

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

Mr. Mauro Badiola

(Contact Person)

(632) 753-1405

(Company Telephone Number)

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Month Day

(Fiscal Year)

1	7	-	Q	
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(Form Type)
Qtr 3 FY 2014

1	0		
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Month Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

407

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

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

1. For the quarterly period ended **February 28, 2014**
2. SEC Identification No **AS094-006309**
3. BIR Tax Identification No. **004-451-425-000**
4. Exact name of issuer as specified in its charter **BOULEVARD HOLDINGS, INC.**
5. Province, Country or other jurisdiction of incorporation or organization:
Makati City, Philippines
6. Industry Classification Code: (_____) (SEC Use only)
7. **1704 Peak Tower, 107 L.P. Leviste St., Salcedo Village, Makati City**
Address of principal office Postal Code **1227**
8. **(632) 753-1405**
Issuer's telephone number, including area code
9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Section 8 & 12 of the SRC, or Sec 4 and 8 of the RSA
 - a) **Authorized Capital Stock Title of Each Class**

Common shares, ₱.10 par value	12,000,000,000 shares ₱1,200,000,000
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 - b) **Issued and Outstanding**

Common shares, ₱.10 par value	12,000,000,000 shares
Amount	₱936,196,077
 - c) **Amount of Debt Outstanding**

	₱127,630,401
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11. Are any or all of these securities listed on a Stock Exchange

Yes (/)

No ()

If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange : Philippine Stock Exchange

Securities : common shares

12. Check whether the issuer:

(a) has filed all report to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or section 11 of the Revised Securities Act (RSA) Rule 11(a)-1 thereunder, and Section 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 ()

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PART I - FINANCIAL INFORMATION

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	February 28, 2014 Unaudited	May 31, 2013 Audited
ASSETS		
Current Assets		
Cash (Note 4)	₱4,576,831	₱8,239,553
Trade and other receivables -net (Note 5)	48,348,043	46,545,852
Inventories (Note 6)	1,395,390	1,376,654
Prepayments and other current assets (Note 7)	34,310,578	23,082,724
Total Current Assets	88,630,842	79,244,783
Noncurrent Assets		
Investment properties (Note 8)	926,965,604	928,320,203
Property and equipment - net (Note 9)	378,893,337	313,662,495
Deferred tax assets	2,626,128	2,582,579
Other noncurrent assets (Note 10)	447,709,819	417,732,019
Total Noncurrent Assets	1,756,194,888	1,662,297,296
TOTAL ASSETS	₱1,844,825,730	₱1,741,542,079
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	₱109,950,226	₱110,497,643
Income tax payable	8,632,077	8,991,747
Customers' deposits	169,000	167,000
Total Current Liabilities	118,751,303	119,656,390
Noncurrent Liabilities		
Retirement benefits obligation (Note 12)	8,879,098	7,457,000
Equity Attributable to Equity Holders of the Parent		
Capital stock - P0.10 par value (Note 22)		
Authorized - 12,000,000,000 common shares		
Issued and subscribed - 9,833,893,557 common shares		
as at November 30, 2013 and May 31, 2013 respectively		
-net of outstanding subscriptions receivable amounting		
to ₱263,803,923 and ₱105,000,000 as at February 28, 2014		
and May 31, 2013	936,196,077	878,389,356
Additional paid-in capital	534,470,294	505,566,933
Cumulative translation adjustments	112,986,539	104,104,326
Retained earnings	36,209,770	32,199,421
	1,619,862,680	1,520,260,036
Non-controlling interests	97,332,649	94,168,653
Total Equity	1,717,195,329	1,614,428,689
TOTAL LIABILITIES AND EQUITY	₱1,844,825,730	₱1,741,542,079

See accompanying Notes to Consolidated Financial Statements

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Period Ended		Nine Months Period Ended	
	Feb. 28 2014	Feb. 28, 2013	Feb. 28, 2014	Feb. 28, 2013
REVENUES (Note 13)				
Services	₱33,796,208	₱32,279,139	₱70,146,595	₱62,906,126
Sales	14,828,632	12,039,675	30,454,095	25,747,960
	48,624,840	44,318,814	100,600,690	88,654,086
COSTS AND EXPENSES				
Cost of sales and services (Note 13)	20,265,766	18,672,305	38,216,671	39,205,130
General, administrative and selling (Note 14)	22,555,443	20,585,119	49,805,405	41,430,787
	42,821,209	39,257,424	88,022,076	80,635,917
OTHER INCOME (CHARGES)				
Rentals (Note 8)	220,406	241,544	623,479	653,999
Interest income and others -net	10,267	1,279	11,583	681,884
Interest expense	(7,335)	(45,197)	(32,513)	(40,849)
Foreign exchange gains-net	13,202	302,102	51,358	322,425
	236,540	499,728	653,907	1,617,459
INCOME BEFORE INCOME TAX	6,040,171	5,561,118	13,232,521	9,635,628
PROVISION FOR INCOME TAX (Net) (Note 16)	2,548,550	3,406,906	6,058,176	5,911,571
NET INCOME	₱3,491,621	₱2,154,212	₱7,174,345	₱3,724,057
ATTRIBUTABLE TO				
Equity holders of the Parent	₱2,156,579	₱ 979,305	₱4,010,349	₱1,690,581
Non-controlling interests	1,335,042	1,174,907	3,163,996	2,033,476
	₱3,491,621	₱2,154,212	₱7,174,345	₱3,724,057
EARNINGS PER SHARE (Note 17)				
Basic, for earnings for the period attributable to equity holders of the Parent	₱0.00018	₱0.00012	₱0.00038	₱0.00021

See accompanying Notes to Consolidated Financial Statements

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
UNAUDITED

	Three Months Period Ended		Nine Months Period Ended	
	Feb. 28, 2014	Feb. 28, 2013	Feb. 28 2014	Feb. 28, 2013
NET INCOME	₱3,491,621	₱ 2,154,212	₱7,174,345	₱ 3,724,057
OTHER COMPREHENSIVE INCOME (LOSS)	5,478,345	(1,001,700)	8,882,213	(5,381,524)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱8,969,966	₱1,152,512	₱16,056,558	(₱1,657,467)
ATTRIBUTABLE TO				
Equity holders of the Parent:	₱7,634,924	(₱22,395)	₱12,892,562	(₱2,489,291)
Non-controlling interest	1,335,042	1,174,907	3,163,996	831,824
	₱8,969,966	₱1,152,512	₱16,056,558	(₱1,657,467)

See accompanying Notes to Consolidated Financial Statements

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
UNAUDITED

	Capital Stock (Note 22)	Additional Paid In Capital (Note 22)	Cumulative Translation Adjustments	Retained Earnings	Non- Controlling Interests	Total Equity
Balance as of May 31, 2012	796,685,341	₱352,890,692	₱104,062,173	₱35,453,126	₱91,820,382	₱1,380,911,714
Cash proceeds from private placement	46,685,341	53,081,232				99,766,573
Translation adjustment			(5,381,524)			(5,381,524)
Net income for the period				3,718,831		3,718,831
Non-controlling interests					2,028,250	2,028,250
Balance as of February 28, 2013	843,370,682	₱405,971,924	₱98,680,649	₱39,171,957	₱93,848,632	₱1,481,043,844
Balance as of May 31, 2013	₱878,389,356	₱505,566,933	₱104,104,326	₱32,199,421	₱94,168,653	₱1,614,428,689
Additional subscription	57,806,721	28,903,361				86,710,082
Translation adjustment			8,882,213			8,882,213
Net income for the period				4,010,349		4,010,349
Non-controlling interests					3,163,996	3,163,996
Balance as of February 28, 2014	₱936,196,077	₱534,470,294	₱112,986,539	₱36,209,770	₱97,332,649	₱1,717,195,329

