adverse effect on the Company's business. There can be no assurance that the actions the Company has taken will be adequate to prevent third parties from using these names, brands and logos or from naming their products using the same.

In addition, there can be no assurance that third parties will not assert rights in, or ownership of the Company's name, trademarks and other intellectual property rights. Because the Company believes that the

reputation and track record it has established under its brands is key to its future growth, the Company's business, financial condition and results of operations may be materially and adversely affected by the use of these names and of any associated trademarks by third parties or if the Company was restricted from using such marks.

The Company, through its corporate communications team maintains a clear, accurate brand and company image and perception in the market to mitigate this risk. The legal team also monitors all intellectual ownership issues of the Company.

Other risks that the Company may be exposed are the following:

- Risks relating to the general Philippine economic condition
- Risks relating to operating in a highly-regulated environment
- Risks relating to political uncertainties
- Risks relating to international credit valuations
- Risks relating to Philippine foreign ownership limitations
- Risks relating to changes in construction material, labor, power and other costs.

To mitigate the above mentioned risks, the Company shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to properly manage the various business risks it faces.

### **Working Capital**

The Company finances its working capital requirements mostly through a combination of internally-generated cash, pre-selling, joint ventures, borrowings and proceeds from investment properties.

## **Item 2. Properties**

### ***Death care Business***

The Company's key properties consist of its lands (raw and partially-developed) designated or undergoing development into death care facilities, its death care facilities such as its memorial parks and columbaria (existing and under construction) and its inventory of the memorial lots and/or columbarium vaults available for sale to the public. Except as otherwise discussed in this filing, the Company holds legal and/or beneficial title to each of its existing death care facilities, including the land on which such death facilities have been built or are intended to be built.

As of December 31, 2017, the Company has a total of eight operational memorial parks with details summarized in the table below:

<b>Project Name</b>	<b>Location</b>	<b>Land Area (Hectares)</b>	<b>Total No. of Sellable Lots</b>
Golden Haven Las Piñas Park	C5 Road Pulang Lupa, Las Piñas	12.15	31,418
Golden Haven Cebu Park	Brgy. Binaliw 1, Tambalan Hills, Cebu	6.79	11,768
Golden Haven Cebu Park Expansion		6.53	12,460
Golden Haven Cagayan de Oro Park	Macapagal Road, Bulua Heights, CDO	10.57	15,053



Golden Haven Zamboanga Park	Ma. Clara Lobregat Highway, Boalan, Zamboanga	5.50	10,389
Golden Haven Zamboanga Park Expansion*		3.20	7,583
Golden Haven Iloilo Park	Brgy. San Jose, San Miguel, Iloilo	7.30	15,005
Golden Haven Bulacan Park	Sitio Compara, San Mateo, Norzagaray, Bulacan	4.44	10,741
Golden Haven Pampanga Park	San Fernando, Pampanga	2.2	5,030
Golden Haven Nueva Vizcaya Park	Bambang, Nueva Vizcaya	6.0	14,318
<b>TOTAL</b>		<b>63.38</b>	<b>133,765</b>

As of December 31, 2017, the Company completed the acquisition of an 11.7-hectare memorial park in General Santos.

In addition, as of the date of this filing, the Company entered into agreements for the purchase and/or development of eight properties for future memorial park projects. Summary information on these properties is as follows:

<b>Name</b>	<b>Location</b>	<b>Land Area (Hectares)</b>
Golden Haven Bauan	Bauan Batangas	3.96
Golden Haven Subic	Subic, Zambales	4.81
Golden Haven Antipolo	Antipolo, Rizal	11.8
Golden Haven Sariaya	Sariaya	4.1
Golden Haven Isabela	Isabela	6.3
Golden Haven Amadeo	Amadeo	10.6
Golden Haven Bukidnon	Bukidnon	11.6
Golden Haven Naga	Naga	2.1

As of the date of this filing, the Company has made initial payments to the respective sellers of the foregoing properties to enable the Company to take immediate possession thereof and commence its development activities. However, until full payment of the purchase price for each property, title to the underlying lands as well as the memorial parks and lots themselves will remain with the respective sellers.

As of December 31, 2017, the Company has a total of five columbarium facilities with details summarized in the table below:

<b>Location</b>	<b>Levels</b>	<b>No. of Vaults Offered</b>
Ezekiel Columbarium	8	23,504
Golden Haven Las Piñas Park	5	1,095
Golden Haven Cebu Park	5	1,024
Golden Haven Cagayan de Oro Park	6	736
Golden Haven Zamboanga Park	5	437

Notwithstanding the sale of any of its memorial lots or columbarium vaults, title thereto is retained by the Company and a purchaser only receives certificates evidencing his or her perpetual right to use the memorial lot or columbarium vault. This perpetual right, however, may be transferred to any person designated by the original purchaser subject to compliance with the Company's procedures and regulations regarding such transfers.

Certain of the lands forming part of the Golden Haven Las Piñas Park and Golden Haven Cebu Park are subject to encumbrances, including rights of way and public easements granted to third parties including the Government. The Company believes that none of such encumbrances, rights of way or public easements materially affect its title to or ownership of the relevant lands, or the value thereof.

In addition, certain lands held by the Company remain registered in the names of the previous owners thereof. However, as of the date of this filing, ownership over such lands has been acquired by the Company via duly executed and fully-consummated deeds of sale executed with such prior owners, and each such purchase has been either annotated, in the process of being annotated on the relevant certificates of title covering such lands or proceedings for the cancellation of the prior certificate of title and the issuance of a new certificate of title in the name of the Company have been initiated.

### ***Residential Development Business***

Details of the Company's raw land as of December 31, 2017 are set out in the table below:

Location	Area (in has.)
Luzon	347.0
Visayas	0.3
Mindanao	54.3
<b>Total</b>	<b>401.6</b>

### **Item 3. Legal Proceedings**

As of the date of this Prospectus, several parcels of land forming part of the Company's Golden Haven Iloilo Park, with an aggregate land area of approximately five hectares and which were previously classified as agricultural lands, are presently subject of land use conversion proceedings initiated by the Company (or at its instance) with the DAR.

The application for land use conversion was submitted by the previous owners of the land (who remain the registered owners thereof), and covers six parcels of land with an aggregate land area of approximately five hectares, all located and forming part of the Golden Haven Iloilo Park, as follows:

Lot No.	Title No.	Area Applied for Conversion
69-D	T-18886	0.1248
4-B	T-213822	0.5482
1043-B	T-205191	0.9729
1036-B	T-205195	1.9325
1055	T-11185	0.7834
1044	T-25808	0.6382
<b>Total</b>		<b>5.0000</b>

Under prevailing law, the approval by the DAR is necessary for the reclassification or conversion of the use of lands from agricultural to non-agricultural use. Otherwise, developers of lands previously classified as agricultural lands may be made subject to sanctions imposed by the DAR and may be prevented from undertaking any non-agricultural activities on such lands.

The Company believes that the application for the land use conversion over the relevant lands forming part of the Golden Haven Iloilo Park will be approved by the DAR in due course, considering that such lands have long been re-classified and rezoned for non-agricultural purposes by the applicable legislative bodies of the relevant local government units. Further, as of the date of this filing, the Company holds all the requisite permits to develop and sell such lands as memorial park lots (including the development permit from the local governments of Iloilo and the permit to sell from the HLURB).

Nevertheless, in the event that the application for the land use conversion over the relevant lands forming part of the Golden Haven Iloilo Park is denied or otherwise disapproved by the DAR, the Company may be exposed to sanctions imposed by the DAR and may be prevented from undertaking (or continuing to undertake) its development activities within the affected area of the Golden Haven Iloilo Park, either of which, in turn, may adversely affect the Company's results of operations, business and financial performance.

Other than the foregoing, the Company is not involved in, or the subject of any legal proceedings which, if determined adversely against the Company, would have a material effect on its business, operations or financial standing.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

There was no matter submitted to a vote of security holders during the fourth quarter of 2017.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

#### Market Information

Registrant's common shares are listed with the Philippine Stock Exchange. The Registrant was listed on June 29, 2016.

Quarter	2017		
	High	Low	Close
1 <sup>st</sup>	16.98	15.40	16.50
2 <sup>nd</sup>	16.50	15.62	15.98
3 <sup>rd</sup>	20.00	15.22	16.60
4 <sup>th</sup>	22.00	16.76	22.00

Quarter	2018		
	High	Low	Close
1 <sup>st</sup>	327.00	21.00	308.00

The market capitalization of HVN as of December 31, 2017 based on the closing price of ₱22.00/share on December 29, 2017, the last trading date for the fourth quarter of 2017, was approximately ₱14.2 billion.

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

#### *Common*

There are approximately 15 holders of common equity security of the Company as of December 31, 2017 (based on the number of accounts registered with the Stock Transfer Agent). The following are the holders of the common securities of the Company:

	Name	No. of Shares	Percentage
1	FINE PROPERTIES, INC. <sup>1</sup>	412,057,800	63.97%
2	CAMBRIDGE GROUP, INC. <sup>2</sup>	158,744,255	24.65%
3	PCD NOMINEE CORPORATION (FILIPINO)	68,022,380	10.56%
4	MARIBETH C. TOLENTINO <sup>1</sup>	2,835,000	0.00%
5	JOY J. FERNANDEZ <sup>1</sup>	2,268,000	0.00%
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	181,902	0.00%
7	MYRA P. VILLANUEVA	4,300	0.00%
8	MYRNA P. VILLANUEVA	2,300	0.00%
9	MANUEL B. VILLAR <sup>1</sup>	1,000	0.00%
10	FRANCES ROSALIE T. COLOMA <sup>1</sup>	500	0.00%
11	CAMILLE A. VILLAR <sup>1</sup>	100	0.00%
12	JOSELITO C. HERRERA	100	0.00%
13	OWEN NATHANIEL S. AU	10	0.00%
14	ANA MARIE V. PAGESIBIGAN <sup>1</sup>	1	0.00%
15	GARTH F. CASTAÑEDA <sup>1</sup>	1	0.00%
	<b>TOTAL OUTSTANDING ISSUED AND SUBSCRIBED (COMMON)</b>	<b>644,117,649</b>	<b>100.00%</b>

<sup>1</sup> lodged under PCD Nominee Corp. (Filipino)

<sup>2</sup> 8,744,255 lodged under PCD Nominee Corp. (Filipino)

#### Dividend Policy

Under the Corporation Code, the Company's shareholders are entitled to receive a proportionate share in cash dividends that may be declared by the Board out of the surplus profits derived from operations. The same right exists with respect to a stock dividend declaration, the declaration of which is subject to the approval of shareholders representing at least two-thirds of the outstanding capital stock entitled to vote.

The amount of dividends to be declared will depend on the profits, investment requirements and capital expenditures at that time.

As of December 31, 2017, the Company has not defined a minimum percentage of net earnings to be distributed to its common shareholders. Dividends may be declared only from the Company's unrestricted retained earnings, except when, among others: (i) justified by definite corporate expansion, or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured, or (iii) when it can be clearly shown that the retention of earnings is necessary under special circumstances obtaining in the Company, its assets and operations, such as when there is a need for special reserves for probable contingencies.

#### ***Record Date***

Pursuant to existing Philippine SEC rules, cash dividends declared by a company must have a record date not less than 10, nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

#### ***Dividends***

On 29 December 2015, the Board declared cash dividends in the amount of ₱800 million. On 8 March 2016, the Board, with the approval of the Company's shareholders representing two-thirds of its outstanding capital stock in a special meeting duly called for the purpose and held on the same date, declared stock dividends in the amount of ₱400 million.

Other than the foregoing, the Company has not declared dividends in any form since the time of its incorporation.

#### **Recent Sale Of Unregistered Or Exempt Securities Including Recent Issuance Of Securities Constituting An Exempt Transaction**

On December 27, 2017, the Board of Directors authorized the issuance of 150,000,000 common shares to Cambridge Group, Inc., out of the unissued authorized capital stock of the Company, at the subscription price of ₱20.0935 per share or an aggregate subscription price of ₱3, 014,027,483. The issuance is undertaken pursuant to the stockholders' approval for the issuance by way of private placement of up to 150,000,000 shares of the Company on October 16, 2017.

#### **Stock Options**

None

## Item 6. Management's Discussion and Analysis or Plan of Operation

### REVIEW OF YEAR-END 2017 VS YEAR-END 2016

#### RESULTS OF OPERATIONS

##### Revenues

Revenues increased from **₱815 million** for the year ended December 31, 2016 to **₱3,685 million** for the year ended December 31, 2017. The **352%** increase in the account was primarily attributable to the following:

- Real estate sales increased from **₱772 million** for the year ended December 31, 2016 to **₱3,571 million** in the year ended December 31, 2017. The **363%** increase was due primarily to the real estate sales recorded by Bria Homes which amounted to **₱2,551 million** for the year ended December 31, 2017. Sales of columbarium vaults and memorial lots also increased by **32%** from **₱772 million** for the year ended December 31, 2016 to **₱1,020 million** for the year ended December 31, 2017.
- Interment income increased by **27%** from **₱22 million** for the year ended December 31, 2016 to **₱28 million** for the year ended December 31, 2017 due to increase in the number of interment services rendered for the year.
- Interest income increased by **258%** from **₱20 million** for the year ended December 31, 2016 to **₱73 million** for the year ended December 31, 2017 due primarily to the recorded interest income from Bria Homes amounting to **₱41 million** for the year ended December 31, 2017. Interest income from contracts receivable pertaining to the death care business also increased by **59%** from **₱20 million** for the year ended December 31, 2016 to **₱32 million** for the year ended December 31, 2017.
- Income from chapel services increased by **100%** from nil for the year ended December 31, 2016 to **₱13 million** for the year ended December 31, 2017 as the Company started its chapel business during the year.

##### Costs and Expenses

Cost and expenses increased from **₱580 million** for the year ended December 31, 2016 to **₱2,752 million** for the year ended December 31, 2017. The **370%** increase in the account was primarily attributable to the following:

- Cost of sales and services increased from **₱332 million** for the year ended December 31, 2016 to **₱1,875 million** in the year ended December 31, 2017. The **464%** increase was due primarily to the cost of real estate sales recorded by Bria Homes which amounted to **₱1,393 million** for the year ended December 31, 2017. Sales of columbarium vaults and memorial lots also increased by **32%** from **₱772 million** for the year ended December 31, 2016 to **₱1,020 million** for the year ended December 31, 2017.
- Other operating expenses increased from **₱248 million** for the year ended December 31, 2016 to **₱850 million** in the year ended December 31, 2017. The **243%** increase was due primarily to the other operating expenses recorded by Bria Homes which amounted to **₱523 million** for the year ended December 31, 2017. Other operating expenses of the parent company also increased by **45%** from **₱332 million** for the year ended December 31, 2016 to **₱481 million** for the year ended December 31, 2017.

### **Other Income – Net**

Other income – net increased by **112%**, to **₱49 million** for the year-end 2017 from **₱23 million** for the year-end 2016. This was due primarily to the increase in the other income – net of Bria Homes which amounted to **₱24 million** for the year-end 2017. Other income-net of the parent company increased by 9% from **₱23 million** for the year-end 2016 to **₱25 million** for the year ended 2017.

### **Tax Expense**

The Company's tax expense increased by **300%**, to **₱310million** for year-end 2017 from **₱77 million** for year-end 2016. This was attributable to the higher taxable income base in year-end 2017 compared to the same period from the previous year. Tax expense attributable to Bria Homes amounted to **₱217 million**.

### **Net Income**

As a result of the movements above, total net profits increased by **288%**, to **₱699 million** from **₱180 million** recorded in year-end 2016. Net income attributable to Bria Homes amounted to **₱482 million**.

For the year-end 2017, the acquisition of Bria Homes, Inc. and the added operating results that corresponds from it has material impact on sudden increase in the Company's reported operating results. The growth is part of the Company's plan for continuous expansion as it progress. Other than the foregoing, the Company is not aware of events that will cause a material change in the relationship between the costs and the revenues. There were no seasonal aspects that had a material effect on the financial condition or results of the operations of the Company. 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.

There are no significant elements of income or loss which arises from the Company's continuing operations.

## **FINANCIAL CONDITION**

### ***As of December 31, 2017 vs. December 31, 2016***

As of December 31, 2017, total assets totaled to **₱13,205 million**, increased by **359%** from **₱ 2,878 million** recorded as of December 31, 2016, due to the following:

- Cash and cash equivalents increased by **78%**, from **₱446 million** as of December 31, 2016 to **₱796 million** as of December 31, 2017, mainly due to advances obtained from related parties and proceeds from loan. Additional cash and cash equivalents from Bria Homes amounted to **₱584 million**.
- Total contracts receivable, including non-current, increased by **275%** from **₱1,496 million** as of December 31, 2016 to **₱5,609 million** as of December 31, 2017 due to higher sales on account recorded and additional contracts receivable of Bria Homes of **₱3,656 million**.
- Due from related parties increased by **50%** from **₱71 million** as of December 31, 2016 to **₱106 million** as of December 31, 2017 due to advances granted to the affiliates during the year and additional due to related parties of Bria homes of **₱48 million**.



- Other receivables increased by **396%** from **₱101 million** as of December 31, 2016 to **₱503 million** as of December 31, 2017 due to increase in non-trade receivables recorded and additional non-trade receivables of Bria Homes of **₱399 million**.
- Real estate inventories increased by **1,271%**, from **₱345 million** as of December 31, 2016 to **₱4,729 million** as of December 31, 2017 due to active opening and expansion of Company projects and additional inventory of Bria Homes of **₱4,315 million**.
- Real estate inventories increased by **1,271%**, from **₱345 million** as of December 31, 2016 to **₱4,729 million** as of December 31, 2017 due to active opening and expansion of Company projects and additional inventory of Bria Homes of **₱4,315 million**.
- Other current assets including security deposits increased by **7,763%**, from **₱10 million** as of December 31, 2016 to **₱768 million** as of December 31, 2017 due mostly from purchased construction materials related to construction of residential houses and increase in prepaid commissions, security deposits and creditable withholding taxes during for the year. Other current assets attributable to Bria Homes amounted to **₱751 million**.
- Increase in available-for-sale securities which amounted to **₱40 million** brought about by the investment in equity shares of a listed company during the year of Bria Homes.
- Property and equipment increased by **96%**, from **₱142 million** as of December 31, 2016 to **₱278 million** as of December 31, 2017 due to the construction of the Chapel and Crematorium amounting to P185 million classified as property and equipment and additional property and equipment of Bria Homes of **₱34 million**.
- Investment properties increased by **41%**, from **₱267 million** as of December 31, 2016 to **₱377 million** as of December 31, 2017 due primarily to active acquisitions of land for capital appreciations and for future expansion of the Company projects.

The total liabilities of the Company increased by **457%**, from **₱ 1,560 million** as of December 31, 2016 to **₱8,690 million** as of December 31, 2017, due to the following:

- Interest-bearing loans, including non-current portion, increased by **200%**, from **₱500 million** as of December 31, 2016 to **₱1,502 million** as of December 31, 2017 mainly due to the interest bearing loan of Bria of **₱1,000 million**.
- Trade and other payables increased by **826%** from **₱326 million** as of December 31, 2016 to **₱3,020 million** as of December 31, 2017 due to increase in trade payables as part of the expansion program and the trade and other payables of Bria Homes, Inc. of **₱2,630 million**.
- Raw land payable increased by **502%** from **₱192 million** as of December 31, 2016 to **₱1,156 million** as of December 31, 2017 due to acquisition of land on account as part of the Company's expansion roll out and raw land payable of Bria Homes of **₱892 million**.
- Customers' deposits increased by **8,000%** from **₱11 million** as of December 31, 2016 to **₱923 million** as of December 31, 2017 due to an increase in sales for the year and customers' deposit of Bria Homes of **₱878 million**.
- Due to related party increased by **5,381%** from **₱18 million** as of December 31, 2016 to **₱1,007 million** as December 31, 2017 due to advances from affiliates during the year.

- Income tax payable decreased by **81%** from **₱11 million** as of December 31, 2016 to **₱2 million** as of December 31, 2017 due to settlements for the year.
- Deferred tax liabilities (net) increased by **169%** from **₱302 million** as of December 31, 2016 to **₱812 million** as of December 31, 2017 due to the increase in temporary difference during the year and deferred tax liabilities (net) of Bria Homes of **₱437 million** as of December 31, 2017.
- Reserve for perpetual care increased by **34%** from **₱198 million** as of December 31, 2016 to **₱266 million** as of December 31, 2017 due to higher sales on account recorded for the period within which the fund for those sales are yet to be remitted to the trustee.
- Retirement benefit obligation increased from **nil** as of December 31, 2016 to **₱1 million** as December 31, 2017.

Total stockholder's equity increased by **243%** from **₱ 1,318 million** as of December 31, 2016 to **₱4,516 million** as of December 31, 2017, due to the following:

- Increase in capital stock by **30%**, from **₱ 494 million** as of December 31, 2016, to **₱ 644 million** as of December 31, 2017, due primarily to the issuance of common stock by way of private placement to Cambridge Group, Inc.
- Increase in Additional Paid-in Capital from **₱ 629 million** as of December 31, 2016 to **₱2,970 million** as of December 31, 2017 due to the issuance of new shares above par value to Cambridge Group Inc.
- Increase in revaluation reserves from **P(2) million** as of December 31, 2016 to **₱5 million** as of December 31, 2017 mainly from the unrealized fair value gain of the Company's available-for-sale investments.
- Increase in retained earnings from **₱197 million** in December 31, 2016, to **₱896 million** as of December 31, 2017, due to the net income recorded for the year ended December 31, 2017.

Considered as the top five key performance indicators of the Company for the period as shown below:

KEY PERFORMANCE INDICATORS		2017	2016
<b>Liquidity:</b>			
Current Ratio	Current Assets/Current Liability	1.57 :1	2.65 :1
<b>Solvency:</b>			
Debt-to-Equity Ratio	Total Debt/Total Equity	0.33 :1	0.38 :1
<b>Asset-to-equity:</b>			
Asset-to-Equity ratio	Total Assets/Total Equity	2.92 :1	2.18 :1
<b>Interest-rate-coverage:</b>			
Interest-rate-coverage ratio	EBITDA/Finance Costs	26.97 : 1	37.00 : 1
<b>Profitability:</b>			
Return-on-equity	Net Income/Equity	15.48%	13.67%

**Material Changes to the Company's Statement of Financial Position as of December 31, 2017 compared to December 31, 2016 (increase/decrease of 5% or more)**

- Cash and cash equivalents increased by **78%**, from **₱446 million** as of December 31, 2016 to **₱796 million** as of December 31, 2017, mainly due to advances obtained from related parties and

proceeds from loan. Additional cash and cash equivalents from Bria Homes amounted to **₱584 million**.

- Total contracts receivable, including non-current, increased by **275%** from **₱1,496 million** as of December 31, 2016 to **₱5,609 million** as of December 31, 2017 due to higher sales on account recorded and additional contracts receivable of Bria Homes of **₱3,656 million**.
- Due from related parties increased by **50%** from **₱71 million** as of December 31, 2016 to **₱106 million** as of December 31, 2017 due to advances granted to the affiliates during the year and additional due to related parties of Bria homes of **₱48 million**.
- Other receivables increased by **396%** from **₱101 million** as of December 31, 2016 to **₱503 million** as of December 31, 2017 due to increase in non-trade receivables recorded and additional non-trade receivables of Bria Homes of **₱399 million**.
- Real estate inventories increased by **1,271%**, from **₱345 million** as of December 31, 2016 to **₱4,729 million** as of December 31, 2017 due to active opening and expansion of Company projects and additional inventory of Bria Homes of **₱4,315 million**.
- Real estate inventories increased by **1,271%**, from **₱345 million** as of December 31, 2016 to **₱4,729 million** as of December 31, 2017 due to active opening and expansion of Company projects and additional inventory of Bria Homes of **₱4,315 million**.
- Other current assets including security deposits increased by **7,763%**, from **₱10 million** as of December 31, 2016 to **₱768 million** as of December 31, 2017 due mostly from purchased construction materials related to construction of residential houses and increase in prepaid commissions, security deposits and creditable withholding taxes during for the year. Other current assets attributable to Bria Homes amounted to **₱751 million**.
- Increase in available-for-sale securities which amounted to **₱40 million** brought about by the investment in equity shares of a listed company during the year of Bria Homes.
- Property and equipment increased by **96%**, from **₱142 million** as of December 31, 2016 to **₱278 million** as of December 31, 2017 due to the construction of the Chapel and Crematorium amounting to P185 million classified as property and equipment and additional property and equipment of Bria Homes of **₱34 million**.
- Investment properties increased by **41%**, from **₱267 million** as of December 31, 2016 to **₱377 million** as of December 31, 2017 due primarily to active acquisitions of land for capital appreciations and for future expansion of the Company projects.
- Interest-bearing loans, including non-current portion, increased by **200%**, from **₱500 million** as of December 31, 2016 to **₱1,502 million** as of December 31, 2017 mainly due to the interest bearing loan of Bria of **₱1,000 million**.
- Trade and other payables increased by **826%** from **₱326 million** as of December 31, 2016 to **₱3,020 million** as of December 31, 2017 due to increase in trade payables as part of the expansion program and the trade and other payables of Bria Homes, Inc. of **₱2,630 million**.
- Raw land payable increased by **502%** from **₱192 million** as of December 31, 2016 to **₱1,156 million** as of December 31, 2017 due to acquisition of land on account as part of the Company's expansion roll out and raw land payable of Bria Homes of **₱892 million**.

- Customers' deposits increased by **8,000%** from **₱11 million** as of December 31, 2016 to **₱923 million** as of December 31, 2017 due to an increase in sales for the year and customers' deposit of Bria Homes of **₱878 million**.
- Due to related party increased by **5,381%** from **₱18 million** as of December 31, 2016 to **₱1,007 million** as December 31, 2017 due to advances from affiliates during the year.
- Income tax payable decreased by **81%** from **₱11 million** as of December 31, 2016 to **₱2 million** as of December 31, 2017 due to settlements for the year.
- Deferred tax liabilities (net) increased by **169%** from **₱302 million** as of December 31, 2016 to **₱812 million** as of December 31, 2017 due to the increase in temporary difference during the year and deferred tax liabilities (net) of Bria Homes of **₱437 million** as of December 31, 2017.
- Reserve for perpetual care increased by **34%** from **₱198 million** as of December 31, 2016 to **₱266 million** as of December 31, 2017 due to higher sales on account recorded for the period within which the fund for those sales are yet to be remitted to the trustee.
- Retirement benefit obligation increased from **nil** as of December 31, 2016 to **₱1 million** as December 31, 2017.
- Total stockholder's equity increased by **243%** from **₱ 1,318 million** as of December 31, 2016 to **₱4,516 million** as of December 31, 2017. This change was primarily due to the **30%** or **₱150 million** increase in capital stock due from the issuance of shares to Cambridge Group, Inc., and the **₱ 2,341 million** increase in additional paid-in capital from the acquisition of Bria shares, with the corresponding **372%** as well as the **₱8 million** increase in revaluation reserves and **354%** or **₱699 million** increase in retained earnings coming from the net income for the year.

**Material Changes to the Company's Statement of income for the year ending 2017 compared to year ending 2016 (increase/decrease of 5% or more)**

- Real estate sales increased from **₱ 772 million** for the year ended December 31, 2016 to **₱3,571 million** in the year ended December 31, 2017. The **363%** increase was due primarily to the real estate sales recorded by Bria Homes which amounted to **₱2,551 million** for the year ended December 31, 2017. Sales of columbarium vaults and memorial lots also increased by **32%** from **₱ 772 million** for the year ended December 31, 2016 to **₱1,020 million** for the year ended December 31, 2017.
- Interment income increased by **27%** from **₱22 million** for the year ended December 31, 2016 to **₱ 28 million** for the year ended December 31, 2017 due to increase in the number of interment services rendered for the year.
- Interest income increased by **258%** from **₱20 million** for the year ended December 31, 2016 to **₱ 73 million** for the year ended December 31, 2017 due primarily to the recorded interest income from Bria Homes amounting to **₱41 million** for the year ended December 31, 2017. Interest income from contracts receivable pertaining to the death care business also increased by **59%** from **₱20 million** for the year ended December 31, 2016 to **₱32 million** for the year ended December 31, 2017.
- Income from chapel services increased by **100%** from nil for the year ended December 31, 2016 to **₱13 million** for the year ended December 31, 2017 as the Company started its chapel business during the year.

- Cost of sales and services increased from **₱332 million** for the year ended December 31, 2016 to **₱1,875 million** in the year ended December 31, 2017. The **464%** increase was due primarily to the cost of real estate sales recorded by Bria Homes which amounted to **₱1,393 million** for the year ended December 31, 2017. Sales of columbarium vaults and memorial lots also increased by **32%** from **₱772 million** for the year ended December 31, 2016 to **₱1,020 million** for the year ended December 31, 2017.
- Other operating expenses increased from **₱248 million** for the year ended December 31, 2016 to **₱850 million** in the year ended December 31, 2017. The **243%** increase was due primarily to the other operating expenses recorded by Bria Homes which amounted to **₱523 million** for the year ended December 31, 2017. Other operating expenses of the parent company also increased by **45%** from **₱332 million** for the year ended December 31, 2016 to **₱481 million** for the year ended December 31, 2017.
- Other income – net increased by **112%**, to **₱49 million** for the year-end 2017 from **₱23 million** for the year-end 2016. This was due primarily to the increase in the other income – net of Bria Homes which amounted to **₱24 million** for the year-end 2017. Other income-net of the parent company increased by **9%** from **₱23 million** for the year-end 2016 to **₱25 million** for the year ended 2017.
- The Company's tax expense increased by **300%**, to **₱310million** for year-end 2017 from **₱77 million** for year-end 2016. This was attributable to the higher taxable income base in year-end 2017 compared to the same period from the previous year. Tax expense attributable to Bria Homes amounted to **₱217 million**.
- Overall Net Profit grew by **288%**, from **₱180 million** for year-end 2016 to **₱699 million** for year-end 2017 primarily due to the higher results of operation of the company and the contribution of Bria homes to the consolidated operations.

There are no other material changes in the Company's financial position (changes of 5% or more) 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.

## **REVIEW OF YEAR-END 2016 VS YEAR-END 2015**

### **RESULTS OF OPERATIONS**

#### **Revenues**

##### **Real estate sales**

The company recorded **₱772 million** in real estate sales for the year-end 2016, a **19%** increase from **₱ 651 million** from the same period in 2015. The growth was mainly attributable to the increase of sales of columbarium vaults and memorial lots.

#### **Costs and Expenses**

##### **Costs of sales and services**

The **13%** increase in cost of sales and services, to **₱ 332 million** in year-end 2016 from **₱293 million** in year-end 2015, was due to the increase of sales and services rendered during the year.

##### **Other operating expenses**

An increase of **21%** in other operating expenses, to **₱248 million** in year-end 2016 from **₱204 million** in year-end of 2015 was mainly due to the following:

- Increase in salaries and wages from **₱45 million** in year-end 2015 to **₱54 million** in year-end 2016 due mostly to an increase in manpower hired by the company due to the expansion to new areas
- Increase in prompt payment discount from **₱11 million** in year-end 2015 to **₱26 million** in year-end 2016 due to the increase in the buyers that qualified for the prompt payment discount for the year.
- Increase in commission from **₱51 million** in year-end 2015 to **₱52 million** in year-end 2016 due to the higher sales for the year.

#### **Other Income – Net**

Other income – net increased by **11%**, to **₱ 23 million** in year-end 2016 from **₱ 21 million** in year-end 2015. This was due to a parallel increase in sales forfeitures and other fees normally brought about by the higher sales recorded for year-end 2016 compared to year-end 2015.

#### **Tax Expense**

The Company's tax expense increased by **19%**, to **₱77 million** for year-end 2016 from **₱65 million** for year-end 2015. This was attributable to the higher taxable income base in year-end 2016 compared to the same period from the previous year.

#### **Net Income**

As a result of the movements above, total net profits increased by **19%**, to **₱180 million** from **₱151 million** recorded in year-end 2015.

For the year-end 2016, there were no seasonal aspects that had a material effect on the financial condition or results of the operations of the Company. 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 Company 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 Company's continuing operations.

### **FINANCIAL CONDITION**

#### ***As of December 31, 2016 vs. December 31, 2015***

As of December 31, 2016, total assets totaled to **₱ 2,878 million**, increased by **61%** from **₱ 1,787 million** recorded as of December 31, 2015, due to the following:

- Cash and cash equivalents increased by **289%**, from **₱ 115 million** as of December 31, 2015 to **₱446 million** as of December 31, 2016, mainly due to the proceeds the initial public offering done during the second quarter of 2016 and proceeds from a loan.
- Total contracts receivable, including non-current, increased by **17%** from **₱ 1,274 million** as of December 31, 2015 to **₱ 1,496 million** as of December 31, 2016 due to higher sales on account recorded.



- Other current assets decreased by **32%**, from **₱ 14 million** as of December 31, 2015 to **₱ 10 million** as of December 31, 2016 due mostly to decrease in prepaid expenses and deferred input VAT for the year.
- Memorial lot inventories increased by **58%**, from **₱ 218 million** as of December 31, 2015 to **₱ 345 million** as of December 31, 2016 due to active opening and expansion of Company projects.
- Property and equipment increased by **473%**, from **₱ 25 million** as of December 31, 2015 to **₱ 142 million** as of December 31, 2016 due to the on-going construction of the Chapel and Crematorium amounting to P114.2 million classified as property and equipment.
- Investment properties increased by **547%**, from **₱ 41 million** as of December 31, 2015 to **₱ 267 million** as of December 31, 2016 due to the acquisitions of investment properties for expansion projects.

The total liabilities of the Company increased by **15%**, from **₱ 1,352 million** as of December 31, 2015 to **₱ 1,560 million** as of December 31, 2016, due to the following:

- Interest-bearing loans, including non-current portion, increased by **₱ 491 million**, from **₱ 9.02 million** as of December 31, 2015 to **₱ 500 million** as of December 31, 2016 mainly due to a loan obtained from a local bank during the year.
- Trade and other payables increased by **47%** from **₱ 234 million** as of December 31, 2015 to **₱ 345 million** as of December 31, 2016 due to increase in trade payables as part of the expansion program.
- Rawland payable increased by **540%** from **₱ 30 million** as of December 31, 2015 to **₱ 192 million** as of December 31, 2016 due to acquisition of land on account as part of the Company's expansion roll out.
- Customers' deposits increased by **92%** from **₱ 6 million** as of December 31, 2015 to **₱ 11 million** as of December 31, 2016 due to an increase in sales over the time period.
- Dividends payable decreased by **100%** from **₱ 650 million** as of December 31, 2015 to **nil** as of December 31, 2016 due to full payment of the cash dividends in the second quarter of 2016.
- Income tax payable decreased by **25%** from **₱ 14.96 million** as of December 31, 2015 to **₱ 11 million** as of December 31, 2016 due to settlements for the year.
- Deferred tax liabilities (net) increased by **18%** from **₱ 256 million** as of December 31, 2015 to **₱ 302 million** as of December 31, 2016 due to the increase in temporary difference during the year.
- Retirement benefit obligation of **₱ 0.08 million** as of December 31, 2015 was reversed and was recorded as a retirement benefit asset of **₱ 0.05 million** as of December 31, 2016 due to actuarial adjustments.
- Reserve for perpetual care increased by **30%** from **₱ 152 million** as of December 31, 2015 to **₱ 198 million** as of December 31, 2016 due to higher sales on account recorded for the period within which the fund for those sales are yet to be remitted to the trustee.

Total stockholder's equity increased by **₱ 883 million** from **₱ 435 million** as of December 31, 2015 to **₱ 1,318 million** as of December 31, 2016, due to the following:



- Increase in capital stock by **₱ 474 million**, from **₱ 20 million** as of December 31, 2015, to **₱ 494 million** as of December 31, 2016, due primarily to the issuance of common stock as part of the stock dividends declared and the initial public offering made during the year.
- Increase in Additional Paid-in Capital from **nil** as of December 31, 2015 to **₱ 629 million** as of December 31, 2016 due to the issuance of new shares above par value during the initial public offering.
- Decrease in retained earnings from **₱417 million** in December 31, 2015, to **₱ 197 million** as of December 31, 2016, due mainly to the declaration of cash and stock dividends.