See accompanying Notes to Consolidated Financial Statements

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Period Ended	
	February 28, 2014	February 28, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱6,058,176	₱9,635,419
Adjustment for:		
Depreciation and amortization	5,840,002	9,535,380
Interest and other financing charges	32,513	40,849
Retirement benefit obligation	1,422,098	891,750
Interest income	(11,583)	(25,178)
Operating income before working capital changes	13,341,206	20,078,220
Decrease (increase) in:		
Trade and other receivables	4,255,985	(2,104,990)
Inventories	(18,736)	401,653
Prepayment and other current assets	(11,227,854)	(19,054,099)
Increase (decrease) in:		
Trade and other payables	9,407,416	25,368,425
Customers' deposits	2,000	41,000
Net cash flows generated from operations	15,760,017	24,730,209
Interest received	11,583	25,178
Income tax paid	(6,417,846)	(6,784,744)
Interest paid	(32,513)	(40,849)
Net cash flows from operating activities	9,321,241	17,929,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in		
Acquisition of additional property and equipment	(69,716,245)	(99,658,391)
Other non current assets	(29,977,800)	(44,390,708)
Net cash flows used in investing activities	(99,694,045)	(144,049,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Stock	86,710,082	100,000,000
Net cash flows from financing activities	86,710,082	100,000,000
NET INCREASE IN CASH	(3,662,722)	(26,119,305)
CASH AT BEGINNING OF YEAR	8,239,553	32,257,231
CASH AT END OF YEAR	₱4,576,831	₱6,137,926

See accompanying Notes to Consolidate Financial Statements

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

Boulevard Holdings, Inc. (the “Parent Company”) was incorporated with the Philippine Securities and Exchange Commission (“SEC”) on July 13, 1994 primarily to invest in, purchase, or otherwise acquire and own, hold, use, develop, sell, assign, among others, real and personal property of every kind and description. The Parent Company has investments in companies involved in the development of leisure, hotel and tourist estates, as well as residential and office condominiums, operation and management of hotels and resorts, travel related and other allied businesses and services in the Philippines and abroad.

The registered office address of the Parent Company is 1704 Peak Tower, 107 L.P. Leviste Street, Salcedo Village, Makati City.

Segment Information

The Parent Company and Subsidiaries (collectively referred to as the “Group”) operates primarily in segments of providing world-class hotel and resort amenities and investment holding (see Note 22).

Status of Operations of Subsidiaries

- a. Askar Ltd. (“Askar”) has a previous lease agreement with Grand International Airways (GIA), an affiliate, involving two aircrafts the former owns. The agreement was for a period of thirty-six (36) months which ended on August 1, 2000 and required the lessee to pay the lessor a monthly rental of US\$90,000 for each aircraft. Askar did not renew its lease agreement with GIA on expiry date as the latter has indefinitely suspended its operations due to operational and financial difficulties and has not resumed its operations as at February 28, 2014.
- b. Infocast Asia Ltd. (“Infocast”) has not yet started commercial operations and its business prospects are uncertain.
- c. COLI is engaged in the real estate business and currently owns 44% of Friday’s Holdings, Inc. (“FHI”). COLI’s assets only relate to its investment in FHI. The Parent Company controls the financial and operating policies of COLI by virtue of a shareholders’ agreement by the majority shareholders in favor of the minority, and that majority of the Board of Directors (BOD) of COLI are the same as that of the Parent Company.
- d. Friday’s Puerto Galera, Inc. (“FPGI”) is currently constructing a luxurious native style boutique resort in the exclusive Boquete Island in Puerto Galera, Oriental Mindoro, aiming to replicate the success of the original Friday’s Resort in Boracay. Effective June 1, 2008, the Parent Company recognized its 45.46% investment in FPGI by contributing parcels of land previously classified as investment property in the consolidated statement of financial position amounting to ₱50.00 million. The contribution of minority shareholders amounting to ₱61.21 million also represents parcels of land. The Parent Company controls the financial and operating policies of FPGI by virtue of a shareholders’ agreement by the majority shareholders in favor of the minority, and that majority of the BOD of FPGI are the same as that of the Parent Company.

- e. FHI owns and operates Friday's Boracay Beach Resort, a luxury resort situated in Boracay Island that offers 52 rooms and facilities and amenities such as restaurants, function halls and other tourist-oriented activities. The Parent Company effectively owns 77.00% of FHI through COLI.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All amounts are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries as at February 28, 2014 and February 28, 2013 and May 31, 2013:

Subsidiary	Country of Incorporation	Year End Financial Reporting Period	Percentage of Ownership			
			February 28, 2014		May 31, 2013	
			Direct	Indirect	Direct	Indirect
Askar ^{(a), (c)}	British Virgin Islands	May 31	100.00		100.00	
Infocast ^{(b), (c)}	Canada	December 31*	100.00		100.00	
FHI ^(e)	Philippines	June 30	55.00	22.00	55.00	22.00
COLI ^{(d), (e)}	Philippines	December 31*	50.00		50.00	
FPGI ^{(d), (e)}	Philippines	April 30	45.46		45.46	

* for consolidation purposes, additional financial information of Infocast and COLI were prepared as of the same date as the financial statements of the Parent Company

^(a)No longer operating

^(b)Pre-operating stage

^(c)Foreign subsidiaries

^(d)Parent Company exercises power to govern the financial and operating policies by virtue of a shareholders' agreement by the majority shareholders in favor of the minority

^(e)Majority of the BOD are the same as that of the Parent Company

Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated. Profit or loss incorporates the results of operations of subsidiaries from the dates of acquisitions. The fair value of identifiable assets and

liabilities of the subsidiaries and any goodwill arising from the acquisitions are recognized in the consolidated statement of financial position. Non-controlling Interests (NCI) represent the interests in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the Parent Company. Acquisitions of NCI are accounted for using the entity concept method, whereby, the difference between the consideration and the book value of the share of the net assets is reflected as an equity transaction.

NCI

NCI represents the portion of profit or loss and net assets in subsidiaries that are not owned, directly or indirectly, by the Group and is presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the equity attributable to the equity holders of the Parent Company. Where the ownership of a subsidiary is less than one hundred percent (100%) and therefore NCI exist, any losses of that subsidiaries are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of subsidiaries, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss.

Prior to January 1, 2010

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets and liabilities of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the acquirer shall (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in profit or loss any excess remaining after that reassessment.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the Parent Company's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at each exchange transaction. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different at the date of each exchange transaction. Any adjustments to those fair values relating to previously held interests of the Parent Company is a revaluation to be accounted for as such and presented separately as part of equity.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Parent Company's share in the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognized separately as a noncurrent asset. Goodwill on

acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for Goodwill by assessing the recoverable amount of the cash-generating unit (CGU) or group of CGUs to which the Goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which Goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to Goodwill cannot be reversed in future periods. The Parent Company performs its impairment test of Goodwill at each reporting period.

Subsequent to January 1, 2010

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, Goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU's that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where Goodwill forms part of a CGU and part of the operation within that unit is disposed of, the Goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance

is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following PFRS and Philippine Accounting Standards (PAS), which were adopted as at June 1, 2012:

- *PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments are effective for periods beginning on or after January 1, 2012 and do not have a significant impact on the financial position or performance of the Group.
- *PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis.

The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time (use basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012 and do not have a significant impact on the financial position or performance of the Group.

Future Changes in Accounting Policies

The Group did not early adopt the following standards and Philippine Interpretation that will become effective subsequent to May 31, 2013:

Effective in 2013:

- *PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *PFRS 10, Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.
- *PFRS 11, Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013 and will not have an impact since the Group is not a joint venture nor it is a party of a joint venture.
- *PFRS 12, Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and will not have an impact the financial position or performance of the Group.
- *PFRS 13, Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before

initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Group will assess the impact of this amendment to its financial position and performance when the standard becomes effective.

- *PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*

The amendments to PAS 1 change the grouping of items in OCI. Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- *PAS 19, Employee Benefits (Revised)*

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has a significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact of the adoption of the revised standard on its financial statements.

- *PAS 27, Separate Financial Statements (as revised in 2011)*

As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12 what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- *PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the issuance of the new PFRS 11, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013 and will not have a significant impact to the financial position of the Group.

- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not relevant since the Group is not engaged in mining operations.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014 and will have no significant impact on the financial position of the Group.

Effective in 2015:

- PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

To be determined:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have

deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and will not have an impact on the financial position or performance of the Group.

- *PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have an impact on the financial position of the Group.

- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have a significant impact on its financial position or performance.

- *PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and will not have an impact on the financial position or performance of the Group.

Except for the revised standard on PAS 19, *Employee Benefits*, the Group does not expect any significant impact in the financial statements when it adopts the above standards, interpretations and improvements to PFRS. The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash on hand, cash in banks and short-term investments. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments - Initial Recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset). Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial Assets

Financial assets within the scope of PAS 39 are classified as financial assets at FVPL, loans and receivables, AFS financial assets, held-to-maturity (HTM) investments or as derivatives designated as hedging instruments in an effective hedge, as appropriate. As at February 28, 2014 and 2013, the Group's financial assets are of the nature of loans and receivables. There were no financial assets at FVPL, AFS financial assets, HTM investments and derivative designated as hedging instruments in an effective hedge.

Financial Liabilities

Financial liabilities within the scope of PAS 39 are classified as either financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge or loans and borrowings, as appropriate.

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

The Group's financial liabilities are of the nature of loans and borrowings. As at February 28, 2014 and 2013, the Group has no outstanding financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Determination of Fair Values of Financial Instruments

The fair values of financial instruments that are traded in active markets at each end of the reporting period is determined by reference to quoted market prices or dealer price quotations, bid price for long positions and ask price for short positions, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or the valuation models.

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

- Level 1 - Quoted prices in active markets for identical asset or liability;
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

The fair value of listed equity and debt securities as well as publicly traded derivatives at the end of the reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using other valuation techniques. Other valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exceed, option pricing models and other relevant valuation models. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

Financial Instruments - Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This accounting policy relates to the Group's "Cash and cash equivalents", "Trade and other receivables" and "Other Noncurrent Receivables, under Other noncurrent assets" which arises primarily from interest and other types of receivables.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method (EIR), less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The EIR amortization, if any, is included in the "Interest income" in the consolidated statement of income. The losses arising from impairment of receivables are recognized in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts (see accounting policy on Impairment of Financial Assets Carried at Amortized Cost).

Loans and receivables are classified as current when they are expected to be realized within twelve (12) months from the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables include cash and cash equivalents, trade and other receivables, and other noncurrent receivables under "Other noncurrent assets" (see Notes 4, 5 and 10).

Loans and Borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon inception of the liability.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

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

Loans and borrowings are included under current liabilities if it will be settled within twelve (12) months after the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.

The Group's loans and borrowings include trade and other payables (see Note 11).

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Loans and receivables, together with the associated allowance, are written off when there is

no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV of saleable merchandise is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. NRV of general, operating and engineering supplies is the estimated current replacement cost.

Prepayments and Other Current Assets

Prepayments and other current assets include input valued-added tax (VAT), creditable withholding taxes (CWT) and various prepayments which the Company expects to realize or consume within twelve (12) months after the end of the reporting period.

Input VAT

Input VAT represents VAT imposed on the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Input VAT representing claims for refund from the taxation authorities is recognized as a current asset and is stated at its NRV.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties, except land, are carried at cost less accumulated depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses.

Depreciation is computed using the straight-line method over the estimated useful lives of the investment properties. Investments in depreciable condominium units classified as investment properties are depreciated over twenty-five (25) years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Property and Equipment

Property and equipment, except land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment losses. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met. Land is measured at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of income in the period in which costs are incurred.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

Asset	Years
Condominium units	25
Building and building equipment	2-10
Office equipment	5
Transportation equipment	5
Furniture and fixtures	2-7
Machinery and equipment	3-5

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

The assets' useful lives and depreciation method are reviewed periodically to ensure that the values, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment at each end of the reporting period.

Depreciation of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the assets are fully depreciated or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

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

Impairments or losses of items of property and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

Fully depreciated assets are retained in the books when still in use. When assets are sold or retired, the cost and the related accumulated depreciation and amortization and any impairment value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Other Noncurrent Assets

Other noncurrent assets include goodwill, various deposits, long-term receivables and miscellaneous assets, which are stated at net realizable value. These are classified as noncurrent since the Company expects to utilize the assets beyond twelve (12) months from the end of the reporting period.

Goodwill

Goodwill represents the excess of the cost over the fair value of the identifiable net assets of a subsidiary at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Deposits for Future Stock Subscriptions

This represents advance payments for subscription of future issuance of shares which shall be reclassified to the corresponding investment account upon issuance.

Impairment of Nonfinancial Assets

Inventories

The Group assesses the inventories for impairment by comparing the asset's carrying value with its NRV. If the asset is impaired, its carrying value is reduced to NRV and an impairment loss is recognized in the statement of income.

Prepayments and Other Current and Noncurrent Assets, Excluding Goodwill and Other Noncurrent Receivables

The Group provides allowance for impairment losses on prepayments and other current and noncurrent assets, excluding other noncurrent receivables, when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current and noncurrent assets.

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of cash generating units (CGU), or group of CGU's, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the subsidiaries are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGU's), to which the goodwill relates. Where the recoverable amount of the CGU (group of CGU's) is less than the carrying amount, an impairment loss is recognized. Where the goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Recovery of impairment losses recognized in prior years for inventories, prepayments and other current and noncurrent assets, excluding goodwill and other noncurrent receivables, is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of income. However, the increased carrying amount of an asset due

to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had there been no impairment loss recognized for that asset in prior years.

Investment Properties and Property and Equipment

Investment properties and property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its estimated recoverable amount, the asset or CGU is written down to its recoverable amount. The estimated recoverable amount is the higher of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the non-financial asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for any property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's estimated recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the financial asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in the consolidated statement of income unless the nonfinancial asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the nonfinancial asset's revised carrying amount less any residual value, on a systematic basis over its remaining useful life.

Deposits for Future Stock Subscriptions (Liability)

This represents advance payments for subscription of future issuance of shares which are to be reclassified as equity once certain criteria are met or upon issuance.

Customers' Deposits

Customers' deposits are advance payments from lessees for lease of condominium units of the Parent Company. Subsequently, customers' deposits are charged and service revenues are recognized upon the rendering of service or as contracted.

Retirement Benefit Costs

The Group has a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of

plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a Lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as the rental income.

Group as a Lessee

Finance lease, which transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item, is capitalized from the date of lease agreement at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

Capital Stock and Additional Paid-in Capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new common stock are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

Cumulative Translation Adjustments

This arises from exchange differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign operation. In the consolidated financial statements, such exchange differences shall be recognized initially in OCI. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

Unrealized Valuation Loss on AFS Financial Assets

The change in the fair value of the AFS financial assets is recorded as "Unrealized valuation loss on AFS financial assets" in the equity section of the consolidated statement of financial position.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "Deficit". A deficit is not an asset but a deduction from equity.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Subscriptions Receivable

Subscriptions receivable pertains to the unpaid portion of the subscribed capital stock which reduces the outstanding balance of capital stock.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods and Rendering of Services

Sale of goods is recognized when the significant risk and reward of ownership of the goods, usually upon delivery of the goods, have passed to the buyers and the amount of revenue can be measured reliably. Revenue from services are recognized upon performance of the services to the customers.

Rental Income

Rental income is recognized on a straight-line basis over the lease term.

Interest Income

Interest income is recognized as the interest accrues taking into account the effective yield on the asset (using EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the carrying amount of the financial assets).

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease in assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Costs of Sales and Services

Costs of sales are recognized when the goods are sold to the customers, cost of sales includes the cost of inventories. Cost of services are recognized when the related services have been rendered.

General, Administrative and Selling Expenses

Expenses incurred in the direction and general administration of day-to-day operations of the Group are generally recognized when the service is used or the expense arises.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's, functional and presentation currency. Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the dates of the transactions. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded are recognized in the consolidated statement of income in the period in which they arise. At year-end, monetary assets and liabilities denominated in foreign currencies are restated at closing rate and any exchange differentials are credited to or charged against the consolidated income, except for foreign exchange differences arising from the translation of assets and liabilities and income accounts of Askar and Infocast which are taken directly to a separate component of stockholders' equity. The functional currency of Askar and Infocast is United States Dollar (US\$).

At the end of the reporting period, the assets and liabilities of Askar and Infocast are translated into the presentation currency of the Parent Company using the Philippine Dealing System (PDS) closing rate at the end of the reporting period and their respective statements of income are translated using the PDS weighted average exchange rate for the year. The exchange differences arising from the translation are taken directly to a separate component of stockholders' equity, under the "Cumulative translation adjustments" account in the consolidated statement of financial position. On disposal of a foreign subsidiary, the deferred cumulative amount is recognized in the consolidated statement of income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred Income Tax

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO and excess MCIT can be utilized, except:

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

Deferred income tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred income tax liabilities are recognized for all taxable temporary differences. The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

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

Current income tax and deferred income tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and deferred income taxes related to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to

settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as "Interest expense" in the consolidated statement of income.

Contingencies

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

Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Business Segments

For management purposes, the Group is organized into two (2) major business segments (holding company and hospitality and leisure) according to the nature of the products and services provided. The Group's identified business segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker. Financial information of operating segments is presented in Note 21.

Earnings per Share

Basic earnings per share is determined by dividing net income by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the period.

Diluted earnings per share amounts is calculated by dividing the net income for the period attributable to the ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for outstanding common stock equivalents.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes to consolidated financial statements. Future events may occur which will cause the judgments, estimates and assumptions used in arriving the estimates to change the effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. However, actual results could differ from such estimates.

Judgments

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be generally the Philippine peso, except for Askar and Infocast the functional currency of which are determined to be the US Dollar. The Philippine peso is the currency of the primary economic environment in which the Group generally operates. It is the currency that mainly influences the sale of the goods and services and the costs of selling goods and services.

Assessment Whether an Agreement is Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance lease or operating lease based on who bears substantially all risks and benefits incidental to ownership of the leased items. Based on the management's assessment, the Group has both finance and operating leases.

Operating Lease Commitments - Group as Lessor

The Group has entered into residential property leases on its investment properties portfolio. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognized over the lease term on the same bases as rental income. Rental income amounted to ₱0.62 million and ₱0.65 million as at February 28, 2014 and 2013 respectively (see Note 9).

Operating Lease Commitment - Group as Lessee

The Group has entered into leases of commercial spaces. The Group has determined that it does not acquire all the significant risks and rewards of ownership of the property which is leased on an operating lease. Rental expense charged to general, administrative and selling amounted to ₱2.19 million and ₱.60 million as at February 28, 2014, and 2012, respectively (see Note 14).

Classification of Investment Properties

The Group follows the guidance of PAS 40 in classifying properties as investment properties. This classification requires significant judgment. In making this judgment, the Group evaluates its intention for holding the properties. The Group determines that, currently, the intention for holding the properties is to earn rentals there from and for capital appreciation rather than to use these in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business (see Note 8).

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainties 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 financial quarter are as follows:

Estimating Contingencies

The Group currently is a party to certain legal and other proceedings and claims. The Group's estimate of the probable costs for the legal and other proceedings and claims have been developed in consultation with in-house as well as outside counsels handling the prosecution and defense of these cases and are based upon an analysis of potential results. The Group currently does not believe these legal and other proceedings and claims will have a material adverse effect on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Estimating Allowance for Impairment Losses on Trade and Other Receivables

The Group has set up allowance for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the clients, the clients' payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on trade and other receivables would increase the Group's recorded operating expenses and decrease current assets. Allowance for impairment losses on receivables amounted to ₱459.15 million and ₱439.38 million as at February 28, 2014 and May 31, 2013, respectively. Trade and other receivables, net of allowance for impairment losses, amounted to ₱48.35 million and ₱46.55 million as at February 28, 2014 and May 31, 2013, respectively. There were no impairment losses recognized on trade and other receivables in February 28, 2014 and May 31, 2013 (see Note 5).

Estimating Allowance for Inventory Losses

The Group maintains allowance for inventory losses whenever the value of inventories becomes lower than its cost. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the inventory. These factors include, but are not limited to, the physical condition and location of inventories on hand, the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period, and the purpose for which the inventory item is held.

Inventories amounted to ₱1.40 million and ₱1.38 million as at February 28, 2014 and May 31, 2013, respectively. There were no impairment losses recognized on inventories in February 2014 and May 2013 (see Note 6).

Assessing Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill amounted to ₱70.13 million as at February 28, 2014 and May 31, 2013. There were no impairment losses recognized on goodwill as at February 28, 2014 and 2013 (see Note 10).

Estimating Allowance for Impairment of Nonfinancial Assets

Internal and external sources of information are reviewed at each end of the reporting period to identify indications that the Group's assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the risk-free rate of interest for a term consistent with the period of expected cash flows

Allowance for impairment losses follows:

	Feb. 28, 2014	May 31, 2013
Flight equipment	₱178,652,177	₱178,652,177
CWT	1,807,758	1,807,758
Miscellaneous assets	51,931,215	51,931,215
	₱232,391,150	₱232,391,150

Prepayments and other current assets, net of allowance for impairment losses, amounted to ₱34.31 million and ₱23.08 million as at February 28, 2014 and May 31, 2013, respectively. Impairment losses recognized on prepayments and other current assets amounted to nil on February 28, 2014 and May 31, 2013 (see Note 7).

Investment properties amounted to ₱926.97 million and ₱928.32 million, net of accumulated depreciation of ₱19.54 million and ₱18.19 million as at February 28, 2014 and May 31, 2013, respectively (see Note 8).

Property and equipment amounted to ₱378.89 million and ₱313.66 million, net of accumulated depreciation of ₱122.16 million and ₱117.67 million as at February 28, 2014 and May 31, 2013, respectively (see Note 9).

Other noncurrent assets, except other noncurrent receivables, net of allowance for impairment losses, amounted to ₱447.71 million and ₱417.73 million as at February 28, 2014 and May 31, 2013, respectively (see Note 10).

There were no impairment losses recognized on investment properties, property and equipment and other noncurrent assets in February 2014 and February 2013 (see Notes 8, 9 and 10).

Estimating Useful Lives of Investment Properties and Property and Equipment, except Land, and Flight Equipment

The estimated useful lives used as basis for depreciating the Group's investment properties and property and equipment, except land, and flight equipment were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets. There were no changes in the estimated useful lives of investment properties and property and equipment, except land, and flight equipment as at February 28, 2014 and May 31, 2013.

Net book values of investment properties, except for land, amounted to ₱26.97 million and ₱28.32 million as at February 28, 2014 and May 31, 2013, respectively (see Note 8). Net book values of property and equipment, except land, amounted to ₱264.47 million and ₱199.24 million as at February 28, 2014 and May 31, 2013, respectively (see Note 9). Net book values of flight equipment amounted to nil as at February 28, 2014 and May 31, 2013 (see Note 10).

Estimating Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each reporting period and reduces it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of its deferred income tax assets to be utilized.

Recognized deferred income tax assets amounted to ₱2.63 million and ₱2.58 million as at February 28, 2014 and May 31, 2013 respectively.

Estimating Retirement Benefit Costs

The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 12 to the consolidated financial statements, and include among others, discount rates and salary increase rates. In accordance with PFRS, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefit obligations.

Retirement benefit costs amounted to ₱1.42 million and ₱.89 million as at February 28, 2014 and 2013, respectively. Retirement benefit obligation amounted to ₱8.88 million and ₱7.46 million as at February 28, 2014 and May 31, 2013, respectively (see Note 12).

Estimating Fair Value of Financial Instruments

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity. Where the fair value of certain financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and

model inputs such as correlation and volatility for longer dated derivatives. The fair values of the Group's financial instruments are presented in Note 20.