Considered as the top five key performance indicators of the Company for the period as shown below:

KEY PERFORMANCE INDICATORS		2016	2015
<b>Liquidity:</b>			
Current Ratio	Current Assets/Current Liability	2.65 :1	0.95 : 1
<b>Solvency:</b>			
Debt-to-Equity Ratio	Total Debt/Total Equity	0.38 :1	0.02 : 1
<b>Asset-to-equity:</b>			
Asset-to-Equity ratio	Total Assets/Total Equity	2.18 :1	4.11 : 1
<b>Interest-rate-coverage:</b>			
Interest-rate-coverage ratio	EBITDA/Finance Costs	37.00 : 1	145.27 : 1
<b>Profitability:</b>			
Return-on-equity	Net Income/Equity	13.67%	34.77%

**Material Changes to the Company's Statement of Financial Position as of December 31, 2016 compared to December 31, 2015 (increase/decrease of 5% or more)**

- Cash and cash equivalents increased by **289%**, from **₱ 115 million** as of December 31, 2015 to **₱446 million** as of December 31, 2016, mainly due to the proceeds the initial public offering done during the second quarter of 2016 and proceeds from a loan.
- Total contracts receivable, including non-current, increased by **17%** from **₱ 1,274 million** as of December 31, 2015 to **₱ 1,496 million** as of December 31, 2016 due to higher sales on account recorded.
- Other current assets decreased by **32%**, from **₱ 14 million** as of December 31, 2015 to **₱ 10 million** as of December 31, 2016 due mostly to decrease in prepaid expenses and deferred input VAT for the year.
- Memorial lot inventories increased by **58%**, from **₱ 218 million** as of December 31, 2015 to **₱ 345 million** as of December 31, 2016 due to active opening and expansion of Company projects.
- Property and equipment increased by **473%**, from **₱ 25 million** as of December 31, 2015 to **₱ 142 million** as of December 31, 2016 due to the on-going construction of the Chapel and Crematorium amounting to P114.2 million classified as property and equipment.
- Investment properties increased by **547%**, from **₱ 41 million** as of December 31, 2015 to **₱ 267 million** as of December 31, 2016 due to the acquisitions of investment properties for expansion projects.

- Interest-bearing loans, including non-current portion, increased by **₱ 491 million**, from **₱ 9 million** as of December 31, 2015 to **₱ 500 million** as of December 31, 2016 mainly due to a loan obtained from a local bank during the year.
- Trade and other payables increased by **47%** from **₱ 234 million** as of December 31, 2015 to **₱345 million** as of December 31, 2016 due to increase in trade payables as part of the expansion program.
- Rawland payable increased by **540%** from **₱30 million** as of December 31, 2015 to **₱192 million** as of December 31, 2016 due to acquisition of land on account as part of the Company's expansion roll out.
- Customers' deposits increased by **92%** from **₱ 6 million** as of December 31, 2015 to **₱ 11 million** as of December 31, 2016 due to an increase in sales over the time period.
- Dividends payable decreased by **100%** from **₱ 650 million** as of December 31, 2015 to **nil** as of December 31, 2016 due to full payment of the cash dividends in the second quarter of 2016.
- Income tax payable decreased by **25%** from **₱ 15 million** as of December 31, 2015 to **₱ 11 million** as of December 31, 2016 due to settlements for the year.
- Deferred tax liabilities (net) increased by **18%** from **₱ 256 million** as of December 31, 2015 to **₱ 302 million** as of December 31, 2016 due to the increase in temporary difference during the year.
- Retirement benefit obligation of **₱0.08 million** as of December 31, 2015 was reversed and was recorded as a retirement benefit asset of **₱0.05 million** as of December 31, 2016 due to actuarial adjustments.
- Reserve for perpetual care increased by **30%** from **₱ 152 million** as of December 31, 2015 to **₱198 million** as of December 31, 2016 due to higher sales on account recorded for the period within which the fund for those sales are yet to be remitted to the trustee.
- Total stockholder's equity increased by **₱ 883 million**, or **203%**, from **₱ 435 million** as of December 31, 2015 to **₱ 1,318 million** as of December 31, 2016. This change was primarily due to the **2371%** or **₱ 474 million** increase in capital stock, and the **₱ 629 million** increase in additional paid-in capital as part of the initial public offering, with the corresponding **53%** or **₱ 220 million** decrease in retained earnings due to dividends declared.

**Material Changes to the Company's Statement of income for the year ending 2016 compared to year ending 2015 (increase/decrease of 5% or more)**

- Real estate sales increase by **19%**, from **₱ 651 million** for year-end 2015 to **₱ 772 million** for year-end 2016 due to the increase of sales of columbarium vaults and memorial lots.
- Costs of sales and services grew by **13%** from **₱ 293 million** in year-end 2015 to **₱ 332 million** in year-end 2016 as a result of the higher sales and services rendered during the year.
- Other operating expenses for operations increased by **21%**, from **₱ 204 million** in year-end 2015 to **₱ 248 million** in year-end 2016. The increase was mainly due to an increase in salaries and wages, and prompt payment discount and commission.

- Other Income – net increased by **11%**, from **₱ 21 million** in year-end 2015 to **₱ 23 million** in year-end 2016, due to a parallel increase in sales forfeitures and other fees normally brought about by the higher sales recorded for year-end 2016 compared to year-end 2015.
- Tax Expense increased by **19%**, from **₱ 65 million** for year-end 2015 to **₱ 77 million** for year-end 2016 due to a higher taxable income base in year-end 2016 compared to the same period from previous year.
- Overall Net Profit grew by **19%**, from **₱ 151 million** for year-end 2015 to **₱ 180 million** for year-end 2016 primarily due to higher sales recorded with the opening of expansion projects.

There are no other material changes in the Company's financial position (changes of 5% or more) 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.

### **Factors which may have material impact in Company's operations**

#### ***Economic factors***

The economic situation in the Philippines significantly affects the performance of the Company's business. For the residential products, the Company is sensitive to changes in domestic interest and inflation rates. Higher interest rates tend to discourage potential consumers as deferred payment schemes become more expensive for them to maintain. An inflationary environment will adversely affect the Company, as well as other memorial park developers, by increases in costs such as land acquisition, labor, and materials. Although the Company may pass on the additional costs to buyers, there is no assurance that this will not significantly affect the Company's sales.

#### ***Competition***

Please refer to the discussion on Competition found in Item 1 of this report.

### **Capital Expenditures**

The table below sets out the Company's capital expenditures in 2015, 2016 and 2017 together with its budgeted capital expenditures for 2018.

	<b>Expenditure</b>
	<i>(in ₱ millions)</i>
2015 (actual)	9.63
2016 (actual)	435.85
2017 (actual)*	2,790.10
2018 (budgeted)*	5,893.30

*\*Consolidated amount of the parent and the subsidiary*

The Company's capital expenditures have, in the past, been financed by internal funds. During the year the Company raised funds from its IPO which will also be used to fund capital expenditures..

Components of the Company's capital expenditures for 2015, 2016 and 2017 are summarized below:

	<b>For the years ended December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(in ₱ millions)</i>		
Land acquisition	2.01	62.50	1,089.40
Memorial park development	-	243.68	181.00
Memorial chapel construction	-	114.21	78.00
Land development	-	-	521.10
Construction	-	-	788.60
Property and equipment	7.62	15.46	132.00
<b>Total</b>	<b>9.63</b>	<b>435.85</b>	<b>2,790.10</b>

The Company has budgeted ₱5,893.30 million for capital expenditures for 2018. The planned capital expenditures for 2018 are summarized below:

	<b>Expenditures</b>
	<i>(in ₱ millions)</i>
<b>Capital Projects</b>	
Land acquisition	2,164.30
Memorial park development	216.00
Memorial chapel construction	100.00
Land development	746.50
Construction	2,589.00
Property and equipment	77.50
<b>Total</b>	<b>5,893.30</b>

The figures in the foregoing capital expenditure plans are based on the Company's management's estimates and have not been appraised by an independent organization. In addition, these capital expenditure plans are subject to a number of variables, including: possible cost overruns; construction/development delays; the receipt of environmental and other regulatory approvals; changes in management's views of the desirability of current plans; the identification of new projects; and macroeconomic factors such as the Philippines' economic performance and interest rates. There can be no assurance that the Company will execute the foregoing capital expenditure plans as contemplated at or below estimated costs.

## **Item 7. Financial Statements**

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2017 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

## **Item 8. Information on Independent Accountant and Other Related Matters**

### **Independent Public Accountants**

Punongbayan & Araullo, independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2015, 2016, and 2017, included in this report.

Punongbayan & Araullo has acted as the Company's external auditors since June 15, 2015. Nelson J. Dinio is the current audit partner for the Company and the other subsidiaries. The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. Punongbayan & Araullo has neither shareholdings in the Company nor

any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. Punongbayan & Araullo will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by Punongbayan & Araullo:

	2016	2017*
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 450,000.00	₱ 2,800,000.00
All other fees	-	-
<b>Total</b>	<b>₱ 450,000.00</b>	<b>₱ 2,800,000.00</b>

*\*Consolidated audit fees of the parent and the subsidiary*

### **Changes in and Disagreement with Accountants on Accounting and Financial Disclosure**

Since the incorporation of the Registrant in 1982, there was no instance where the Registrant's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Registrant had any disagreement with its public accountants on any accounting or financial disclosure issue.

The 2017 audit of the Registrant is in compliance with paragraph (3)(b)(iv) of SRC Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

For Changes in Accounting Policies, refer to Note 2 – Adoption of New and Amended PFRS under Summary of Significant Accounting Policies discussion on the Financial Statements as of and for the year ended December 31, 2017 included in this report.

## **PART III – CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Issuer**

#### **Board of Directors and Executive Officers**

The overall management and supervision of the Company is undertaken by its Board. The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Currently, the Board consists of seven members, of which two are independent directors. The following are the names, ages and citizenship of the incumbent directors/independent directors of the Registrant:

Name	Age	Position	Citizenship
Manuel B. Villar, Jr.	68	Director, Chairman of the Board	Filipino
Maribeth C. Tolentino	52	Director and President	Filipino
Frances Rosalie T. Coloma	55	Director, Chief Financial Officer and Chief Information Officer	Filipino
Joy J. Fernandez	52	Director and Treasurer	Filipino
Camille A. Villar	32	Director	Filipino
Ana Marie V. Pagsibigan	48	Independent Director	Filipino
Garth F. Castañeda	36	Independent Director	Filipino

The following are the names, ages and citizenship of the Registrant's executive officers in addition to its executive and independent directors listed above as of December 31, 2017.

Name	Age	Position	Citizenship
Gemma M. Santos	55	Corporate Secretary	Filipino
Mark Aurelio B. Dantes	31	Investor Relations Officer	Filipino

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

**MANUEL B. VILLAR, JR.**, *Director and Chairman of the Board*. Mr. Villar, 68, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Starmalls, Inc. He was appointed as Chairman of the Board of the Company in May 12, 2017.

**MARIBETH C. TOLENTINO**, *Director and President*. Ms. Tolentino is a Certified Public Accountant and graduated from the University of the East with a Bachelor's degree in Business Administration. She previously served as the General Manager of the Company from 1999 to 2005. Ms. Tolentino currently serves as the President of Vista Residences, Inc., Camella Homes, Inc. and Household Development Corporation and as director of Vista Land & Lifescapes, Inc., Vista Residences, Inc. and Camella Homes, Inc. Ms. Tolentino was appointed Chief Operations Officer of the Company in February 2016.

**FRANCES ROSALIE T. COLOMA**, *Director, Chief Financial Officer and Chief Information Officer*, graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. She is a Certified Public Accountant. She worked as Finance Manager of Alcatel Philippines Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines Inc., and Deal Finance Manager of Accenture Delivery Center, Philippines. She was also the Assistant General Manager of Maersk Global Services, Philippines, and is currently the Chief Financial Officer of the Starmalls group. Ms. Coloma has been a director of the Company since July 2016 and was appointed Chief Financial Officer in June 15, 2017.

**JOY J. FERNANDEZ**, *Director and Treasurer*. Ms. Fernandez graduated from the Central Philippine University with a Bachelor's degree in Commerce and from the Royal Melbourne Institution of Technology as a chartered accountant associate. She previously served as the Comptroller of the Company from October 2009 until June 2015. Ms. Fernandez currently serves as the Chief Operating Officer of MGS Construction, Inc. and has been the Treasurer of the Company since June 2015.

**CAMILLE A. VILLAR**, *Director*. Ms. Villar, 32, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She took Management in Business Administration, Global Executive MBA Program in IESE Business School, Barcelona, Spain. She joined the Corporate Communications Group of Brittany in 2007 until she assumed the position of Managing Director of Vista

Land Commercial. She is also a Director of AllValue Holdings Corp. She has been a director of the Company since August 30, 2017.

**ANA MARIE V. PAGESIBIGAN**, *Independent Director*. Atty. Pagsibigan graduated from the University of the Philippines with a Bachelor's degree in History and from San Sebastian College with a Bachelor's degree in Law. She previously served as a director and the legal counsel of Great Domestic Insurance. She is currently the legal counsel to SEDAS Security Specialists. Atty. Pagsibigan was appointed as independent director of the Company on May 2016.

**GARTH F. CASTANEDA**, *Independent Director*. Atty. Castaneda graduated from the University of Sto. Tomas with a Bachelor's degree in Accountancy and from the University of the Philippines with a Bachelor's degree in Law. He previously served as a consultant of the Privatization Management Office. He is currently a partner at SYMECS Law and serves as a director and the Corporate Secretary of each of Phoenix Solar Philippines, Inc. and Communications Wireless Group (Philippines), Inc. Atty. Castaneda was appointed as independent director of the Company on May 2016.

**GEMMA M. SANTOS**, *Corporate Secretary*. Atty. Santos, 55, graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985. She is a practicing lawyer and Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices and Corporate Secretary of various Philippine companies, including public companies Roxas Holdings, Inc., Max's Group, Inc. and SSI Group, Inc. She was appointed as corporate secretary on December 22, 2017.

**MARK AURELIO B. DANTES**, *Investor Relations Officer*. Mr. Dantes graduated from the University of the Philippines with a Bachelor's degree in Journalism. He holds a Master's degree in Business Administration from the National University of Singapore. Mr. Dantes was appointed as Investor Relations Officer of the Company on 1 October 2015. Prior to joining the Company, Mr. Dantes was a Brand Manager (2011-2012) and Director for Business Development (2014-2015) of Property Company of Friends, Inc. He was also an Accounts Manager at DM9 Jayme Syfu in 2011, and was an Assistant Manager at Rockwell Land Corp. from 2009-2011.

#### **Family relationships**

Mr. Manuel B. Villar Jr. is the father of Ms. Camille A Villar. They are both part of the Company's Board of Directors.

#### **Involvement in Certain Legal Proceedings of Directors and Executive Officers**

To the best knowledge of the Company, none of its present directors, executive officers or its nominees for independent directors has been subject to the following:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.



## Item 10. Executive Compensation

### Executive Compensation

The compensation for its executive officers for the years 2016, 2017 (actual), and 2018 (projected) are shown below:

Name and Principal Position	Year	Salary	Bonus	Others
Manuel B. Villar, Jr.* Chairman				
Maribeth C. Tolentino** President of Golden Haven, Inc.				
Frances Rosalie T. Coloma*** Chief Financial Officer / Chief Information Officer				
Rizalito J. Rosales**** President of Bria Homes, Inc.				
Ma. Teresa P. Tumbaga**** Treasurer of Bria Homes, Inc.				
	Actual 2016	₱9.80M	₱1.73M	None
Aggregate executive compensation for above named officers	Actual 2017	₱12.10M	₱2.10M	None
	Projected 2018	₱14.90M	₱2.6M	None
	Actual 2016	₱9.80M	₱1.73M	None
Aggregate executive compensation of all other officers and directors, unnamed	Actual 2017	₱12.10M	₱2.10M	None
	Projected 2018	₱14.90M	₱2.60M	None

\* Replaced Jerry M. Navarette as Chairman in 2017, compensation not included in 2016;

\*\* Replaced Jerry M. Navarette as President of Golden Haven Inc., in 2017;

\*\*\* Replaced Roy Joseph S. Fernandez as Chief Financial Officer/ Chief Information Officer in 2017, compensation not included in 2016; and

\*\*\*\* Compensation not included in 2016

### ***Standard arrangements***

Each director of the Company receives a per diem of ₱10,000 determined by the Board of Directors for attendance in a Board meeting and a ₱10,000 allowance for attendance in a committee meeting (except for independent directors). On April 10, 2018, the per diem for attendance in a Board meeting was increased to ₱15,000 and the allowance for attendance in a committee meeting was also increased to ₱15,000.

### ***Other arrangements***

Except for each of the individual Directors' participation in the Board, no Director of the Company enjoys other arrangements such as consulting contracts or similar arrangements.

***Employment contract between the company and executive officers***

There are no special employment contracts between the Company and the named executive officers.

***Warrants and options held by the executive officers and directors***

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

***Significant employee***

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant's voting securities as of December 31, 2017:

<b>Title of Class of Securities</b>	<b>Name/Address of Record Owners and Relationship with Us</b>	<b>Name of Beneficial Owner /Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Ownership<sup>1</sup></b>
Common	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Fine Properties, Inc./ Record Owner is not the beneficial owner <sup>2</sup>	Filipino	412,057,800	63.97%
Common	Cambridge Group, Inc. Lower Ground Floor, Building B, Evia Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City	Fine Properties, Inc./ Record Owner is not the beneficial owner <sup>2</sup>	Filipino	158,744,255	24.65%
Common	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial owner <sup>3</sup>	Filipino	68,022,380	10.56%

<sup>1</sup> Based on the Company's total issued and outstanding capital stocks as of December 31, 2017 of 644,117,649 common shares.

<sup>2</sup> Mr. Manuel B. Villar, Jr. and his spouse are the controlling shareholders of Fine Properties, Inc. The right to vote the shares held by Fine Properties, Inc. has in the past been, and is expected to be exercised by Mr. Manuel B. Villar, Jr.

<sup>3</sup> PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions in the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. Except as indicated above, as of Record Date, the Registrant is not aware of any investor beneficially owning shares lodged with the PCD, which comprise more than five percent (5%) of the Registrant's total outstanding capital stock.

Security ownership of directors and executive officers as of December 31, 2017:

<b>Title of class</b>	<b>Name of beneficial owner</b>	<b>Amount and nature of beneficial ownership</b>		<b>Citizenship</b>	<b>Percent of Class<sup>1</sup></b>
Common	Manuel B. Villar, Jr. C. Masibay St. BF Resort Village, Talon, Las Piñas City	1,000	Indirect	Filipino	0.00%
Common	Maribeth C. Tolentino Block 1 Lot 2 Merida Subdivision BF Resort Village, Talon, Las Piñas City	2,835,000	Indirect	Filipino	0.44%
Common	Joy J. Fernandez Block 11 Lot 3 Joshua St, Camella Las Piñas Classic Pilar, Las Piñas City	2,268,000	Indirect	Filipino	0.35%
Common	Frances Rosalie T. Coloma 1-10 Granwood Villas BF Homes, Quezon City	500	Indirect	Filipino	0.00%
Common	Camille A. Villar C. Masibay St. BF Resort Village, Talon, Las Piñas City	100	Indirect	Filipino	0.00%
Common	Anna Marie V. Pagsibigan 21 Matungao Bulacan, Bulacan	1	Indirect	Filipino	0.00%
Common	Garth F. Castañeda Unit 802, The Amaryllis Condominium 12 <sup>th</sup> Street cor. E. Rodriguez Ave. Quezon City	1	Indirect	Filipino	0.00%
<b>Total</b>		<b>5,104,602</b>			<b>0.79%</b>

<sup>1</sup> Based on the Company's total outstanding and issued capital stocks of 664,117,649 common shares as of December 31, 2017

Except as indicated in the above table, the above named officers have no indirect beneficial ownership in the registrant.

Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

**Voting Trust Holders of 5.0% or More**

The Registrant is not aware of any person holding more than 5.0% of a class of shares under a voting trust or similar agreement.

**Changes in Control**

The Registrant is not aware of any arrangements, which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

**Item 12. Certain Relationships and Related Transactions**

The Company, in the ordinary course of its business, engages in transactions with related parties. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

For further information on the Company's related party transactions, including detailed breakdowns of amounts receivable from and amounts payable related to parties, see Note 16 of the Company's financial statements as of December 31, 2017 included in this report.

#### **PART IV – CORPORATE GOVERNANCE**

**Item 13.** *To be disclosed separately.*

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. Exhibits and Reports on SEC Form 17 – C**

#### **Exhibits**

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Consolidated Financial Statements of the Company as of and for the year ended December 31, 2017.

The other exhibits, as indicated in the Index to Financial Statements and Supplementary Schedules are either not applicable to the Company or require no answer.

#### **Reports on SEC Form 17-C**

The following current reports have been reported by Golden Bria Holdings, Inc. during the year 2017 through official disclosure letters dated:

##### ***February 6, 2017***

*Notice of Annual or Special Stockholders' Meeting*

##### ***February 10, 2017***

*BOD Meeting Resolution*

##### ***February 13, 2017***

*BOD Meeting Resolution – Amendments to By-Laws*

##### ***February 14, 2017***

*Notice of Annual or Special Stockholders' Meeting - amendments*

##### ***March 1, 2017***

*BOD Meeting Resolution – Amendments to By-Laws*

##### ***March 3, 2017***

*Press Release*

##### ***March 24, 2017***

*BOD Meeting Resolution – 2016 Audited Financial statements release approval*

##### ***March 27, 2017***

*Notice of publication of Audited Financial statements*

##### ***March 30, 2017***

*Press Release*

##### ***April 3, 2017***

*Results of Annual or Special Stockholder's meeting*

##### ***April 3, 2017***

*Results of Organizational Meeting of Board of Directors*

##### ***May 12, 2017***

*Resignation/Election of Directors or Officers*



**May 12, 2017**

*BOD Meeting Resolution – release of the Unaudited Financial Statements of the Company as of and for the three months ended March 31, 2017*

**May 15, 2017**

*Press Release*

**May 31, 2017**

*BOD Meeting Resolution*

**June 1, 2017**

*Resignation/ Election of Directors or Officers*

**June 16, 2017**

*Resignation/ Election of Directors or Officers*

**June 28, 2017**

*Results of Organizational Meeting of Board of Directors-amendments*

**August 14, 2017**

*BOD Meeting Resolution*

**August 18, 2017**

*Press Release*

**August 30, 2017**

*Resignation/ Election of Directors or Officers*

**September 4, 2017**

*BOD Meeting Resolutions*

**September 4, 2017**

*Notice of Annual or Special Stockholders' Meeting*

**September 5, 2017**

*BOD Meeting Resolution*

**September 7, 2017**

*Special Stockholders' Meeting*

**October 3, 2017**

*Special Stockholders' Meeting*

**October 4, 2017**

*BOD Meeting Resolution*

**October 17, 2017**

*BOD Meeting Resolution*

**October 17, 2017**

*Results of Annual or Special Stockholder's meeting*

**October 19, 2017**

*BOD Meeting Resolution*

**October 23, 2017**

*BOD Meeting Resolution*

**October 24, 2017**

*Change in Corporate Name*

**November 7, 2017**

*Change in Corporate Name - amendments*

**December 26, 2017**

*Resignation/ Election of Directors or Officers*

**December 27, 2017**

*BOD Meeting Resolution – acquisition of a corporation and issuance of shares*

**December 28, 2017**

*Acquisition of Bria Homes, Inc.*

**December 29, 2017**

*Comprehensive Corporate Disclosure on Issuance of Shares*


**Reports on SEC Form 17-C, as amended (during the last 6 months)**

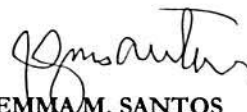
None

## SIGNATURES

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

By:

  
**MARIBETH C. TOLENTINO**  
President

  
**GEMMA M. SANTOS**  
Corporate Secretary

  
**FRANCES ROSALIE T. COLOMA**  
Chief Financial Officer

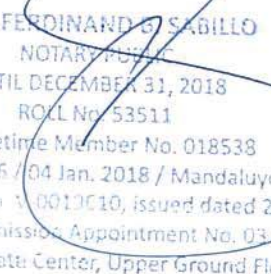
  
**MILES M. TERETIT**  
Chief Accountant

APR 13 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at  
**MANDALUYONG CITY**, affiants exhibiting to me their respective Identifications, to wit:

<u>Name</u>	<u>Identification No.</u>	<u>Date &amp; Place of Issue</u>
Maribeth C. Tolentino	SSS ID 03-7209295-3	Philippines
Gemma M. Santos	P4547774A	29 Sep 2017/DFA NCR North
Frances Rosalie T. Coloma	P2601723A	05 Apr 2017/DFA Manila
Miles M. Teretit	PRC ID 0118565	10 Oct 2016/Manila Philippines

Doc. No. 430  
Page No. 85  
Book No. XXV  
Series of 2018.

  
ATTY. FERDINAND S. SABILLO  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2018  
ROLL No. 53511  
IBP Lifetime Member No. 018538  
PTR No. 3405286 / 04 Jan. 2018 / Mandaluyong City  
MCLE Compliance No. 10010010, issued dated 21 April 2016  
Notarial Commission Appointment No. 0314-17  
Vista Corporate Center, Upper Ground Floor,  
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

**GOLDEN HAVEN, INC (formerly GOLDEN HAVEN MEMORIAL PARK, INC.)**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**Form 17-A, Item 7**

**Consolidated Financial Statements**

Statement of Management's Responsibility for Financial Statements  
Report of Independent Public Accountant  
Report of Independent Auditors on Supplementary Schedules  
Consolidated Balance Sheets as of December 31, 2015, 2016, and 2017  
Consolidated Statements of Income for the years ended December 31, 2015, 2016, and 2017  
Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2016 and 2017  
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2016 and 2017  
Notes to Consolidated Financial Statements

**Supplementary Schedules**

- A. Financial Assets
- B. Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial assets
- D. Intangible Assets - Other Assets
- E. Long-term Debt
- F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock

**Others**

Reconciliation of Retained Earnings (SEC Circular 11)  
Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**  
**FOR CONSOLIDATED FINANCIAL STATEMENTS**




The management of **Golden Haven, Inc. and Subsidiary (the "Group")** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached herein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether to fraud or error.

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

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

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders or members.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with the Philippine Standards on Auditing, and in their report to the Board of Directors and stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

  
\_\_\_\_\_  
**Manuel B. Villar, Jr**  
Chairman of the Board  
\_\_\_\_\_  
**Maribeth C. Tolentino**  
President and Chief Operating Officer  
\_\_\_\_\_  
**Frances Rosalie T. Coloma**  
Chief Financial Officer

Signed this 13 day of April, 2018.

SUBSCRIBED AND SWORN, to before me this APR 13 2018 at MANDALUYONG CITY, affiants exhibiting to me their respective Identifications, to wit:

<u>Name</u>	<u>Identification No.</u>	<u>Date and Place of Issue</u>
Manuel B Villar, Jr.	DE0011147	15 OCT 2014 / DFA MANILA
Maribeth C. Tolentino	SSS ID 03-7209295-3	PHILIPPINES
Frances T. Coloma	P2601723A	05 APR 2017/ DFA MANILA

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledges that they executed the same.

Doc No. 429  
Page No. 87  
Book No. 331  
Series of 2018.

  
ATTY. FERDINAND B. SABILLO  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2018  
ROLL No. 53511  
IBP Lifetime Member No. 018538  
PTR No. 3405286 / 04 Jan. 2018 / Mandaluyong City  
MCLE Compliance No. V-0019610, issued dated 21 April 2016  
Notarial Commission Appointment No. 0314-17  
Vista Corporate Center, Upper Ground Floor,  
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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Company Name

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)		A	N	D		A		S	U	B	S	I	D	I	A	R	Y												

Principal Office ( No./Street/Barangay/City/Town)Province)

S	A	N		E	Z	E	K	I	E	L	,		C	5		E	X	T	E	N	S	I	O	N	,				
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Form Type

A	A	F	S
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Company's Telephone Number/s

8	7	3	-	2	9	2	2
---	---	---	---	---	---	---	---

Mobile Number

N	/	A
---	---	---

No. of Stockholders

1	4
---	---

Annual Meeting  
Month/Day

J	u	l	y	1	5
---	---	---	---	---	---

Fiscal Year  
Month/Day

1	2	/	3	1
---	---	---	---	---

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

F	r	a	n	c	i	s		R	o	s	a	l	i	e		C	o	l	o	m	a
---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	--	---	---	---	---	---	---

Email Address

S	a	l	i	e	.	c	o	l	o	m	a	@	g	o	l	d	e	n	h	a	v	e	n	.	c	o	m	.	p	h
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Telephone Number/s

8	7	3	-	9	2	2
---	---	---	---	---	---	---

Mobile Number

0	9	1	7	-	5	6	9	-	7	0	6	6
---	---	---	---	---	---	---	---	---	---	---	---	---

Contact Person's Address

S	a	n		E	z	e	k	i	e	l	,	C	5		E	x	t	e	n	s	i	o	n	,		L	a	s		P	i	ñ	a	s		C	i	t	y
---	---	---	--	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	--	---	---	---	--	---	---	---	---	---	--	---	---	---	---

**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





**P&A**  
**Grant Thornton**

An instinct for growth™

## **Report of Independent Auditors**

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20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
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**The Board of Directors and Stockholders**  
**Golden Haven, Inc. and a Subsidiary**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties Inc.]*  
San Ezekiel, C5 Extension  
Las Piñas City

### ***Opinion***

We have audited the financial statements of Golden Haven, Inc. (the Parent Company) and a subsidiary (collectively referred as, the Group), which comprise the consolidated statement of financial position as at December 31, 2017 and Parent Company's statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for year ended December 31, 2017 and of the Parent Company for the years ended December 31, 2016 and 2015, and the notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended, and the Parent Company's financial position as at December 31, 2016, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with Philippine Financial Reporting Standards (PFRS).

### ***Basis for Opinion***

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

### ***Emphasis of Matter***

As discussed fully in Note 2 to the financial statements, the Group started preparing their consolidated financial statements in 2017 as a result of a business combination during the year.

### **Key Audit Matters**

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

#### **(a) Revenue Recognition for Real Estate Sales**

##### *Description of the Matter*

Revenue from real estate sales amounted to ₱3.6 billion, which accounts for 97% of total revenues from real estate operations, for the year ended December 31, 2017. As discussed in Note 2 to the financial statements, the Group recognizes revenue from real estate sales particularly from sale of houses and lots, subdivision lots, memorial lots and condominium units using the full accrual method primarily when the Group has transferred to the buyer the significant risks and rewards of ownership of the houses and lots, subdivision lots, memorial lots, and condominium units; and it is probable that the economic benefits associated with the transaction will flow to the Group.

In applying the full accrual method and assessing whether the above primary conditions are met, the Group's management uses significant judgments and estimates. Management applies judgment and estimates in ascertaining whether risks and rewards of ownership over the real estate inventory have been transferred to the buyer by considering the completion of the real estate inventory, and the delivery to and acceptance by the buyer. In determining whether the economic benefits related to the sale transactions are reasonably assured, management applies critical judgement in assessing the collectability of the contract price by considering evidence of the buyer's commitment and capability to complete the payment, evidenced by the percentage of collection during the reporting period. An error in the application of such judgments and estimates could cause a material misstatement in the Group's financial statements. In addition, the Group's real estate sale is also susceptible to material misstatement due to the volume of sales transactions involving varied real estate projects and properties and the challenges in consistently applying the revenue recognition criterion. We therefore identified revenue recognition relating to real estate sales as a significant risk requiring appropriate audit consideration.

##### *How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- obtaining an understanding of the Group's revenue recognition policy, revenue processes and controls over the recognition and measurement of revenues from real estate sales;
- examining sales documents per identified buyers on a sample basis, which include contracts-to-sell, disclosure statements detailing the terms of the sales contracts, official receipts and other relevant supporting documents to determine whether the related real estate sales transactions are appropriately recognized based on the Group's revenue recognition policy;
- reviewing the reasonableness of the stage of completion on selected real estate projects by analysing the cost incurred to date to confirm that real estate sales recognized during the reporting period pertains to fully completed real estate inventories. Further, we evaluated the reasonableness of estimated contract cost with reference to contractors' quotes and historical cost of similar and completed projects;



- recalculating the percentage of collection per sales contract, on a sample basis, based on total accumulated principal payments as of the reporting date over contract price to determine if the Group established that the buyers' commitment to complete their obligations over the sales contract; and,
- performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of real estate sales per project based on our expectations, which include corroborating evidence from other audit procedures, and verifying that the underlying data used in the analyses are complete.

**(b) Existence and Valuation of Real Estate Inventories**

*Description of the Matter*

As of December 31, 2017, the Group's real estate inventories which relates to significant number of projects located at the major areas throughout the country amounted to ₱4.7 billion. These include subdivision lots, houses and lots, land development, memorial lots, condominium units and raw land. Real estate inventories are stated at the lower of cost and net realizable value, which is the estimated selling price less costs to complete and sell.

An assessment of the net realizable value of real estate inventories is carried out at each reporting date. It requires estimation of selling prices, which consider recent market prices and conditions, and costs to complete and sell, which are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor costs and construction issues. Accordingly, a change in the management estimation of selling prices and estimated cost to complete and sell could have a material impact on the carrying value of real estate inventories in the Group's financial statements.

Due to the voluminous transactions and the significance of management judgment and estimates involved, we have identified the risks relating to existence and valuation of real estate inventories as significant in our audit.

The Group's accounting policy relative to real estate inventories and the sources of estimation uncertainty on the net realizable value of real estate inventories are disclosed in Notes 2 and 3 to the financial statements. The analysis of the Group's real estate inventories is disclosed in Note 6.

*How the Matter was Addressed in the Audit*

Our audit procedures included, among others:

Existence

- performing ocular inspection of selected real estate projects near the reporting date to confirm the existence and current condition of such projects at the end of the reporting period;
- examining documents such as land titles, suppliers' and contractors' agreements, invoices, official or collection receipts and accomplishment billings, supporting the costs of real estate inventories capitalized, including the costs of acquired land, during the reporting period to corroborate with other audit procedures relating to existence assertion;

#### Valuation

- reviewing the reasonableness and appropriateness of the Group's calculation of the valuation of its real estate inventories at lower of cost and net realizable value; and,
- comparing the estimated selling prices, and costs to complete and sell, on a sample basis, against the contract prices of recently completed sales, and historical data related to restoration costs, commissions and other related expenses.

### **(c) Accounting for Business Combination**

#### *Description of the Matter*

In 2017, the Parent Company acquired a Subsidiary as fully discussed in Note 1. Management assessed that such acquisition qualified as a business combination under common control which is outside the scope of PFRS 3, *Business Combination*. Accordingly, the Group applied the pooling of interest method of accounting, as allowed under PFRS. The determination of the appropriate accounting treatment of the business combination is significant to our audit as it requires significant judgement by management in determining the existence of common control; and, there is no specific PFRS addressing business combination under common control.

The Group's detailed information about the business combination and the related accounting policy are disclosed in Notes 1 and 2 to the financial statements.

#### *How the Matter was Addressed in the Audit*

Our audit procedures included the following amongst others:

- assessing whether the acquisition during the year met the criteria of a business combination;
- obtain understanding of key transaction documents and conditions;
- determining existence of common control;
- determining whether the application of pooling of interest provides a better representation of the business combination under common control; and,
- evaluating the sufficiency and adequacy of disclosures in the Group's financial statements in accordance with PFRS and other relevant interpretations.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A and Annual Report for the year ended December 31, 2017 (but does not include the financial statements and our auditors' report thereon). The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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



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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Nelson J. Dinio.