4. Cash and Cash Equivalents

	Feb. 28, 2014	May 31, 2013
Cash on hand	₱1,161,606	₱1,075,006
Cash in banks	3,415,225	7,164,547
	₱4,576,831	₱8,239,553

Cash in banks earn interest at the respective bank deposit rates. Interest income earned in cash in banks and short-term investments amounted to ₱11,583 and ₱25,178 as of February 28, 2014 and May 31, 2013, respectively.

5. Trade and Other Receivables

	Feb. 28, 2013	May 31, 2013
Trade	₱351,803,600	₱330,573,333
Amounts owed by related parties (Note 18)	112,692,356	112,009,935
Others	43,003,784	43,338,265
	507,499,740	485,921,533
Less allowance for impairment losses	459,151,697	439,375,681
	₱48,348,043	₱46,545,852

Trade receivables are normally due and demandable. These mainly pertain to Askar's receivables from third parties amounting to ₱349.42 million and ₱329.64 million as at February 28, 2014 and May 31, 2013, respectively which is fully provided with allowance for impairment losses in both years. FHI's receivables from third parties was also provided with allowance amounting to ₱0.19 million as at February 28, 2014 and May 31, 2013.

Other receivables include long outstanding receivables from third party companies amounting to ₱42.20 million as at February 28, 2014 and May 31, 2013 which is fully provided with allowance for impairment losses and receivables from officers and employees which are subject to payroll deduction.

Movements in the allowance for impairment losses on trade and other receivables which were individually impaired are as follows:

	Feb. 28, 2014	May 31, 2013
Balances at beginning of year	₱439,375,681	₱450,280,906
Translation adjustment	19,776,016	(10,905,225)
Balances at end of year	₱459,151,697	₱439,375,681

6. Inventories

	Feb. 28, 2014	May 31, 2013
At cost:		
Food	₱485,797	₱332,819
Beverage	385,055	361,032
General supplies	292,125	454,130
Operating supplies	175,874	202,881
Others	56,539	25,792
	₱1,395,390	₱1,376,654

Cost of inventories recorded as part of cost of sales amounted to ₱21.52 million and ₱17.62 million as at February 28, 2014 and 2013, respectively.

7. Prepayments and Other Current Assets - net

	Feb. 28, 2014	May 31, 2013
Input VAT	₱26,838,198	₱17,097,800
Prepayments	6,831,989	5,803,331
CWT - net of impairment losses amounting to NIL and ₱1,801,758 in February 2014 and May 2013, respectively	640,391	181,593
	₱34,310,578	₱23,082,724

Input VAT represents VAT imposed by the Group's suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations. Input VAT is used to offset against the Group's current output VAT liability.

Prepayments include prepaid legal fees, insurance, rent and dues and subscription. These are charged to expense on a monthly basis and are expected to be settled within one (1) year.

CWTs are withheld from income subject to expanded withholding taxes. CWTs will be utilized as payment for income taxes.

8. Investment Properties – net**February 28, 2014**

	Land	Condominium Units	Total
Cost	₱900,000,000	₱46,508,031	₱946,508,031
Accumulated depreciation:			
Beginning balances	–	18,187,828	18,187,828
Depreciation (Notes 13 and 14)	–	1,354,599	1,354,599
Ending balances	–	19,542,427	19,542,427
Net book values	₱900,000,000	₱26,965,604	₱926,965,604

May 31, 2013

	Land	Condominium Units	Total
Cost	₱900,000,000	₱46,508,031	₱946,508,031
Accumulated depreciation:			
Beginning balances	—	16,381,697	16,381,697
Depreciation (Notes 13 and 14)	—	1,806,131	1,806,131
Ending balances	—	18,187,828	18,187,828
Net book values	₱900,000,000	₱28,320,203	₱928,320,203

Land consists of parcels of land located in Barangay Sapang, Ternate, Cavite to be used as site of the proposed third Friday's resort. The fair value of the land, which has been determined based on valuations performed by an independent appraiser as at September 30, 2011, amounted to ₱1.92 billion.

As at February 28, 2013 and May 31, 2013, the cost of the condominium units approximates its fair value. Management believes that this amount represents a reliable estimate of the fair value of the condominium units.

Rental income earned from condominium units amounted to ₱0.62 million and ₱0.65 million as at February 28, 2014 and 2013, respectively. Direct operating expenses (which is the depreciation expense for the year) arising from investment properties that generated rental income amounted to ₱.42 million in February 2014 and 2013.

9. Property and Equipment - net

February 28, 2014

	Land	Condominium Units	Building and Building Equipment	Office Equipment	Transportation Equipment	Furniture And Fixtures	Machinery and Equipment	Construction in Progress	Total
Cost:									
Beginning balances	₱114,420,000	₱13,180,351	₱105,379,737	₱1,863,963	₱12,105,307	₱20,933,523	₱5,530,480	₱157,919,225	₱431,332,586
Additions		104,025		302,250	1,325,935	7,509,609	846,706	59,627,760	69,716,285
Ending balance	114,420,000	13,284,376	105,379,737	2,166,213	13,431,242	28,443,132	6,377,186	217,546,985	501,048,871
Accumulated depreciation:									
Beginning balances		6,394,994	81,359,841	1,484,110	11,152,523	14,624,782	2,653,841		117,670,091
Depreciation		509,480	2,325,858	210,280	236,198	582,185	621,402		4,485,403
Ending balances		6,904,474	83,685,699	1,694,390	11,388,721	15,206,967	3,275,243	-	122,155,494
Net book value	₱114,420,000	₱6,379,902	₱21,694,038	₱471,823	₱2,042,521	₱13,236,165	₱3,101,943	₱217,546,985	₱378,893,377

May 31, 2013

		Condominium	Building and	Office	Transportation	Furniture and	Machinery and	Construction	
	Land	Units	Equipment	Equipment	Equipment	Fixtures	Equipment	in Progress	Total
Cost:									
Beginning balances	P114,420,000	P13,180,351	P105,352,416	P1,711,624	P11,109,358	P15,356,801	P3,201,364	P11,150,813	P275,482,727
Additions			27,321	152,339	995,949	5,576,722	2,329,116	146,768,412	155,849,859
Ending balance	114,420,000	13,180,351	105,379,737	1,863,963	12,105,307	20,933,523	5,530,480	157,919,225	431,332,586
Accumulated depreciation:									
Beginning balances		5,837,160	77,533,198	1,277,816	10,522,665	13,902,207	2,362,257		111,435,303
Depreciation		557,834	3,826,643	206,294	629,858	722,575	291,584		6,234,788
Ending balances		6,394,994	81,359,841	1,484,110	11,152,523	14,624,782	2,653,841	-	117,670,091
Net book value	P114,420,000	P6,785,357	P24,019,896	P379,853	P952,784	P6,308,741	2,876,639	P157,919,225	P313,662,495

There were no property and equipment that were retired from active use during the period as at February 28, 2014 and May 31, 2013. Cost of fully depreciated property and equipment still in use in the Company's operations amounted to ₱71.97 million as at February 28, 2014 and May 31, 2013. Construction in progress of FPGI amounting to ₱217.55 million and ₱151.20 million as at February 28, 2014 and May 31, 2013, respectively, mainly pertains to the ongoing construction of Friday's Puerto Galera Hotel and Resort in Boquete Island, Puerto Galera. Management estimates that the construction will be completed in the last quarter of 2014.