**PUNONGBAYAN & ARAULLO**

  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 6616007, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 1036-AR-2 (until Mar. 15, 2020)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-32-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 10, 2018

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties, Inc.]*  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<b>2017</b> <b>(Consolidated)</b>	<b>2016</b> <b>(Parent Company)</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash	4	<b>P 795,866,469</b>	P 445,952,579
Contracts receivable	5	<b>3,676,912,811</b>	509,479,472
Due from related parties	18	<b>106,128,935</b>	70,871,002
Other receivables	5	<b>502,633,512</b>	101,240,211
Real estate inventories	6	<b>4,728,968,498</b>	344,994,214
Other current assets	7	<b>728,723,272</b>	9,762,409
Total Current Assets		<b>10,539,233,497</b>	1,482,299,887
<b>NON-CURRENT ASSETS</b>			
Contracts receivable	5	<b>1,932,099,197</b>	986,290,580
Available-for-sale financial assets	8	<b>40,130,604</b>	-
Property and equipment – net	9	<b>277,585,941</b>	141,972,692
Investment properties	10	<b>377,527,304</b>	267,306,979
Security deposits	7	<b>38,906,394</b>	-
Retirement benefit assets	19	<b>-</b>	47,208
Total Non-current Assets		<b>2,666,249,440</b>	1,395,617,459
<b>TOTAL ASSETS</b>		<b>P 13,205,482,937</b>	P 2,877,917,346
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans	11	<b>P 606,069,721</b>	P 310,316
Trade and other payables	12	<b>3,020,275,566</b>	326,327,298
Rawlands payable	12	<b>1,156,068,665</b>	192,058,542
Customers' deposits	13	<b>922,675,619</b>	11,390,375
Due to related parties	18	<b>1,007,226,830</b>	18,377,019
Income tax payable		<b>2,090,932</b>	11,247,854
Total Current Liabilities		<b>6,714,407,333</b>	559,711,404
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans	11	<b>895,952,110</b>	500,000,000
Deferred tax liabilities – net	17	<b>811,859,281</b>	301,890,319
Reserve for perpetual care	14	<b>266,270,594</b>	198,259,890
Retirement benefit obligation	19	<b>1,148,816</b>	-
Total Non-current Liabilities		<b>1,975,230,801</b>	1,000,150,209
Total Liabilities		<b>8,689,638,134</b>	1,559,861,613
<b>EQUITY</b>			
Capital stock	20	<b>644,117,649</b>	494,117,649
Additional paid-in capital		<b>2,970,208,753</b>	628,928,339
Revaluation reserves		<b>5,130,295</b>	( 2,405,172 )
Retained earnings		<b>896,388,106</b>	197,414,917
Total Equity		<b>4,515,844,803</b>	1,318,055,733
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 13,205,482,937</b>	P 2,877,917,346

*See Notes to Financial Statements.*



GOLDEN HAVEN, INC. AND A SUBSIDIARY  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties, Inc.]*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Notes	2017 (Consolidated)	2016 (Parent Company)	2015 (Parent Company)
<b>REVENUES</b>	2			
Real estate sales	18	P 3,570,985,034	P 772,080,140	P 650,798,166
Interment income		28,032,253	22,108,159	21,499,794
Interest income on contract receivables	5	73,039,495	20,399,147	20,499,328
Income from chapel services		13,069,056	-	-
		<u>3,685,125,838</u>	<u>814,587,446</u>	<u>692,797,288</u>
<b>COSTS AND EXPENSES</b>	15			
Costs of sales and services		1,874,788,066	332,166,938	293,147,058
Other operating expenses		850,314,219	247,674,620	203,971,292
		<u>2,725,102,285</u>	<u>579,841,558</u>	<u>497,118,350</u>
<b>OPERATING PROFIT</b>		<b>960,023,553</b>	<b>234,745,888</b>	<b>195,678,938</b>
<b>OTHER INCOME – Net</b>	16	<b>48,622,815</b>	<b>22,933,479</b>	<b>20,654,277</b>
<b>PROFIT BEFORE TAX</b>		<b>1,008,646,368</b>	<b>257,679,367</b>	<b>216,333,215</b>
<b>TAX EXPENSE</b>	17	<b>( 309,673,179 )</b>	<b>( 77,456,750 )</b>	<b>( 65,218,011 )</b>
<b>NET PROFIT</b>		<b>698,973,189</b>	<b>180,222,617</b>	<b>151,115,204</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that will be reclassified subsequently to profit or loss				
Unrealized fair value gains on available-for-sale financial assets	8	7,767,214	-	-
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit post-employment obligation	19	( 331,067 )	186,319	( 90,008 )
Tax income (expense)	17	99,320	( 55,896 )	27,002
		<u>7,535,467</u>	<u>130,423</u>	<u>( 63,006 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 706,508,656</b>	<b>P 180,353,040</b>	<b>P 151,052,198</b>
<b>Basic and Diluted Earnings Per Share</b>	21	<b>P 1.41</b>	<b>P 0.39</b>	<b>P 0.36</b>

*See Notes to Financial Statements.*

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties, Inc.]*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Capital Stock (see Note 20)	Additional Paid-in Capital (see Note 20)	Revaluation Reserves (see Note 20)	Retained Earnings (see Note 20)		Total Equity
				Appropriated	Unappropriated	
Balance at January 1, 2017	P 494,117,649	P 628,928,339	( P 2,405,172 )	P -	P 197,414,917	P 1,318,055,733
Issuance of capital stock	150,000,000	2,864,027,483	-	-	-	3,014,027,483
Excess of cost over net assets of subsidiary	-	( 522,747,069 )	-	-	-	( 522,747,069 )
Total comprehensive income for the year	-	-	7,535,467	-	698,973,189	706,508,656
Balance at December 31, 2017	<b>P 644,117,649</b>	<b>P 2,970,208,753</b>	<b>P 5,130,295</b>	<b>P -</b>	<b>P 896,388,106</b>	<b>P 4,515,844,803</b>
Balance at January 1, 2016	P 20,000,000	P -	( P 2,535,595 )	P 400,000,000	P 17,192,300	P 434,656,705
Issuance of capital stock	74,117,649	628,928,339	-	-	-	703,045,988
Reversal of appropriation of retained earnings	-	-	-	( 400,000,000 )	400,000,000	-
Stock dividends	400,000,000	-	-	-	( 400,000,000 )	-
Total comprehensive income for the year	-	-	130,423	-	180,222,617	180,353,040
Balance at December 31, 2016	<b>P 494,117,649</b>	<b>P 628,928,339</b>	<b>( P 2,405,172 )</b>	<b>P -</b>	<b>P 197,414,917</b>	<b>P 1,318,055,733</b>
Balance at January 1, 2015	P 20,000,000	P -	( P 2,472,589 )	P 1,060,000,000	P 6,077,096	P 1,083,604,507
Reversal of appropriation of retained earnings	-	-	-	( 660,000,000 )	660,000,000	-
Cash dividends	-	-	-	-	( 800,000,000 )	( 800,000,000 )
Total comprehensive income for the year	-	-	( 63,006 )	-	151,115,204	151,052,198
Balance at December 31, 2015	<b>P 20,000,000</b>	<b>P -</b>	<b>( P 2,535,595 )</b>	<b>P 400,000,000</b>	<b>P 17,192,300</b>	<b>P 434,656,705</b>

*See Notes to Financial Statements.*

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*(A Subsidiary of Fine Properties, Inc.)*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Notes	2017 (Consolidated)	2016 (Parent Company)	2015 (Parent Company)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 1,008,646,368	P 257,679,367	P 216,333,215
Adjustments for:				
Interest income	4, 5	( 74,060,176 )	( 23,166,027 )	( 21,495,384 )
Depreciation and amortization	9	43,789,629	12,486,919	5,700,616
Interest expense	11	40,524,232	7,505,449	1,539,022
Operating profit before working capital changes		1,018,900,053	254,505,708	202,077,469
Increase in contracts receivable		( 1,892,449,553 )	( 221,676,758 )	( 186,241,535 )
Decrease (increase) in other receivables		363,154,478	( 71,996,511 )	( 35,044,329 )
Increase in real estate inventories		( 178,767,611 )	( 127,223,792 )	( 5,153,787 )
Decrease (increase) in other current assets		( 165,013,990 )	4,541,427	( 6,188,352 )
Increase in security deposits		( 7,770,813 )	-	-
Increase (decrease) in trade and other payables		( 1,588,562,261 )	110,488,794	25,538,098
Increase in rawlands payable		964,010,123	162,038,491	20,768,421
Increase (decrease) in customers' deposits		382,462,619	5,461,361	( 1,203,178 )
Increase (decrease) in retirement benefit obligation		867,360	113,903	( 251,073 )
Increase in other liabilities		68,110,024	46,007,405	18,392,988
Cash generated from (used in) operations		( 1,035,059,571 )	162,260,028	32,694,722
Interest received		74,057,773	23,166,027	21,495,384
Cash paid for income taxes		( 34,464,693 )	( 35,304,522 )	( 18,044,128 )
Net Cash From (Used in) Operating Activities		( 995,466,491 )	150,121,533	36,145,978
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of investment in subsidiary	1	( 3,014,027,483 )	-	-
Acquisition of investment properties	10	( 251,186,325 )	( 225,972,080 )	( 2,008,152 )
Acquisitions of property and equipment	9	( 154,606,085 )	( 129,668,646 )	( 8,039,574 )
Advances granted to related parties	18	( 100,020,772 )	-	-
Collections of advances to related parties	18	64,762,839	-	-
Proceeds from disposals of property and equipment	9	2,205,848	-	418,096
Net Cash Used in Investing Activities		( 3,452,871,978 )	( 355,640,726 )	( 9,629,630 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares of stock	20	3,014,027,483	703,045,988	-
Advances obtained from due to related parties	18	996,057,453	-	-
Proceeds from availments of interest-bearing loans and borrowings	27	762,444,112	500,000,000	9,018,785
Repayment of interest-bearing loans and borrowings	27	( 151,430,778 )	( 8,708,469 )	-
Interest paid		( 40,524,232 )	( 7,509,332 )	( 1,550,336 )
Repayment of amount due to related parties	18	( 7,207,642 )	-	-
Dividends paid	20	-	( 650,000,000 )	-
Net Cash From Financing Activities		4,573,366,396	536,828,187	7,468,449
<b>NET INCREASE IN CASH</b>		<b>125,027,927</b>	<b>331,308,994</b>	<b>33,984,797</b>
<b>INCREASE IN CASH DUE TO BUSINESS COMBINATION</b>		<b>224,885,963</b>	<b>-</b>	<b>-</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>445,952,579</b>	<b>114,643,585</b>	<b>80,658,788</b>
<b>CASH AT END OF YEAR</b>		<b>P 795,866,469</b>	<b>P 445,952,579</b>	<b>P 114,643,585</b>

**Supplemental Information on Non-cash Investing and Financing Activities:**

- 1) The Company transferred certain parcels of land previously classified as Investment Properties to Real Estate Inventories with carrying amount of P137.4 million and P7.6 million in 2017 and 2015, respectively (see Note 10). There was no such transaction in 2016.
- 2) Due from related parties amounting to P150.0 million was offset against dividends payable in 2015 (see Notes 18 and 20). There was no such transaction in 2016.

*See Notes to Financial Statements.*

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[Subsidiary of Fine Properties, Inc.]*  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

***1.1 Organization and Operations***

Golden Haven, Inc. (HVN or the Parent Company), formerly Golden Haven Memorial Park, Inc., was incorporated in the Philippines on November 16, 1982. The Parent Company 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 December 31, 2017, the Parent Company is 83.39% effectively owned subsidiary of Fine Properties, Inc. (FPI), respectively, 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 amendment 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 20.1); 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 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, in the special board meeting, the Parent Company's BOD approved the change in corporate name from Golden Haven, Inc. to Golden Bria Holdings, Inc. The amendments to the Parent Company's Articles of Incorporation and By-laws were approved by the SEC on March 6, 2018.

On March 23, 2017, the Bureau of Internal Revenue (BIR) approved the change in the 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 change in the BHI's registered office is yet to be approved by the SEC. The new registered address of the 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 3<sup>rd</sup> 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 2017 financial statements comprise the financial statements of the Parent Company and its subsidiary (collectively referred herein as the Group). As of December 31, 2017, the Parent Company holds 99.99% interest in BHI.

BHI is presently engaged in developing and selling real estate properties, particularly, residential house and lots (see Note 1.1). 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 in 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 P301.42 per share or an aggregate purchase price of P3,014.03 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 P20.0935 per share or an aggregate subscription price of P3,014.03 million.

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.

In applying the pooling of interest method, the Parent Company opted not to restate the financial information in the financial statements for periods prior to the transaction as allowed under Philippine Interpretations Committee (PIC) Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*. Under the pooling of interest, the business combination is accounted as follows:

- the assets and liabilities of BHI and HVN are reflected in the 2017 consolidated financial statements at carrying values. No adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. The accounting policies of HVN and BHI are consistent, hence, no adjustment required to harmonize their accounting policies;
- no goodwill was recognized as a result of the business combination;
- the consolidated statement of comprehensive income reflects the results of HVN and BHI for the full year, irrespective of when the combination took place;
- retained earnings reflects the accumulated earnings of HVN and BHI as if the entities had been combined at the beginning of the year;
- the revaluation reserves under equity of BHI, which includes fair value gains on available-for-sale financial assets is carried over in the 2017 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;
- the capital stock represents the legal capital of the Parent Company;
- the difference between the net assets of BHI at business combination and the amount of the shares issued by HVN to CGI amounting to P522.7 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	P 7,919,014,623
Liabilities assumed	( <u>5,427,711,979</u> )
Net assets of BHI	2,491,302,644
Consideration (see Note 20.1)	( <u>3,014,027,483</u> )
Equity reserves recognized	( <u><u>P 522,724,839</u></u> )

- The earnings per share for 2016 and 2015 were adjusted to reflect the effects of the business acquisition under the pooling of interest method.

### ***1.3 Approval of Financial Statements***

The financial statements of the Group as of and for the year ended December 31, 2017 (including the comparative financial statements of the Parent Company as of and for the year ended December 31, 2016 and 2015) were authorized for issue by the Parent Company's BOD on April 10, 2018.

## **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.

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 financial position as of December 31, 2016 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2016 and 2015 is that of the Parent Company only.

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.

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 2017 that are Relevant to the Group*

The Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

Discussed below are the relevant information about these amendments.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*.  
The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
- (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and,
  - (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities is presented in Note 27.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment had no impact on the Group's financial statements.

(b) *Effective in 2017 that is not Relevant to the Group*

The only improvement to existing standards effective for annual periods beginning on or after January 1, 2017 is the annual improvement to PFRS (2014-2016 cycle) – PFRS 12, *Disclosure of Interests in Other Entities*, in relation to scope clarification on disclosure of summarized financial information for interests classified as held for sale, which is not relevant to the Group.

(c) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments, annual interpretations and improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements presented below and in the succeeding pages 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 40 (Amendment), *Investment Property – Reclassification to and from Investment Property* (effective from January 1, 2018). 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.
- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). 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;
  - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; 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.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The standard also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most affected by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows. Management expects its financial assets, which mainly consist of contracts and other receivables, to continue to be accounted for at amortized cost.
- In applying the ECL methodology of PFRS 9 (2014), the Group will use the 12-month ECL for contract receivables as these receivables are long-term and interest-bearing. For other financial assets and other receivables, the Group will apply a simplified model of recognizing lifetime ECL as these items do not have a significant financing component. Further, equity securities, whether designated as FVTPL or fair value through other comprehensive income (FVTOCI), are not subjected to impairment.
- The Group's equity securities, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

- (iii) 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 of 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.
- (iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (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 Philippine Interpretations Committee Question & Answer No. 2016-04, Application of PFRS 15, “*Revenue from Contracts with Customers*”, on Sale of Residential Properties under Pre-completion Contracts, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

The Group has also assessed that a significant financing component is common to its contracts to sell real properties as the timing of collections of promised consideration is not aligned with the timing of the satisfaction of performance obligation. Such timing difference usually extends beyond twelve months.

- (v) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the solely payments of principal and interest (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI). Management is currently assessing the impact of these amendments on the Group’s financial statements.
- (vi) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

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.

Management is currently assessing the impact of this new standard on the Group’s financial statements.

- (vii) 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.

Management is currently assessing the impact of this interpretation in its financial statements.

- (viii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify existing requirements:

- 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.

### **2.3 Basis of Consolidation**

The Group's financial statements 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, entities are deconsolidated from the date that control ceases.

### **2.4 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*

This is applicable for business combination involving entities in accordance with the guidance under PIC Q&A 2012-01 (see Note 1.2).

**2.5 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 28, 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 consolidated 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.

**2.6 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 and Measurement of Financial Assets*

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

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of the categories of financial assets that are relevant to the Group is presented.

*(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, Contract Receivable, Other Receivables (excluding Advances to contractors and Advances to employees), Due from Related Parties and Security deposits (Current and Non-current) in the statement of financial position. Cash includes cash on hand and demand deposits that generally earn interest based on daily bank deposit rates.

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 presented as Available-for-sale Financial Assets account in the non-current assets section of the statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Group's AFS financial assets include equity securities of a publicly listed entity.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as 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.

*(b) Impairment of Financial Assets*

The Group assesses 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 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 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 the impairment is reversed. The amount of the reversal is recognized in 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.

(c) *Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Other Income in the statement of comprehensive income.

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.

(d) *Derecognition of Financial Assets*

The financial assets are (or where applicable, a part of a financial asset or part of a group of financial assets) 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 also recognizes a collateralized borrowing for the proceeds received.

## **2.7 Real Estate Inventories**

Real estate inventories include raw land, residential and memorial lots, residential houses and condominium units. 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 2.18).

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 properties for sale are written down to their net realizable values when such accounts are less than their carrying values.

## **2.8 Other Current Assets**

Other current assets pertain to other resources controlled by the Group as a result of past events. They 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.

## **2.9 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 cost of construction of the Golden Haven Las Piñas Chapel and Crematorium. 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 2.16).

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.

### ***2.10 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 2.16).

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.

### ***2.11 Financial Liabilities***

Financial liabilities, which include interest-bearing loans, trade and other payables except tax-related payables, rawlands payable, reserve for perpetual care and due to related parties, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the Other Income 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.

Trade and other payables, and reserve for perpetual care 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.

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.

### ***2.12 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.

### ***2.13 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.

### ***2.14 Revenue and Expense Recognition***

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

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:



- (a) *Real estate sales* – For financial reporting purposes, revenue from sale of real estate property and sale of memorial lot, which is presented as Real Estate Sales in the statement of comprehensive income, is accounted for using the full accrual method. Under the full accrual method, sale is recognized when: (a) the development of the real estate property is fully completed, (b) the collectibility of the sales price is reasonably assured; and, (c) the earnings process is virtually complete. The collectability of the sales price is considered reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion of the contract price or at least a certain percentage of the total contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

If the criteria under the full accrual method are not met, the deposit method is applied. Under this method, the cash received from the buyers are shown as Customers' Deposits in the statement of financial position. Revenue and cost related to forfeited or cancelled sales are reversed in the current year as they occur. Any collections received from customers which will not be refunded are recognized as forfeited collections which is presented as Other Income account in the statement of comprehensive income.

For tax reporting purposes, revenue on sale of real estate is recognized in full when 25% or more of the contract price is collected within the initial year of sale. Otherwise, revenue is recognized based on the percentage of collection or installment method.

- (b) *Rendering of services (presented as Interment Income and Income from Chapel Services)* – Revenue is recognized when the performance of contractually-agreed tasks have been substantially rendered.
- (c) *Interest income* – This is recognized as the interest accrues taking into account the effective yield on the asset.

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Raw land. These costs are reclassified to the Property development costs as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. A reclassification from Property development costs to Residential houses and lots, Condominium units for sale and Memorial Lots is made once the project has been made available for sale to market.

Real estate costs that relate to the acquisition, development, improvement and construction of the real estate properties are capitalized. The capitalized costs of real estate properties are charged to earnings when the related revenues are recognized.

The costs of real estate sales before the completion of the contemplated construction are determined based on actual costs incurred plus estimated costs to complete the real estate property. The estimated costs to complete the real estate property are deducted in the Real Estate Inventories account in the current assets section of the statement of financial position. Additional costs incurred in connection with the developed land and completed real estate properties and other selling and administrative costs are charged to profit or loss when incurred.

Cost and expenses are recognized in profit or loss upon receipt of goods or utilization of 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 which is included as part of the cost of the related qualifying assets (see Note 2.18).