10. Other Noncurrent Assets

	Feb. 28, 2014	May 31, 2013
Flight equipment:		
Cost	₱345,712,820	₱345,712,820
Accumulated depreciation	(167,060,643)	(167,060,643)
Allowance for impairment losses	(178,652,177)	(178,652,177)
	-	-
Deposit for land acquisition (Note 19)	181,644,086	162,820,909
Land	152,852,192	152,852,192
Other noncurrent receivables	115,857,440	115,857,440
Goodwill	70,128,426	70,128,426
Deposit for future stock subscription	32,622,099	23,504,026
Miscellaneous assets	62,394,231	60,357,681
Allowance for impairment losses	(167,788,655)	(167,788,655)
	447,709,819	417,732,019
	₱447,709,819	₱417,732,019

Flight Equipment

The two aircrafts comprising the flight equipment of Askar previously leased out to GIA are now idle as the lease agreement was no longer renewed due to the suspension of GIA's operations in 2000 brought about by its operational and financial problems. Accordingly, a full valuation allowance on the flight equipment was recognized.

Deposit for Land Acquisition

Deposit for land acquisition represents advances made for a planned purchase of a land located in Moal Boal, Cebu. On January 10, 2010, FHI (buyer) entered into a Memorandum of Agreement with Tri-Island Corporate Holdings, Inc. (TCHI, seller) to purchase parcels of land located in Moal Boal, Cebu for a total consideration of ₱707.62 million. FHI intends to develop the parcels of land into a boutique hotel to be known as Friday's Moal Boal Beach Resort. The total consideration shall be paid as follows:

- The total amount of ₱32.14 million representing deposits received by TCHI as of June 30, 2009,
- The amount of ₱41.00 million to be paid on or before June 30, 2010, and
- The balance to be paid by FHI over a period of 10 years starting July 1, 2010

Upon payment of full consideration, TCHI will turn over possession of the subject properties to FHI or its representative who may enter into the subject properties to survey its boundaries and to secure the same against any unauthorized entry or other acts prejudicial to ownership and possession, by posting guards and erecting parameter fence, among other things.

Land

Land pertains to costs of properties, the titles of which have not yet been granted to the Group.

On February 28, 2012, FHI and Altus Land Realty and Management Corporation executed a deed of absolute sale of properties. One of the properties acquired is a parcel of land situated at Sitio Pinaungan, Barangay Balabag, Boracay Island, Malay, Aklan. It was purchased for a total consideration of ₱70.11 million.

Application for titling must await the resolution of the Supreme Court (SC) case questioning Presidential Proclamation (PP) 1064 which aims to classify land in Boracay as agricultural and forest land. By law, the whole Boracay was deemed part of public forest before its classification through the said proclamation. However, possession of public forest lands cannot develop into private ownership. Hence, classification of Boracay is a prerequisite to land titling.

On October 8, 2008, the SC upheld PP 1064 classifying Boracay Island into 400 hectares of reserved forest land and 628.96 hectares of agricultural land, which is "alienable and disposable". With this in place, portion of the island has been opened to private ownership. Portion of the island opened to private ownership includes the Group's properties still awaiting for titling.

Pursuant to this, the Department of Environment and Natural Resources (DENR) started the cadastral survey of the island on August 10, 2009.

The survey will establish the boundaries of land ownership that will diffuse the problem of property disputes among claimants in the island. It will also improve the efficiency of the government for taxation purposes and make the properties financially viable instruments.

The cadastral survey will also allow the national government to delineate the protected areas for conservation essential to the long-term sustainable development of Boracay.

The DENR has presented stakeholders three options:

- Land titling through sales patent, where stakeholders would buy the property or land from the government;

- Judicial confirmation, where the court would simply acknowledge the stakeholders tax declaration; and
- Issuance of Forest Land Use Agreement for Tourism Purposes for properties in declared forest lands.

The SC said under CA No. 141, the two requisites for judicial confirmation of imperfect or incomplete title are:

- Open, continuous, exclusive, and notorious possession and occupation of the subject land by himself or through his predecessors-in-interest under a bona fide claim of ownership since time immemorial; and
- Classification of the land as alienable and disposable land of the public domain.

The Group's parcels of land are located in the "alienable and disposable" area of the island as generally defined in the PP 1064. Once the cadastral survey is finalized, the Group will proceed with its land titling under the "judicial confirmation".

Management believes that the title to the land will be granted to Boracay landowners. Until such time that the title is not transferred to the Group, deeds of absolute sale of the land will evidence the Group's right over the said property.

Other Noncurrent Receivables

Other noncurrent receivables pertain to advances made under a joint venture agreement with Hanoi Golden Lotus Hotel Company to form a joint venture company for the construction and operation of a hotel and office building complex in Hanoi, Vietnam. However, on June 30, 1999, the BOD of the Parent Company approved to wind up its investment in this project due to the unfavorable market conditions in Vietnam. Accordingly, the carrying value of the investment has been fully provided with an allowance for impairment loss.

Goodwill

Goodwill relates to investment in COLI which is recognized beginning in 2009 upon the consolidation of COLI's accounts with the Group. Management believes that the carrying amount of the goodwill is approximately equal to its recoverable amount since it comprises the expected synergies with COLI. COLI's assets primarily relates to its investment in FHI as discussed in Note 1.

Deposit for Future Stock Subscription

Deposit for future stock subscription pertains to the Parent Company's deposit to Cala Paniman, Inc. ("CALA"). On August 19, 2011, the Parent Company planned to acquire 100% stake in CALA through a share sale-purchase agreement. CALA is a corporation established on October 14, 2003, and engaged in the business of developing and marketing of real estate in the Philippines. The Parent Company is purchasing CALA as a vehicle for prospective joint ventures in the resort property sector, with the right partners and completing synergies.

On September 6, 2011, the Parent Company's BOD approved the acquisition of 100% of CALA for ₱ 100.00 million payable in seven (7) years, and a possible joint venture with a local or foreign company for around ten (10) years. As at February 28, 2014, the Parent Company has not yet pushed through its plans to acquire 100% stake in CALA. The Parent Company has deposit for future stock subscriptions for CALA's common shares amounting to ₱32.62 million ₱23.50 million as at February 28, 2014 and May 31, 2013, respectively.

Miscellaneous Assets

Miscellaneous assets account includes conceptual planning cost and development planning cost and other noncurrent assets which are provided with allowance for impairment losses amounting to ₱51.93 million as at February 28, 2014 and May 31, 2013.

11. Trade and Other Payables

	Feb. 28, 2014	May 31, 2013
Trade	₱30,067,857	₱35,271,740
Guests' deposits	27,745,798	20,283,668
Amounts owed to related parties (Note 18)	19,009,538	14,461,232
Government payables	12,015,741	8,681,832
Payable for land acquisition	-	7,309,772
Accrued expenses and other liabilities	21,111,272	24,489,399
	₱109,950,206	₱110,497,643

Trade payables consist mainly of amounts due to supplier, with credit terms ranging from 15 to 30 days.

Guests' deposits pertain to payments made for reservations which are generally nonrefundable and are expected to be earned within one year.

Government payables include expanded withholding taxes payable and salary-related government payables payable within one month.

Payable for land acquisition consists of obligation for the purchase of land (see Note 10).

Accrued expenses and other liabilities include accrual for salaries and wages, professional fees, unearned rentals and interests payable within one month.

12. Retirement Benefits Obligation

The Group has an unfunded, non-contributory retirement plan covering all its regular employees. The plan provides for retirement, separation, disability and death benefits to its members. The normal retirement benefit is equal to a percentage of final monthly salary for every year of credited service. The latest independent actuarial valuation report as at June 30, 2013 for FHI is determined using the projected unit credit method.

Movement in the retirement benefits obligations are as follows:

	Feb. 28, 2014	May 31, 2013
Beginning Balances	₱7,457,000	₱5,924,600
Retirement benefit costs	1,422,098	1,532,400
	₱8,879,098	₱7,457,000

13. Revenues and Costs of Sales and Services

Revenues	Feb. 28, 2014	Feb. 28, 2013
Sales of Services		
Rooms	₱63,646,698	₱58,952,710
Guest transfer	2,096,375	1,759,727
Commission	1,149,354	1,527,529
Others	3,254,168	666,160
	70,146,595	62,906,126
Sales of Goods		
Food and beverage	30,020,404	24,429,103
Boutique	433,691	1,318,857
	30,454,095	25,747,960
	₱100,600,690	₱88,654,086
Cost of Sales and Services	Feb. 28, 2014	Feb. 28, 2013
Food and beverage	₱21,517,207	₱17,617,103
Rooms	3,753,399	4,390,904
Property, operations and maintenance	9,565,224	13,051,645
Guest transfer	2,973,360	2,784,797
Depreciation	407,481	1,359,681
	₱38,216,671	₱39,205,130

14. General, Administrative and Selling

	Feb. 28, 2014	Feb. 28, 2013
Personnel costs (Note 15)	₱14,464,571	11,762,418
Power, light and water	6,056,274	315,226
Depreciation (Notes 9 and 10)	5,840,002	7,957,413
Management fees (Note 19)	4,927,847	3,854,504
Professional fee	3,863,336	4,498,498
Rental (Note 20)	2,189,977	603,660
Travel and transportation	2,167,657	2,695,693
Fees and licenses	1,387,192	693,764
Entertainment, amusement and recreation	1,375,334	1,975,328
Communications	1,284,842	1,369,351
Supplies	1,154,295	530,160
Commission	983,751	1,107,279
Repairs and maintenance	683,031	311,137
Dues and subscription	540,244	1,389,432
Advertising and promotion	423,375	362,770
Insurance	245,440	200,155
Reproduction and printing cost	106,837	244,399
Miscellaneous	2,111,400	1,559,600
	₱49,805,405	₱41,430,787

15. Personnel Costs

	Feb. 28, 2014	Feb. 28, 2013
Salaries, wages and other employee benefits:		
General, administrative and selling (Note 14)	₱9,509,800	₱11,974,672
Cost of sales and services	14,464,571	11,762,418
	₱23,974,371	₱23,737,090

16. Income Taxes

	Feb. 28, 2014	Feb. 28, 2013
Current	₱6,058,176	₱5,911,571

17. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share were computed as follows:

	Feb. 28, 2014	Feb. 28, 2013
Net income	₱4,010,349	₱1,690,581
Weighted average number of common shares	10,555,929,038	8,226,216,412
Earnings (loss) per share	₱.00038	₱.00021

There were no common stock equivalents outstanding in February 2014 and 2013 that would require calculation of diluted earnings per share.

18. Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities. A summary of major transactions and account balances with related parties follows:

Related Party	Relationship	Period	Amount/ Volume	Outstanding Balances	Terms and Conditions
Amounts owed by related parties					
Anglo-Asian Holdings, Inc. (AAHC)*.	Under Common Control	Feb. 28, 2014	₱—	₱44,222,644	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	₱—	₱44,222,644	
JP Guilds, Inc.	Parent Company's Shareholder	Feb. 28, 2014	30,961,794	30,961,794	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	30,961,794	30,961,794	
GIA*	Under Common Control	Feb. 28, 2014	—	12,057,537	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	—	12,057,537	
Grand Boulevard Hotel (GBH)*	Under Common Control	Feb. 28, 2014	—	4,831,979	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	—	4,831,979	
ATC*	Under Common Control	Feb. 28, 2014	—	3,575,783	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	—	3,575,783	
Avrion Systems. Inc. (ASI)*	Under Common Control	Feb. 28, 2014	—	1,531,287	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	—	1,531,287	
Philippine Village Hotel (PVH)*	Under Common Control	Feb. 28, 2014	—	633,350	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	—	633,350	
Others**	Under Common Control	Feb. 28, 2014	63,402	15,678,761	Short-term noninterest-bearing advances; due and demandable; unsecured; impaired
		May 31, 2013	63,402	14,195,561	
		Feb. 28, 2014	63,402	113,493,135	
		May 31, 2013	63,402	112,009,935	
Allowance for impairment losses		Feb. 28, 2014	—	(67,532,676)	
		May 31, 2013	—	(67,532,676)	
Totals		Feb. 28, 2014	₱63,402	₱45,960,459	
Totals		May 31, 2013	₱63,402	₱44,477,259	

*with full allowance

**with allowance amounting to ₱680,096

Related Party	Relationship	Period	Amount/ Volume	Outstanding Balances	Terms and Conditions
<i>Amounts owed to related parties</i>					
Anglo Asian Strategic Management, Inc. (AASMI)	Under Common Control	Feb. 28, 2014	₱	₱5,348,367	Short-term noninterest-bearing advances; due and demandable; unsecured
		May 31, 2013	₱	₱5,348,367	
JP Guilds, Inc.	Under Common Control	Feb. 28, 2014	2,514,020	13,661,171	Short-term noninterest-bearing advances; due and demandable; unsecured;
		May 31, 2013	2,514,020	9,112,865	
Totals		Feb. 28, 2014	₱2,514,020	₱19,009,538	
Totals		May 31, 2013	₱2,514,020	₱14,461,232	

Services Availed from a related party

Anglo Asian Management, Inc. (AASMI)	Under Common Control	Feb. 28, 2014	₱4,927,847	₱	
		May 31, 2013	₱7,239,423	₱	Management fee

All of the above related parties are under common management and ownership as the Group. The significant transactions with related parties included the following:

- Management services from AASMI (see Note 19); and
- Receivables from related parties which consist mainly of noninterest-bearing balances due from these related parties for working capital requirements and other advances which are due and demandable anytime. AAHC, GIA, GBH, ATC, ASI and PVH had already ceased operations and as such, the related receivables were provided with full valuation allowance.
- On January 10, 2010, FHI entered into a Memorandum of Agreement with Tri-Island Corporate Holdings, Inc. (TCHI), a company under common control, to purchase parcels of land located in Moal Boal, Cebu for a total consideration of ₱707.62 million. FHI intends to develop the parcels of land into a boutique hotel to be known as Friday's Moal Boal Beach Resort.

As at February 28, 2014 and May 31, 2013, the carrying value of deposit for land acquisition amounted to ₱181.64 million and ₱162.82 million, respectively (see Note 10).

19. Agreements and Commitments

- The Parent Company entered into a management agreement with AASMI on December 28, 2011 to render certain management services. Under the terms of the agreement, AASMI shall supervise, direct and control the management and operation of the business, assets and other affairs of the Parent Company for a fee based on certain percentages of the Parent Company's gross income, gross operating profit and net income. The agreement shall continue for five (5) years, subject to renewals or extensions on terms as may be mutually agreed upon by the parties.

On May 3, 2011, FHI also entered into a management agreement with AASMI. The agreement contains substantially the same provisions as that of the Parent Company. The agreement shall continue for five (5) years, subject to renewals or extensions on terms as may be mutually agreed upon by the parties.

- FHI leases its office premises in Makati and part of its resort premises in Boracay from third parties. Lease terms are non-cancellable and usually cover 1 to 10 years with an annual escalation fee of ten percent (10%). The future minimum annual rental commitments under the lease are as follows:

	Feb. 28, 2014	Feb. 28, 2013
Within one (1) year	₱887,438	₱863,245
After one (1) year but not more than five (5) years	1,823,748	2,989,700
More than five (5) years	471,590	994,625
	₱3,182,776	₱4,847,570

Rent expense charged to general, administrative and selling expenses amounted to ₱2.19 million and ₱0.60 million as at February 28, 2014 and 2013, respectively (see Note 14).

The Parent Company entered into lease agreements with various lessees for the use of the Parent Company's condominium units. The lease contracts are for a period of nine months, renewable depending on the agreement of the contracting parties. Total rental income earned from these assets amounted to ₱0.62 million and ₱0.65 million as at February 28, 2014 and 2013.

The future minimum leases collectible within six months for the operating lease amounted to ₱0.40 million as at February 28, 2014 and 2013.

- c. On June 9, 2012, the Parent Company and CALA, jointly signed a contract with Jones Lang LaSalle (Philippines), Inc. as Marketing Advisor. The contract involves the exclusive marketing of Puerto Azul properties to attract and engage qualified partners and investors who will expand and develop Puerto Azul in cooperation with, and under the terms and conditions acceptable to the Parent Company and CALA. This covers an area of approximately 3,000 hectares located in the municipality of Ternate, Province of Cavite, Philippines.