### ***2.15 Leases – Company 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.

### ***2.16 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.

## **2.17 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 asset (liability) recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by Philippine Dealing & Exchange Corp., 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.

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 Other Income 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.

## **2.18 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.

## **2.19 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.

## ***2.20 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.

## ***2.21 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.

## ***2.22 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 period (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).

## ***2.23 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Group's 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) Impairment of AFS Financial Assets*

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.

Based on recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets are not impaired as of December 31, 2017. However, future changes in those information and circumstances might significantly affect the carrying amount of the assets.

##### *(b) 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.

##### *(c) 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.



*(d) Business Combinations*

In applying the business combination under the pooling-of-interest method of accounting, significant judgement was exercised by management in assessing the existence of common control and when it was established and that control is not transitory. Under the pooling-of-interest method, the acquired assets and liabilities are recorded at their existing carrying values rather than at fair value. Management determined that HVN and BHI are under common control and therefore, accounted the business combination under the pooling of interest method.

*(e) 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 2.13 and relevant disclosures are presented in Note 22.

**3.2 Key Sources of Estimation Uncertainty**

Presented below and 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 2.14(a), real estate sales are recognized when the development of the real estate property is fully completed and the collectability of the sales price is reasonably assured. The Group recognizes its revenue from real estate sales in full when full down payment comprising a substantial portion of the contract price or at least a certain percentage of the total contract price is received. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the full down payment or at least certain percentage of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

*(b) Impairment of Contracts and Other Receivables*

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 carrying values of contracts receivable and other receivables are shown in Note 5. Based on management's assessment, there were no impairment losses required to be recognized on contracts receivable and other receivables in 2017, 2016 and 2015.

(c) *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.

The carrying values of the Group's AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Notes 8.

(d) *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, 2017 and 2016.

(e) *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, 2017 and 2016, 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.

(f) *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 25.2.

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.

(g) *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, 2017 and 2016 will be fully utilized in the coming years (see Note 17).

(h) *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 2.16). 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 2017, 2016 and 2015, no impairment losses were recognized on property and equipment, investment properties and other non-financial assets (see Notes 7, 9 and 10).

(i) *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 2.17 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.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 19.2.

#### 4. CASH

Cash as of December 31 follows:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Cash on hand	P 2,799,524	P 701,414
Cash in banks	<u>793,066,945</u>	<u>445,251,165</u>
	<u>P 795,866,469</u>	<u>P 445,952,579</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 is presented as Finance Income under Other Income – net account in the statements of comprehensive income (see Note 16.1).

#### 5. CONTRACTS AND OTHER RECEIVABLES

##### 5.1 *Contracts Receivables*

This account is composed of the following:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Current	P 3,676,912,811	P 509,479,472
Non-current	<u>1,932,099,197</u>	<u>986,290,580</u>
	<u>P 5,609,012,008</u>	<u>P 1,495,770,052</u>

Contracts receivables represent receivables from sale of residential houses and lots, subdivision lots, memorial lots and condominium units and are normally collectible within 1 to 15 years. Contracts receivables have an annual effective interest rate of 6.00% to 16.00% in 2017 and 6.00% to 15.00% both in 2016 and 2015. Interest income related to contracts receivables amounts to P73.0 million, P20.4 million and P20.5 million in 2017, 2016 and 2015, respectively, and are reported under Revenues in the statements of comprehensive income.

All of the Group's contracts receivables have been reviewed for indicators of impairment. However, no receivables were found to be impaired.

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 P274.5 million. As of December 31, 2017, the unpaid portion of the cash consideration amounting to P151.3 million is presented as part of Trade payables under Trade and Other Payables account in the 2017 consolidated statement of financial position (see Note 12.1).

## **5.2 Other Receivables**

The composition of this account as of December 31 is shown below.

	<b>2017</b> <b><u>(Consolidated)</u></b>	<b>2016</b> <b><u>(Parent Company)</u></b>
Advances to contractors and others	<b>P 338,381,254</b>	P 95,054,935
Receivable from contractors and brokers	<b>126,548,539</b>	-
Receivables from other services	<b>8,373,076</b>	6,185,276
Advances to employees	<b>6,155,232</b>	-
Others	<b><u>23,175,411</u></b>	<u>-</u>
	<b><u>P 502,633,512</u></b>	<b><u>P 101,240,211</u></b>

Advances to contractors and others mainly represent advances to contractors or suppliers for operational disbursements and expenses subject to liquidation.

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

## 6. REAL ESTATE INVENTORIES

This account consists of the following:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Raw land	<b>P2,610,669,989</b>	P -
Residential lots for sale	<b>1,065,525,723</b>	-
Memorial lots for sale	<b>414,332,768</b>	344,994,214
Residential houses for sale	<b>324,105,997</b>	-
Condominium units for sale	<b>232,685,524</b>	-
Property development costs	<b><u>81,648,497</u></b>	<u>-</u>
	<b><u>P4,728,968,498</u></b>	<u>P 344,994,214</u>

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.

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.

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

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.

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.

In 2017, certain parcels of land previously classified as investment properties which amounted to P141.0 million, were reclassified to Real estate inventories due to change in use and intention for the said assets (see Note 10). There were no land reclassified to Real estate inventories in 2016.

## 7. OTHER ASSETS

This account consists of the following as of December 31:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Current:		
Construction materials	P 529,733,461	P -
Prepaid commission	126,095,039	-
Creditable withholding taxes	22,339,250	-
Input VAT	13,433,777	-
Prepaid expenses	6,775,507	5,117,310
Deferred input vat	3,969,785	2,244,788
Security deposits	2,423,389	1,657,824
Other assets	<u>23,953,064</u>	<u>742,487</u>
	728,723,272	9,762,409
Non-current –		
Security deposits	<u>38,906,394</u>	<u>-</u>
	<u>P 767,629,666</u>	<u>P 9,762,409</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.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's AFS financial assets includes investment in equity shares of a listed company. The Group's investments in equity shares amounting to P40.1 million as at December 31, 2017 and is carried at fair value determined based on quoted prices in active markets (see Note 25.1). In 2017, the Group recognized unrealized fair value gain of P7.8 million (nil in 2016). Unrealized fair value gain or loss is presented under Other Comprehensive Income (Loss) account in the 2017 consolidated statement of comprehensive income, as item that will be reclassified subsequently to profit or loss. Accumulated net fair value gains on AFS financial assets as of December 31, 2017 is presented as Revaluation Reserves account in the 2017 consolidated statement of financial position.



## 9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2017 and 2016 are shown below.

<i>Consolidated</i>		Leasehold Improvement	Service Vehicle	Service Equipment	Park Maintenance Tools and Equipment	Chapel and Office Furniture, Fixtures and Equipment	System Development Cost	Chapel and Office Building	Construction In Progress	Total
December 31, 2017										
Cost	P	23,004,757	P 53,251,120	P 46,722,999	P 25,597,081	P 77,579,327	P 3,921,403	P 185,095,614	P -	P 415,772,301
Accumulated depreciation and amortization	(	15,574,179)	( 29,632,094)	( 19,483,854)	( 19,217,584)	( 42,098,535)	( 2,876,956)	( 9,303,158)	-	( 138,186,360)
Net carrying amount	P	8,030,578	P 23,619,026	P 27,239,145	P 6,379,497	P 35,480,792	P 1,044,447	P 175,792,456	P -	P 277,585,941
<i>Parent Company</i>										
December 31, 2016										
Cost	P	8,396,500	P 33,371,139	P 8,726,271	P 19,161,009	P 25,654,265	P 2,525,172	P -	P 114,214,099	P 212,048,455
Accumulated depreciation and amortization	(	4,238,544)	( 23,999,486)	( 5,087,891)	( 15,643,627)	( 18,786,758)	( 2,319,457)	-	-	( 70,075,763)
Net carrying amount	P	4,157,956	P 9,371,653	P 3,638,380	P 3,517,382	P 6,867,507	P 205,715	P -	P 114,214,099	P 141,972,692
January 1, 2016										
Cost	P	6,446,250	P 28,415,661	P 6,547,690	P 15,989,115	P 21,373,670	P 4,043,111	P -	P -	P 82,815,497
Accumulated depreciation and amortization	(	4,036,596)	( 20,336,205)	( 3,843,010)	( 12,177,601)	( 14,164,939)	( 3,466,181)	-	-	( 58,024,532)
Net carrying amount	P	2,409,654	P 8,079,456	P 2,704,680	P 3,811,514	P 7,208,731	P 576,930	P -	P -	P 24,790,965

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2017 and 2016 are as follows:

<b>Consolidated</b>									
	Leasehold Improvement	Service Vehicle	Service Equipment Progress	Park Maintenance Tools and Equipment	Chapel and Office Furniture, Fixtures and Equipment	System Development Cost	Chapel and Office Building	Construction In Progress	Total
Balance at January 1, 2017,									
net of accumulated depreciation and amortization	P 4,157,956	P 9,371,653	P 3,638,380	P 3,517,382	P 6,867,507	P 205,715	P -	P 114,214,099	P 141,972,692
Additions	5,629,302	18,576,585	12,528,070	6,006,126	28,147,186	806,161	83,112,655	-	154,606,085
Additions due to business combination of a subsidiary	2,637,404	-	20,150,777	-	4,214,460	-	-	-	27,002,641
Reclassifications	-	1,084,307	183,024	( 17,706 )	10,506,606	384,209	101,982,959	( 114,214,099 )	-
Disposals	( 394,909 )	-	( 987,192 )	-	( 823,747 )	-	-	-	( 2,205,848 )
Depreciation and amortization charges for the year	( 3,999,175 )	( 5,213,519 )	( 8,273,914 )	( 3,126,305 )	( 13,521,220 )	( 352,338 )	( 9,303,158 )	-	( 43,789,629 )
Balance at December 31, 2017,	<b>P 8,030,578</b>	<b>P 23,619,026</b>	<b>P 27,239,145</b>	<b>P 6,379,497</b>	<b>P 35,480,792</b>	<b>P 1,044,447</b>	<b>P 175,792,456</b>	<b>P -</b>	<b>P 277,585,941</b>
net of accumulated depreciation and amortization									
<b>Parent Company</b>									
Balance at January 1, 2016,									
net of accumulated depreciation and amortization	P 2,409,654	P 8,079,456	P 2,704,680	P 3,811,514	P 7,208,731	P 576,930	P -	P -	P 24,790,965
Additions	3,166,575	4,955,395	2,178,674	1,780,044	3,236,095	137,764	-	114,214,099	129,668,646
Depreciation and amortization charges for the year	( 1,418,273 )	( 3,663,198 )	( 1,244,974 )	( 2,074,176 )	( 3,577,319 )	( 508,979 )	-	-	( 12,486,919 )
Balance at December 31, 2016,	<b>P 4,157,956</b>	<b>P 9,371,653</b>	<b>P 3,638,380</b>	<b>P 3,517,382</b>	<b>P 6,867,507</b>	<b>P 205,715</b>	<b>P -</b>	<b>P 114,214,099</b>	<b>P 141,972,692</b>
net of accumulated depreciation and amortization									

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 15). Depreciation expense of park maintenance tools and service equipment were charged under park operations, which is subsequently closed to perpetual care fund (see Note 12).

# 10. INVESTMENT PROPERTIES

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

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Balance at beginning of year	P 267,306,979	P 41,334,899
Additions during the year	251,186,325	225,972,080
Reclassification to real estate inventories	( 140,966,000)	-
Balance at end of year	<u>P 377,527,304</u>	<u>P 267,306,979</u>

The Group's investment properties consist of land. Certain investment properties totaling P141.0 million were reclassified to memorial lots for sale under Real Estate Inventories due to change in management intention for the said properties (see Note 6). Management no longer intends to hold such properties for capital appreciation but rather as memorial lots for development and for sale. 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 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:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Current	P 606,069,721	P 310,316
Non-current	<u>895,952,110</u>	<u>500,000,000</u>
	<u>P 1,502,021,831</u>	<u>P 500,310,316</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 8.5% in 2017 and 8.5% in 2016.

In 2017, the Group obtained P2.7 million loan for the acquisition of service vehicle payable within three months to three years with annual effective interest rate of 8.0%.

In 2017 and 2016, the Group obtained interest-bearing loan amounting to P759.8 million and P500 million, respectively, from local commercial banks for working capital requirements. The related loan agreements do not contain loan covenant provisions.

Interest expense incurred on these loans amounted to P62.5 million, P16.7 million and P1.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. A portion of the interest expense amounting to P23.9 million, P9.2 million and nil was capitalized by the Group as part of real estate inventories in 2017, 2016 and 2015 respectively, while the remainder is presented as part of Finance Cost under Other Income – net account in the statements of comprehensive income (see Note 16.1). There are no outstanding interest payable as of December 31, 2017 and 2016 related to these loans.

The loans are net of debt issue cost amounting to P6.6 million as of December 31, 2017. The amortization of debt issue cost amounting to P2.0 million is presented as part of Finance Cost under Other Income – net account in the 2017 statement of comprehensive income (see Note 16.1).

Certain loans of the Group are secured by contract receivables with a carrying amount of P1.0 billion.

## 12. TRADE AND OTHER PAYABLES AND RAWLANDS PAYABLE

### 12.1 Trade and Other Payables

This account consists of:

	Note	2017 (Consolidated)	2016 (Parent Company)
Trade payables	5	P2,347,979,496	P 141,626,304
Accrued expenses		299,665,024	9,825,866
Deferred output tax		213,588,286	161,531,360
Commission payable		105,412,875	-
Retention payable		49,801,345	3,263,735
Withholding taxes payable		6,532,999	1,643,121
VAT payable		3,174,734	8,329,956
Other payables		120,807	106,956
		<u>P3,020,275,566</u>	<u>P 326,327,298</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 5).

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 subdivision projects.

In 2017 and 2016, 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 P1.2 billion and P0.2 billion as of December 31, 2017 and 2016, 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 December 31, 2017 and 2016, Customers' Deposits account, as presented in the current liabilities section of the statements of financial position, amounted to P922.7 million and P11.4 million, respectively [see Note 2.14(a)].

## **14. RESERVE FOR PERPETUAL CARE**

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 Perpetual Care Fund (Trust Fund). The balance of the reserve for perpetual care for memorial lots as of December 31, 2017 and 2016 amounting to P266.3 million and P198.3 million, respectively, represents the total amount of perpetual care from all outstanding sales contracts, net of amount already remitted for fully collected memorial lots into the Trust Fund amounting to P141.1 million and P125.8 million as of December 31, 2017 and 2016, respectively.

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 perpetual care and 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.

The details of the Trust Fund as of December 31, 2017 and 2016 are shown below.

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Assets:		
Cash	P 81,745	P -
Investment in unit investment trust funds	2,334,701	3,965,859
Investment in other securities and debt instruments	4,929,614	2,965,078
Loans and receivables	385,858	21,900
Investment in mutual funds	133,478,762	118,853,376
Liability –		
Accrued trust fees and other expenses	( 157,771)	( 54,379)
	<u>P 141,052,909</u>	<u>P 125,751,834</u>

## 15. COSTS AND EXPENSES

### 15.1 Costs of Sales and Services

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

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Cost of real estate sales	P1,853,650,435	P 318,746,604	P 282,141,726
Cost of interment	14,598,807	13,420,334	11,005,332
Cost of chapel services	<u>6,538,824</u>	<u>-</u>	<u>-</u>
	<u>P1,874,788,066</u>	<u>P 332,166,938</u>	<u>P 293,147,058</u>

Cost of real estate sales is comprised of:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Cost of land	P 583,485,940	P 75,293,132	P 53,939,621
Construction and development costs	<u>1,270,164,495</u>	<u>243,453,472</u>	<u>228,202,105</u>
	<u>P1,853,650,435</u>	<u>P 318,746,604</u>	<u>P 282,141,726</u>

## 15.2 Operating Expenses by Nature

The details of operating expenses by nature for the year ended December 31 as shown below.

		2017	2016	2015
	<u>Notes</u>	<u>(Consolidated)</u>	<u>(Parent Company)</u>	<u>(Parent Company)</u>
Construction and development costs		<b>P1,270,164,495</b>	P 243,453,472	P 228,202,105
Cost of land		<b>583,485,940</b>	75,293,132	53,939,621
Commission		<b>223,567,844</b>	52,346,312	50,583,552
Salaries and employee benefits	19.1	<b>173,702,895</b>	54,172,126	44,714,203
Advertising		<b>74,821,798</b>	1,133,119	1,828,512
Outside services		<b>71,952,730</b>	13,417,422	12,731,192
Promotions		<b>49,744,039</b>	15,042,404	18,782,783
Depreciation and amortization	9	<b>43,789,629</b>	12,486,919	5,700,616
Repairs and maintenance		<b>24,505,009</b>	1,796,082	1,091,886
Transportation and travel		<b>19,058,281</b>	4,811,144	4,887,213
Utilities		<b>16,383,623</b>	5,945,554	5,080,322
Trainings and seminars		<b>15,938,271</b>	11,495,801	7,132,145
Rentals	18.1, 22.1	<b>14,465,051</b>	3,921,959	3,374,890
Taxes and licenses		<b>11,853,146</b>	8,962,419	2,567,573
Professional fees		<b>11,835,600</b>	10,004,349	6,309,025
Prompt payment discount		<b>11,095,649</b>	25,775,028	10,948,382
Office supplies		<b>9,392,547</b>	2,024,395	1,902,827
Collection fees		<b>8,816,751</b>	4,898,734	5,367,101
Representation		<b>7,843,445</b>	3,430,851	3,264,161
Meetings and conferences		<b>7,628,822</b>	6,172,922	5,611,747
Insurance		<b>6,806,258</b>	3,977,385	2,238,118
Management fees		<b>4,434,942</b>	1,800,000	1,800,000
Miscellaneous		<b><u>63,815,520</u></b>	<u>17,480,029</u>	<u>19,060,376</u>
		<b><u>P2,725,102,285</u></b>	<u>P 579,841,558</u>	<u>P 497,118,350</u>

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



These expenses are classified in the statements of comprehensive income as follows:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Cost of real estate sales	<b>P1,853,650,435</b>	P 318,746,604	P 282,141,726
Cost of interment	<b>14,598,807</b>	13,420,334	11,005,332
Cost of chapel services	<b>6,538,824</b>	-	-
Other operating expenses	<b><u>850,314,219</u></b>	<u>247,674,620</u>	<u>203,971,292</u>
	<b><u>P2,725,102,285</u></b>	<u>P 579,841,558</u>	<u>P 497,118,350</u>

## 16. OTHER INCOME – Net

### 16.1 Other Income (Charges)

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

	Note	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Other revenues	16.2	<b>P 88,191,548</b>	P 27,675,931	P 21,208,557
Finance income	4, 19.2	<b>1,018,278</b>	2,766,880	996,056
Finance costs	11, 19.2	<b><u>(40,587,011)</u></b>	<u>(7,509,332)</u>	<u>(1,550,336)</u>
		<b><u>P 48,622,815</u></b>	<u>P 22,933,479</u>	<u>P 20,654,277</u>

### 16.2 Other Revenues

This account consists of:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Forfeited sales	<b>P 74,590,647</b>	P 13,669,068	P 13,977,297
Transfer fees	<b>5,133,166</b>	7,872,980	4,457,582
Interest on past due accounts	<b>3,179,523</b>	3,248,261	1,714,524
Service tent rentals	<b>486,928</b>	525,270	757,667
Others	<b><u>4,801,284</u></b>	<u>2,360,352</u>	<u>301,487</u>
	<b><u>P 88,191,548</u></b>	<u>P 27,675,931</u>	<u>P 21,208,557</u>

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.

## 17. TAXES

### 17.1 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.

### 17.2 Current and Deferred Taxes

The components of tax expense reported in profit or loss and in other comprehensive income for the years ended December 31 follow:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 20,254,647	P 31,044,275	P 28,545,751
Minimum corporate income tax (MCIT) at 2%	4,849,468	-	-
Final tax at 20% and 7.5%	<u>203,656</u>	<u>553,376</u>	<u>199,212</u>
	<u>25,307,771</u>	<u>31,597,651</u>	<u>28,744,963</u>
Deferred tax expense relating to origination and reversal of temporary differences	<u>284,365,408</u>	<u>45,859,099</u>	<u>36,473,048</u>
	<u>P 309,673,179</u>	<u>P 77,456,750</u>	<u>P 65,218,011</u>
<i>Reported in other comprehensive income (loss)</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	( P 99,320)	P 55,896	(P 27,002)

The reconciliation of tax on pretax profit computed at the applicable statutory rate to tax expense is as follows:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Tax on pretax profit	P 302,593,910	P 77,303,810	P 64,899,965
Adjustment for income subjected to lower tax rate	( 101,828)	( 276,688)	( 99,606)
Tax effect of:			
Expense subject to ITH	7,080,287	-	-
Non-deductible expenses	<u>100,810</u>	<u>429,628</u>	<u>417,652</u>
	<u>P 309,673,179</u>	<u>P 77,456,750</u>	<u>P 65,218,011</u>

The net deferred tax liabilities recognized in the statements of financial position as of December 31, 2017 and 2016 relate to the following:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Unrealized gross profit	P 823,457,590	P 302,193,536	P 256,366,497
Net operating loss carry over (NOLCO)	( 6,137,721)	-	-
MCIT	( 4,849,468)	-	-
Unamortized past service cost	( 266,474)	( 317,378)	( 368,283)
Retirement benefit obligation	( 344,646)	14,161	( 22,890)
	<u>P 811,859,281</u>	<u>P 301,890,319</u>	<u>P 255,975,324</u>

The deferred tax expense (income) recognized in the statements of comprehensive income for December 31 relate to the following:

	<u>Profit or Loss</u>			<u>Other Comprehensive Income</u>		
	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Unrealized gross profit	(P 295,561,180)	(P 45,827,039)	(P 36,425,537)	P -	P -	P -
Unamortized past service cost	( 50,905)	( 50,905)	31,205	-	-	-
NOLCO	6,137,721	-	-	-	-	-
MCIT	4,849,468	-	-	-	-	-
Retirement benefit obligation	259,488	18,845	( 78,716)	99,320	( 55,896)	27,002
Deferred Tax Income (Expense)	<u>(P 284,365,408)</u>	<u>(P 45,859,099)</u>	<u>(P 36,473,048)</u>	<u>P 99,320</u>	<u>(P 55,896)</u>	<u>P 27,002</u>

BHI has NOLCO and MCIT, which can be claimed as deduction from future taxable income and regular corporate income tax liabilities within three years from 2017, amounting to P20.5 million and P4.8 million, respectively.

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 2017, 2016 and 2015 as the RCIT is higher than MCIT in such years. However, BHI reported MCIT in 2017 amounting to P4.8 million since most of its income are under ITH (see Note 17.1)

In 2017, 2016 and 2015, the Group claimed itemized deductions in computing for its income tax due.

## 18. RELATED PARTY TRANSACTIONS

The significant transactions of the Group in the normal course of business with its related parties are described below.

Related Party Category	Notes	Amount of Transactions			Outstanding Balances	
		2017 (Consolidated)	2016 (Parent Company)	2015 (Parent Company)	2017 (Consolidated)	2016 (Parent Company)
<b>FPI:</b>						
Sales of memorial lots	18.4	P -	P 88,970,268	P -	P -	P -
Advances granted (collections)	18.2	( 64,762,839)	658,901	-	6,108,163	70,871,002
Cash dividends	18.2, 19	-	( 634,872,000)	( 784,872,000)	-	-
<b>Stockholders:</b>						
Lease of office space	18.1	-	-	( 600,000)	-	-
Cash dividends	20	-	( 15,128,000)	( 15,128,000)	-	-
<b>Related Parties Under Common Ownership:</b>						
Advances granted	18.2	100,020,772	-	-	100,020,772	-
Advances obtained	18.3	988,849,811	-	-	( 1,007,226,830)	( 18,377,019)
Issuance of shares	1.2, 20	3,014,027,483	-	-	-	-
Payable to HDC	5,12	-	-	-	( 151,295,109)	-
<b>Key Management Personnel – Compensation</b>	18.5	28,617,907	11,647,007	9,414,859	-	-

None of the Group's outstanding balances with related parties has indication of impairment; hence, no impairment losses were recognized in the years presented.

### 18.1 Lease of Office Space

In 2015, the HVN leases its main office from a certain stockholder. Rental expense is shown as part of Rentals under Other Operating Expenses account in the 2015 statement of comprehensive income (see Note 15.2). However, the lease agreement was terminated in 2016. There was no outstanding balance from this transaction as of December 31, 2017 and 2016, respectively.

### 18.2 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.

In 2015, the HVN's BOD approved the assignment of the remaining balance of its outstanding due from related parties under common ownership to FPI. Also, in 2015, due from FPI amounting to P150.0 million were offset against the HVN's cash dividends payable to FPI (see Note 20).

The outstanding advances arising from these transactions amounting to P106.1 million and P70.9 million as at December 31, 2017 and 2016, respectively, is presented as Due from Related Parties account in the statements of financial position.

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

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Balance at beginning of year	P 70,871,002	P 70,212,101	P 206,904,705
Additions	100,020,772	658,901	13,307,396
Repayments	( 64,762,839)	-	-
Advances set-off	<u>-</u>	<u>-</u>	<u>( 150,000,000)</u>
Balance at end of year	<u>P 106,128,935</u>	<u>P 70,871,002</u>	<u>P 70,212,101</u>

### 18.3 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 is presented as Due to Related Parties account as at December 31, 2017 and 2016.

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

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Balance at beginning of year	P 18,377,019	P 18,377,019	P 18,377,019
Additions	996,057,453	-	-
Payment	<u>( 7,207,642)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>P1,007,226,830</u>	<u>P 18,377,019</u>	<u>P 18,377,019</u>

### 18.4 Sale of Memorial Lots

In 2016, HVN sold memorial lots to FPI amounting to P89.0 million. There were no outstanding balance from this transaction. There was no similar transaction occurred during 2017 and 2015.

### 18.5 Key Management Personnel Compensation

The compensation of key management personnel for the years ended December 31 follows:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Short term benefits	P 26,479,511	P 9,899,956	P 8,733,494
Post-employment benefits	<u>2,138,396</u>	<u>1,747,051</u>	<u>681,365</u>
	<u>P 28,617,907</u>	<u>P 11,647,007</u>	<u>P 9,414,859</u>

## 19. EMPLOYEE BENEFITS

### 19.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

		2017	2016	2015
	Note	(Consolidated)	(Parent Company)	(Parent Company)
Short-term employee benefits		P 172,835,535	P 53,263,197	P 43,887,904
Post-employment defined benefit	19.2	<u>867,360</u>	<u>908,929</u>	<u>826,299</u>
	15.2	<u>P 173,702,895</u>	<u>P 54,172,126</u>	<u>P 44,714,203</u>

### 19.2 Post-employment Defined Benefit Plan

#### (a) Characteristics of the Post-Employment Defined Benefit Plan

The Group maintains a funded, non-contributory post-employment benefit plan. The post-employment plan covers all regular full-time employees.

The Group's post-employment defined benefit plan is based solely on the requirement of Republic Act No. 7641, *Retirement Pay Law*. The optional retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is based on the employee's final salary and years of credited service.

#### (b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented in succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2017 and 2016.

The amounts of retirement benefit asset (obligation) recognized in the statements of financial position are determined as follows:

	2017	2016
	(Consolidated)	(Parent Company)
Fair value of plan assets	P 9,669,086	P 10,963,945
Present value of the obligation	( <u>10,817,902</u> )	( <u>10,916,737</u> )
	<u>(P 1,148,816)</u>	<u>P 47,208</u>

The movements in the fair value of plan assets are presented below.

	<b>2017</b> <b><u>(Consolidated)</u></b>	2016 <u>(Parent Company)</u>
Balance at beginning of year	<b>P 10,963,945</b>	P 9,624,079
Interest income	<b>558,065</b>	489,866
Actual contributions	<b>-</b>	850,000
Loss on plan assets (excluding amounts included in net interest)	<b>( 1,852,294)</b>	-
Balance at end of year	<b><u>P 9,669,716</u></b>	<u>P 10,963,945</u>

The Group's plan assets is composed of special deposit account. The plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

In 2017, the plan assets incurred loss of P1.3 million. In 2016 and 2015, the plan asset earned a return of P0.5 million and P0.1 million, respectively.

The movements in the present value of defined benefit obligation recognized in the books are as follows:

	<b>2017</b> <b><u>(Consolidated)</u></b>	2016 <u>(Parent Company)</u>
Balance at beginning of year	<b>P 10,916,737</b>	P 9,700,378
Current service cost	<b>867,360</b>	908,929
Interest expense	<b>555,662</b>	493,749
Actuarial losses (gains) arising from:		
Changes in financial assumptions	<b>( 10,987,613)</b>	2,280,552
Experienced adjustments	<b>9,531,092</b>	4,127,800
Changes in demographic assumptions	<b>( 65,336)</b>	( 6,594,671)
Balance at end of year	<b><u>P 10,817,902</u></b>	<u>P 10,916,737</u>



The components of amounts recognized in profit or loss and in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
<i>Reported in profit or loss:</i>			
Current service cost	P 867,360	P 908,929	P 826,299
Interest expense (income) – net	( <u>2,403</u> )	<u>3,883</u>	<u>11,314</u>
	<u>P 864,957</u>	<u>P 912,812</u>	<u>P 837,613</u>
<i>Reported in other comprehensive income (losses):</i>			
Actuarial gains (losses) arising from:			
Changes in financial assumptions	P 10,987,613	(P 2,280,552)	(P 2,170,094)
Experience adjustments	( 9,531,092 )	( 4,127,800 )	( 3,927,871 )
Changes in demographic assumptions	65,336	6,594,671	6,275,260
Loss on plan assets	( <u>1,852,924</u> )	<u>-</u>	( <u>267,303</u> )
	<u>(P 331,067)</u>	<u>P 186,319</u>	<u>(P 90,008)</u>

Current service cost and acquired obligation are presented as part of Salaries and employee benefits under the Other Operating Expenses account in the statements of comprehensive income (see Note 19.1).

Net interest expense (income) is presented as part of Finance Costs or Finance income under Other Income in the statements of comprehensive income (see Note 16).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

For the determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2017	2016	2015
Discount rates	5.75%	5.09%	5.09%
Expected rate of salary increases	5.00%	10.00%	10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is five years for both male and female. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in savings deposit accounts and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has only investments in cash in banks.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effect of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

	<b>Impact on Retirement Benefit Obligation</b>		
	<b><u>Change in Assumption</u></b>	<b><u>Increase in Assumption</u></b>	<b><u>Decrease in Assumption</u></b>
<b><u>2017:</u></b>			
Discount rate	+6.75%/-4.75%	(P 9,707,797)	P 12,108,228
Salary growth rate	+6.00%/-4.00%	12,165,137	( 9,641,240)
<b><u>2016:</u></b>			
Discount rate	+6.09%/-4.09%	(P 8,267,134)	P 11,439,564
Salary growth rate	+11.00%/-9.00%	11,384,755	( 8,279,460)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

*(ii) Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Retirement Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to ensure that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in fixed interest financial assets, primarily in short term placements. The Group monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

The plan asset is currently composed of special deposit accounts as the Group believes that these investments are the best returns with an acceptable level of risk.

There has been no change in the Group's strategies to manage its risks from previous period.

*(iii) Funding Arrangements and Expected Contributions*

The plan is currently underfunded by P3.5 million as at year-end, while there are no minimum funding requirement in the Philippines, there is a risk that the Group may not have the cash if several employees retire within the same year.

The Company is expected to make contribution of P0.7 million to the plan for each year in the next five years.

The maturity profile of undiscounted expected benefit payment from the plan are as follows:

	<b>2017</b>	2016
	<b><u>(Consolidated)</u></b>	<u>(Parent Company)</u>
More than 10 years to 15 years	<b>P 7,705,543</b>	P 19,390,430
More than 15 years to 20 years	<b>8,191,644</b>	17,351,597
More than 20 years	<b><u>31,380,475</u></b>	<u>53,060,585</u>
	<b><u>P 47,277,662</u></b>	<u>P 89,802,612</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19.32 years.

## 20. EQUITY

### 20.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2017	2016	2015	2017	2016	2015
Common shares						
Authorized						
Balance at beginning of year	996,000,000	200,000	200,000	P 996,000,000	P 20,000,000	P 20,000,000
Increase during the year	-	995,800,000	-	-	976,000,000	-
Balance at end of year	<u>996,000,000</u>	<u>996,000,000</u>	<u>200,000</u>	<u>P 996,000,000</u>	<u>P 996,000,000</u>	<u>P 20,000,000</u>
Issued and outstanding						
Balance at beginning of year	494,117,649	200,000	200,000	P 494,117,649	P 20,000,000	P 20,000,000
Issuance of stock dividend	-	400,000,000	-	-	400,000,000	-
Change due to decrease in par value	-	19,800,000	-	-	-	-
Issuance during the year	<u>150,000,000</u>	<u>74,117,649</u>	<u>-</u>	<u>150,000,000</u>	<u>74,117,649</u>	<u>-</u>
Balance at end of year	<u>644,117,649</u>	<u>494,117,649</u>	<u>200,000</u>	<u>P 644,117,649</u>	<u>P 494,117,649</u>	<u>P 20,000,000</u>
Preferred shares						
Authorized						
Balance at beginning of year	400,000,000	-	-	P 4,000,000	P -	P -
Change due to decrease in par value	-	400,000,000	-	-	4,000,000	-
Balance at end of year	<u>400,000,000</u>	<u>400,000,000</u>	<u>-</u>	<u>P 4,000,000</u>	<u>P 4,000,000</u>	<u>P -</u>

On March 17, 2016, the SEC approved the increase in the Parent Company's authorized capital stock from P20.0 million divided into 200,000 common shares with par value of P100 per share to P1.0 billion divided into 996,000,000 common shares with par value of P1 per share and 400,000,000 preferred shares with par value of P0.01 per share.

On April 1, 2016, the Parent Company applied for the registration of its common shares with the SEC and the listing of the Parent Company's shares on the PSE. The PSE approved the Parent Company's application for the listing of its common shares on June 8, 2016 and the SEC approved the registration of the 74,117,649 common shares of the Parent Company on June 14, 2016.

On June 3, 2016, the SEC approved the listing of the Parent Company's common shares totaling 74.1 million. The shares were initially issued at an offer price of P10.50 per common share. In 2017, there were no additional issuances.

On June 29, 2016, by way of an initial public offering (IPO), sold 74,117,649 shares of its common stock at an offer price of P10.50 and generated net proceeds of approximately P703.0 million. In addition, the IPO resulted to the recognition of additional paid-in capital amounting to P628.9 million, net of IPO-related expenses amounting to P75.2 million.

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 P20.0935 per share or an aggregate subscription price of P3,014,027,483 (see Note 1.2).

As at December 31, 2017 and 2016, there are 14 holders of the listed common shares owning at least one board lot of 100 shares. Such listed shares closed at P22.00 per share as of December 29, 2017 (the last trading day in 2017).

## 20.2 Revaluation Reserves

As of December 31, 2016 and 2015, the Parent Company has accumulated actuarial losses, net of tax, due to remeasurement of post-employment defined benefit plan P2.4 million and P2.5 million, respectively (see Note 19.2). In 2017, the Group had a revaluation gain from AFS and remeasurement of post-employment defined benefit plan amounting to P5.1 million.

## 20.3 Retained Earnings

The Parent Company's BOD approved an appropriation of retained earnings of P1.06 billion as of December 31, 2014 for additional capital expansion, which are expected to be completed within the next three years. In 2015, the Parent Company's BOD approved the reversal of a portion of appropriated retained earnings amounting to P660.0 million.

On December 29, 2015, the Parent Company's BOD approved the declaration of cash dividends of P4,000 per common share or a total of P800.0 million, payable to stockholders of record as of the date of declaration. The balance of dividends payable amounting to P650.0 million, net of advances set-off amounting to P150.0 million (see Note 18.2), was presented as Dividends Payable in the statement of financial position as at December 31, 2015. The dividends payable was fully paid on May 19, 2016. There was no cash dividends declared in 2017 and 2016.

On January 29, 2016, the Parent Company's BOD approved the reversal of the remaining appropriated retained earnings of P400.0 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 P400.0 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:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>	2015 <u>(Parent Company)</u>
Net profit	P 698,973,189	P 180,222,617	P 151,115,204
Divided by the weighted number of outstanding common shares	<u>495,761,485</u>	<u>457,566,479</u>	<u>420,000,000</u>
Basic and diluted earnings per share	<u>P 1.41</u>	<u>P 0.39</u>	<u>P 0.36</u>

The Group has no dilutive potential common shares as at December 31, 2017, 2016 and 2015; 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 three 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 P14.5 million, P3.9 million and P3.4 million in 2017, 2016 and 2015, respectively, of which the major portion is shown as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 15.2).

The future minimum rentals payable under these operating lease as of December 31 are as follows:

	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Within one year	P 10,962,012	P 3,819,091
Beyond one year but within five years	<u>11,625,702</u>	<u>2,214,334</u>
	<u>P 22,587,714</u>	<u>P 6,033,425</u>

### 22.2 Capital Commitments on Use of Proceeds

The Group has capital commitments to utilize the proceeds from the issuance of its common shares amounting to P703.0 million (net of P75.2 million offering-related expenses) for its land bank development, land acquisition, construction of Las Piñas chapel and crematorium and general corporate purposes. As of December 31, 2017, the balance of proceeds amounting to P102.2 million remains unutilized.

### 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.

	Notes	2017 <u>(Consolidated)</u>	2016 <u>(Parent Company)</u>
Cash	4	<b>P 795,866,469</b>	P 445,952,579
Contracts receivable	5	<b>5,609,012,008</b>	1,495,770,052
Due from related parties	18.2	<b>106,128,935</b>	70,871,002
Security deposits	7	<b>41,329,783</b>	1,657,824
Other receivables	5.2	<b><u>283,210,022</u></b>	<u>6,185,276</u>
		<b><u>P6,835,547,217</u></b>	<u>P 2,020,436,733</u>

Cash in banks are insured by the Philippine Deposit Insurance Commission up to a maximum coverage of P0.5 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 receivable 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 December 31, 2017 and 2016, the Group's financial liabilities have contractual maturities which are presented below.

	<u>Within 12 months</u>	<u>More than One Year to Five Years</u>
<b><u>2017 (Consolidated)</u></b>		
Interest-bearing loans and borrowings	P 633,527,466	P 973,283,056
Trade and other payables	2,796,979,547	-
Due to related parties	1,007,226,830	-
Rawland payable	1,156,068,665	-
Reserve for perpetual care	<u>-</u>	<u>266,270,594</u>
	<b><u>P5,593,802,508</u></b>	<b><u>P1,239,553,650</u></b>
<b><u>2016 (Parent Company)</u></b>		
Interest-bearing loans and borrowings	P 310,316	P 514,812,500
Trade and other payables	154,822,861	-
Due to related parties	18,377,019	-
Rawland payable	129,251,610	62,806,932
Reserve for perpetual care	<u>-</u>	<u>198,259,890</u>
	<b><u>P 302,761,806</u></b>	<b><u>P 775,879,322</u></b>

## 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.

		2017		2016	
		(Consolidated)		(Parent Company)	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>					
Loans and receivables:					
Cash	4	P 795,866,469	P 795,866,469	P 445,952,579	P 445,952,579
Contracts receivable	5	5,609,012,008	5,562,044,045	1,495,770,052	1,443,147,271
Due from related parties	18.2	106,128,935	106,128,935	70,871,002	70,871,002
Security deposits	7	41,329,783	41,329,783	1,657,824	1,657,824
Other receivable	5.2	283,210,022	283,210,022	6,185,276	6,185,276
		6,835,547,217	6,788,579,254	2,020,436,733	1,967,813,952
AFS financial assets	8	40,130,604	40,130,604	-	-
		<u>P 6,875,677,821</u>	<u>P 6,828,709,858</u>	<u>P 2,020,436,733</u>	<u>P 1,967,813,952</u>
<b>Financial Liabilities</b>					
At amortized cost:					
Interest-bearing loans	11	P 1,502,021,831	P 1,247,783,487	P 500,310,316	P 500,312,385
Trade and other payables	12	2,796,979,547	2,796,979,547	154,822,861	154,822,861
Due to related parties	18.2	1,007,226,830	1,007,226,830	18,377,019	18,377,019
Rawland payable	12	1,156,068,665	1,156,068,665	192,058,542	192,058,542
Reserve for perpetual care	14	266,270,594	266,270,594	198,259,890	198,259,890
		<u>P 6,728,567,467</u>	<u>P 6,474,329,123</u>	<u>P 1,063,828,628</u>	<u>P 1,063,830,697</u>

See Notes 2.6 and 2.11 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

Except as more fully described in Notes 18 and 20, the Group has not set-off financial instruments in 2017 and 2016 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 18 can be potentially offset to the extent of their corresponding outstanding balances.

The Company has cash in certain local banks to which it has outstanding loans (see Note 11). In case of the Company's default on loan amortization, cash in bank amounting to P81.2 million can be applied against its outstanding loans amounting to P867.8 million as of December 31, 2017. In addition, the Group has payables to HDC amounting to P151.3 million that are collateralized by contract receivable by the same amount.

## 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 P377.5 million and P267.3 million are categorized under level 3 hierarchy of non-financial assets measured at cost as of December 31, 2017 and 2016, respectively.

The fair value of the Group's investment properties amounting to P1.4 billion and P1.3 billion as of December 31, 2017 and 2016 are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The level 3 fair value of land was determined based on the observable recent prices of the reference properties, adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

## 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:

	<b>2017</b> <b>(Consolidated)</b>	<b>2016</b> <b>(Parent Company)</b>
Total liabilities	<b>P 8,689,638,134</b>	P 1,559,861,613
Total equity	<b><u>4,515,844,803</u></b>	<u>1,318,055,733</u>
Debt-to-equity ratio	<b><u>1.92 : 1.00</u></b>	<u>1.18 : 1.00</u>

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the supplemental information on the Company's liabilities arising from financing activities (see Note 11 and 18):

	<b>Interest- bearing loans</b>	<b>Due to Related Parties</b>	<b>Total</b>
Balance at January 1, 2017	P 500,310,316	P 18,377,019	P 518,687,335
Cash flow from financing activities			
Additions due to business combination	390,698,181	-	390,698,181
Additional borrowings	762,444,112	996,057,453	1,758,501,565
Repayments of borrowings	<u>(151,430,778)</u>	<u>(7,207,642)</u>	<u>(158,638,420)</u>
Balance as of December 31, 2017	<b><u>P 1,502,021,831</u></b>	<b><u>P 1,007,226,830</u></b>	<b><u>P 2,509,248,661</u></b>

## 28. SEGMENT REPORTING

### 28.1 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.

There were no segment information for the years ended December 31, 2016 and 2015 as the Parent Company has only one reportable segment during those years.

### 28.2 Analysis of Segment Information

The following table present revenue and profit information regarding business segments of the Group for the year ended December 31, 2017.

	<u>Residential</u>	<u>Deathcare</u>	<u>Total</u>
Revenues	P 2,591,813,020	P 1,093,312,818	P 3,685,125,838
Cost of sales and services	( 1,393,545,432)	( 481,242,634)	( 1,874,788,066)
Gross profit	<u>1,198,267,588</u>	<u>612,070,184</u>	<u>1,810,337,772</u>
Other operating expenses	522,974,758	327,339,461	850,314,219
Depreciation and amortization	( 13,182,894)	( 30,606,736)	( 43,789,630)
	<u>509,791,864</u>	<u>296,732,725</u>	<u>806,524,589</u>
Segment profit before tax and depreciation and amortization	<u>P 688,475,724</u>	<u>P 315,337,459</u>	<u>P 1,003,813,183</u>
Segment Assets	<u>P 9,785,991,355</u>	<u>P 2,895,704,739</u>	<u>P 12,681,696,094</u>
Segment Liabilities	<u>P 6,367,780,585</u>	<u>P 502,771,438</u>	<u>P 6,870,552,023</u>

Below is the Group's reconciliation of the components of reportable segments to the 2017 consolidated statements of profit or loss:

Revenues –	
Total revenue of reportable segments	<u>P 3,685,125,838</u>
Costs and other operating expenses:	
Total costs and expenses of reportable segments	2,681,312,665
Depreciation and amortization	<u>43,789,630</u>
	<u>2,725,102,285</u>
Other Income – net	<u>48,622,815</u>
Profit before tax	<u>P 1,008,646,368</u>

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.

### **28.3 Reconciliation**

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

#### **Assets:**

Total segment asset	P 12,681,696,094
Due from related parties	106,128,935
AFS financial assets	40,130,604
Investment property	<u>377,527,304</u>
Group Total Assets	<u>P 13,205,482,937</u>

#### **Liabilities:**

Total segment liabilities	P 6,870,552,023
Due to related parties	1,007,226,830
Deferred tax liabilities	<u>811,859,281</u>
Group Total Liabilities	<u>P 8,689,634,134</u>

Currently, the Group's operation is concentrated in the Philippines; hence, it has no geographical segment.



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**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange Commission  
Filed Separately from the  
Basic Consolidated Financial Statements**

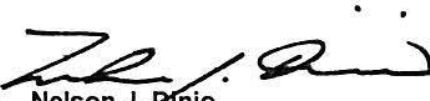
**Punongbayan & Araullo**  
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The Board of Directors and Stockholders  
Golden Haven, Inc. and a Subsidiary  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties Inc.]*  
San Ezekiel, C5 Extension  
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Golden Haven, Inc. and a subsidiary for the year ended December 31, 2017, on which we have rendered our report dated April 10, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By:   
Nelson J. Dinio  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 6616007, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 1036-AR-2 (until Mar. 15, 2020)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-32-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 10, 2018



**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties, Inc.]*  
**List of Supplementary Information**  
**December 31, 2017**

<b>Schedule</b>	<b>Content</b>	<b>Page No.</b>
<b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b>		
A	Financial Assets	
	Financial Assets at Fair Value Through Profit or Loss	N/A
	Held-to-maturity Investments	N/A
	Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Intangible Assets - Other Assets	N/A
E	Long-term Debt	3
F	Indebtedness to Related Parties	4
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	5
<b>Others</b>		
	Reconciliation of Retained Earnings (SEC Circular 11)	6
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017	7-10

GOLDEN HAVEN, INC. AND A SUBSIDIARY  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties, Inc.]*  
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Available-for-sale Financial Assets)  
December 31, 2017  
*(Amounts in Philippine Pesos)*

Communities Phils. Inc.

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet</i>	<i>Valued based on the market quotation at balance sheet date</i>	<i>Income received and accrued</i>
MERALCO	122,126 shares	40,130,604	40,130,604.00	N/A

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties,  
and Principal Stockholders (Other than Related Parties)  
December 31, 2017  
(Amounts in Philippine Pesos)

Name	Balance at beginning of year	Additions	Amounts Collected	Balance at end of year
Advances to employees	-	6,155,232	-	6,155,232
				-
				-
				-
				-
				-
				-
				-
Total	-	P 6,155,232	-	P 6,155,232

GOLDEN HAVEN, INC. AND A SUBSIDIARY  
*(Formerly Golden Haven Memorial Park, Inc.)*  
San Ezekiel, C5 Extension  
Las Piñas City  
Schedule E - Long-Term Debt  
December 31, 2017  
*(Amounts in Philippine Pesos)*

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current Portion of Interest Bearing Loans" in related statement of financial position	Amount shown under caption "NonCurrent Portion of Interest Bearing Loans" in related statement of financial position
Bank Loan	P 1,768,253,378	P 606,069,721	P 895,952,110
Total		606,069,721	895,952,110

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
 San Ezekiel, C5 Extension  
 Las Piñas City  
 Schedule F - Indebtedness to Related Parties  
 December 31, 2017  
*(Amounts in Philippine Pesos)*

Name of Related Parties	Balance at beginning of year	Balance at end of year
N/A		
		-
<b>Total</b>	<b>P       -</b>	<b>P       -</b>

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
 Schedule H - Capital Stock  
 San Ezekiel, C5 Extension  
 Las Piñas City  
 December 31, 2017  
*(Amounts in Philippine Pesos)*

			<i>Number of shares held by</i>	
<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statement of financial position</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares	996,000,000	644,117,649	7,939,002	636,178,647
Preferred shares	400,000,000	-	-	-

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties, Inc.]*  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as of December 31, 2017**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>		☑		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		☑		
<b>Practice Statement Management Commentary</b>			☑	
<b><i>Philippine Financial Reporting Standards (PFRS)</i></b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	☑		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	☑		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	☑		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	☑		
	Amendments to PFRS 1: Government Loans	☑		
	Amendments to PFRS 1: Deletion of Short-term Exemptions			☑
<b>PFRS 2</b>	Share-based Payment			☑
	Amendments to PFRS 2: Vesting Conditions and Cancellations			☑
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			☑
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions <i>(effective January 1, 2018)</i>			☑
<b>PFRS 3 (Revised)</b>	Business Combinations			☑
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* <i>(effective January 1, 2019)</i>			☑
<b>PFRS 4</b>	Insurance Contracts			☑
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			☑
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> <i>(effective January 1, 2018)</i>			☑
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			☑
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			☑
<b>PFRS 7</b>	Financial Instruments: Disclosures	☑		
	Amendments to PFRS 7: Transition	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	☑		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	☑		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	☑		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	☑		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures <i>(effective when PFRS 9 is first applied)</i>			☑
<b>PFRS 8</b>	Operating Segments			☑
<b>PFRS 9</b>	Financial Instruments (2014)* <i>(effective January 1, 2018)</i>			☑
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* <i>(effective January 1, 2019)</i>			☑
<b>PFRS 10</b>	Consolidated Financial Statements			☑
	Amendments to PFRS 10: Transition Guidance			☑
	Amendments to PFRS 10: Investment Entities			☑
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* <i>(effective date deferred indefinitely)</i>			☑
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			☑
<b>PFRS 11</b>	Joint Arrangements			☑
	Amendments to PFRS 11: Transition Guidance			☑
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			☑
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation <i>(effective January 1, 2019)</i>			☑



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			☒
	Amendments to PFRS 12: Transition Guidance			☒
	Amendments to PFRS 12: Investment Entities			☒
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			☒
PFRS 13	Fair Value Measurement	☒		
PFRS 14	Regulatory Deferral Accounts			☒
PFRS 15	Revenue from Contracts with Customers* ( <i>effective January 1, 2018</i> )			☒
PFRS 16	Leases* ( <i>effective January 1, 2019</i> )			☒
PFRS 17	Insurance Contracts( <i>effective January 1, 2021</i> )			☒
<b>Philippine Accounting Standards (PAS)</b>				
PAS 1 (Revised)	Presentation of Financial Statements	☒		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☒		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	☒		
	Amendments to PAS 1: Disclosure Initiative	☒		
PAS 2	Inventories	☒		
PAS 7	Statement of Cash Flows	☒		
	Amendments to PAS 7: Disclosure Initiative	☒		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	☒		
PAS 10	Events After the Reporting Period	☒		
PAS 11	Construction Contracts	☒		
PAS 12	Income Taxes	☒		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	☒		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	☒		
	Amendment to PAS 12 - Tax Consequences of Dividends* ( <i>effective January 1, 2019</i> )			☒
PAS 16	Property, Plant and Equipment	☒		
	Amendments to PAS 16: Bearer Plants	☒		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	☒		
PAS 17	Leases	☒		
PAS 18	Revenue	☒		
PAS 19 (Revised)	Employee Benefits	☒		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	☒		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			☒
PAS 21	The Effects of Changes in Foreign Exchange Rates			☒
	Amendments: Net Investment in a Foreign Operation			☒
PAS 23 (Revised)	Borrowing Costs	☒		
	Amendment to PAS 23: Eligibility for Capitalization	☒		
PAS 24 (Revised)	Related Party Disclosures	☒		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			☒
PAS 27 (Revised)	Separate Financial Statements			☒
	Amendments to PAS 27: Investment Entities			☒
	Amendments to PAS 27: Equity Method in Separate Financial Statements			☒
PAS 28 (Revised)	Investments in Associates and Joint Ventures			☒
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective date deferred indefinitely</i> )			☒
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			☒
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss ( <i>effective January 1, 2018</i> )			☒
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture ( <i>effective January 1, 2019</i> )			☒
PAS 29	Financial Reporting in Hyperinflationary Economies			☒

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Presentation	☑		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☑		
	Amendments to PAS 32: Classification of Rights Issues	☑		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	☑		
PAS 33	Earnings Per Share	☑		
PAS 34	Interim Financial Reporting			☑
PAS 36	Impairment of Assets	☑		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	☑		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	☑		
PAS 38	Intangible Assets			☑
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			☑
PAS 39	Financial Instruments: Recognition and Measurement	☑		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	☑		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	☑		
	Amendments to PAS 39: The Fair Value Option	☑		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	☑		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	☑		
	Amendments to PAS 39: Eligible Hedged Items	☑		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	☑		
PAS 40	Investment Property	☑		
	Amendment to PAS 40: Reclassification to and from Investment Property * (effective January 1, 2018)			☑
PAS 41	Agriculture			☑
	Amendments to PAS 41: Bearer Plants			☑
<b>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	☑		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			☑
IFRIC 4	Determining Whether an Arrangement Contains a Lease	☑		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	☑		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			☑
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			☑
IFRIC 9	Reassessment of Embedded Derivatives**	☑		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	☑		
IFRIC 10	Interim Financial Reporting and Impairment			☑
IFRIC 12	Service Concession Arrangements			☑
IFRIC 13	Customer Loyalty Programmes			☑
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	☑		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	☑		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			☑
IFRIC 17	Distributions of Non-cash Assets to Owners**	☑		
IFRIC 18	Transfers of Assets from Customers**	☑		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments**	☐		
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine**			☐
<b>IFRIC 21</b>	Levies	☐		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration ( <i>effective January 1, 2018</i> )			☐
<b>IFRIC 23</b>	Uncertainty Over Income Tax Treatments * ( <i>effective January 1, 2019</i> )			☐
<b><i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i></b>				
<b>SIC-7</b>	Introduction of the Euro			☐
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			☐
<b>SIC-15</b>	Operating Leases - Incentives	☐		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	☐		
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	☐		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			☐
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services**	☐		
<b>SIC-32</b>	Intangible Assets - Web Site Costs**			☐

\* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

GOLDEN HAVEN, INC.  
*(Formerly Golden Haven Memorial Park, Inc.)*  
*[A Subsidiary of Fine Properties, Inc.]*

San Ezekiel, C5 Extension

Las Piñas City

**Reconciliation of Retained Earnings Available for Dividend Declaration**

As of and for the Year Ended December 31, 2017

Unappropriated Retained Earnings Available at Beginning of Year	P	197,414,917
Outstanding Reconciling Items, net of tax		
Deferred tax assets	(	<u>11,598,327</u> )
Unappropriated Retained Earnings Available at Beginning of Year		
Dividend Declaration at Beginning of Year, as Adjusted		185,816,590
Net Profit Realized during the Year		
Net profit per audited financial statements		216,118,382
Dividend Declarations During the Year		<u>-</u>
Unappropriated Retained Earnings Available for		
Dividend Declaration at End of Year	P	<u>401,934,972</u>

**GOLDEN HAVEN, INC. AND A SUBSIDIARY**  
SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP  
ULTIMATE PARENT COMPANY AND SUBSIDIARY