20. Financial Risk Management Objectives and Capital Management

Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to fund its operations. The Group's principal financial instruments arising from operations consist of cash and cash equivalents, trade and other receivables, other noncurrent receivables under "Other noncurrent assets", and trade and other payables. The main risks from the use of financial instruments are liquidity and credit risk. The Group does not have foreign currency risk because of minimal monetary assets and liabilities denominated in foreign currency both for February 28, 2014 and May 31, 2013. Similarly, the Group does not have interest rate risk because it has no third party loans.

The Group's BOD reviews and approves the policies for managing each of these risks and these are summarized below:

Liquidity Risk

In the management of liquidity, the Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities as at February 28, 2014 and May 31, 2013 based on contractual and undiscounted payments.

February 28, 2014

	On demand	Within 1 year	1 to 5 years	More than 5 years	Total
Financial Liabilities:					
Loans and Borrowings					
Trade and other payables	₱15,386,741	₱53,545,085	₱1,256,841	₱	₱70,188,667
	₱15,386,741	₱53,545,085	₱1,256,841	₱	₱70,188,667

May 31, 2013

	On demand	Within 1 year	1 to 5 years	More than 5 years	Total
Financial Liabilities:					
<i>Loans and Borrowings</i>					
Trade and other payables	₱14,461,232	₱67,070,911	₱—	₱—	₱81,532,143
Obligations under operating lease	—	—	₱1,823,748	₱471,590	2,295,338
	₱14,461,232	₱67,070,911	₱1,823,748	₱471,590	₱83,827,481

The table below summarizes the maturity of the Group's financial assets held for liquidity purposes and financial liabilities based on contractual undiscounted payments as at February 28, 2014 and May 31, 2013.

February 28, 2014

	On demand	Within 1 year	1 to 5 years	More than 5 years	Total
Financial Assets:					
<i>Loans and Receivables</i>					
Cash and cash equivalents	₱4,576,831	—	₱—	₱—	₱4,576,831
Receivables					
Trade	2,387,584	—	—	—	2,387,584
Amounts owed by related parties	45,963,181	—	—	—	45,963,181
Others	—	267,278	—	—	267,278
	₱52,927,596	₱267,278	₱—	₱—	₱53,194,874

May 31, 2013

	On demand	Within 1 year	1 to 5 years	More than 5 years	Total
Financial Assets:					
<i>Loans and Receivables</i>					
Cash and cash equivalents	₱8,239,553	₱—	₱—	₱—	₱8,239,553
Receivables					
Trade	747,131	—	—	—	747,131
Amounts owed by related parties	44,477,260	—	—	—	44,477,260
Others	—	1,088	—	—	1,088
	₱53,463,944	₱1,088	₱—	₱—	₱53,465,032

Credit Risk

The Group establishes credit limits at the level of the individual borrower, corporate relationship and industry sector.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Provision for impairment losses on receivables will also be made if the situation so warrants subject to the BOD's review and approval.

The Group has no significant concentration of credit risk with any single counterparty or group of counter-parties having similar characteristics. The Group's maximum exposure to credit risk equals the carrying amount of the Group's financial assets.

The table below shows the credit quality by class of financial assets that were neither past due nor impaired based on the Group's credit rating system:

February 28, 2014

	High	Medium	Low	Total
<i>Loans and Receivables</i>				
Cash in banks and cash equivalents	₱4,576,831	₱–	₱–	₱4,576,831
Receivables				
Trade	2,387,584	–	349,416,016	351,803,600
Amounts owed by related parties		45,159,681	67,532,675	112,692,356
Others	1,067,278	–	42,203,006	43,003,784
Other noncurrent receivables under “Other noncurrent assets”	–	–	115,857,440	115,857,440
	₱8,031,693	₱45,159,681	₱575,009,137	₱628,200,511

May 31, 2013

	High	Medium	Low	Total
<i>Loans and Receivables</i>				
Cash in banks and cash equivalents	₱7,164,547	₱–	₱–	₱7,164,547
Receivables				
Trade	747,131	–	329,826,202	330,573,333
Amounts owed by related parties	–	44,477,260	67,532,675	112,009,935
Others	1,088	–	42,016,804	42,017,892
Other noncurrent receivables under “Other noncurrent assets”	–	–	115,857,440	115,857,440
	₱7,912,766	₱44,477,260	₱555,233,121	₱607,623,147

The Group evaluates credit quality on the basis of the credit strength of the security and or counterparty/issuer. High quality receivables pertain to receivables from parties with favorable credit standing. Receivables from related parties that slide beyond the credit terms but pay a week after the due date being past due are classified under medium quality. Low quality receivables are accounts from related parties which are past due for ninety (90) days or more.

The tables below show the aging analyses of past due but not impaired receivables per class that the Group held as at November 30, 2013 and May 31, 2013. A financial asset is past due when a counterparty has failed to make payment when contractually due.

February 28, 2014

	Neither past due nor impaired	Past due but not impaired				Individually Impaired	Total
		Less than 30	31 to 60 days	61 to 90 days	More than 91 days		
<i>Loans and Receivables</i>							
Cash and cash equivalent	₱4,576,831	₱–	₱–	₱–	₱–	₱–	₱4,576,831
Receivables							
Trade	2,387,584	–			–	349,416,016	351,803,600
Amounts owed by related parties	45,159,681	–	–	–	–	67,532,675	112,692,356
Others		1,067,278	–	–	–	42,203,006	43,270,284
Other noncurrent receivables							
	–	–	–	–	–	115,857,440	115,857,440
	₱52,124,096	₱1,067,278	₱–	₱–	₱–	₱575,009,137	₱628,200,511

May 31, 2013

	Neither past due nor impaired	Past due but not impaired					Total
		Less than 30	31 to 60 days	61 to 90 days	More than 91 days	Individually Impaired	
<i>Loans and Receivables</i>							
Cash and cash equivalent	P7,164,547	P–	P–	P–	P–	P–	P7,164,547
Receivables							
Trade	747,131	–	–	–	–	329,826,202	330,573,333
Amounts owed by related parties	44,477,260	–	–	–	–	67,532,675	112,009,935
Others	1,088	–	–	–	–	42,016,804	42,017,892
Other noncurrent receivables	–	–	–	–	–	115,857,440	115,857,440
	P52,390,026	P–	P–	P–	P–	P555,233,121	P607,623,147

Fair Values of Financial Instruments

Set out below is a comparison of carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated financial statements.

	Carrying Amounts		Fair Values	
	Feb. 28, 2014	May 31, 2013	Feb. 28, 2014	May 31, 2013
Financial Assets:				
Loans and Receivables				
Cash and cash equivalents	P4,576,831	P8,239,553	P4,576,831	P8,239,553
Trade and other receivables	48,348,043	45,225,479	48,348,043	45,225,479
	P52,924,874	P53,465,032	P52,924,874	P53,465,032
Financial Liabilities:				
Loans and Borrowings				
Trade and other payables	P70,188,667	P84,714,919	P70,188,667	P84,714,919
	P70,188,667	P84,714,919	P70,188,667	P84,714,919

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced liquidation or sale.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, Other Noncurrent Receivables and Trade and Other Payables

The carrying values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short-term maturity of these financial instruments. Other noncurrent receivables are fully provided with allowance for impairment losses.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group is also committed to create long term value by increasing its capitalization, entering into joint ventures for tourist destination development, and commanding a significant share in the primary resort home market outside Metro Manila, especially with current decongestion efforts to improve travel time via ongoing highway construction projects.

The Group manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended February 28, 2014 and May 31, 2013.

The following table pertains to the account balances the Group considers as its core economic capital.

	Feb. 28, 2014	May 31, 2013
Capital stock	₱936,196,077	₱878,389,356
Additional paid-in capital	534,470,294	505,566,933
Deposit for future stock subscription		—
Retained earnings	36,209,770	32,199,421
	₱1,506,876,141	₱1,416,155,710

The Group is not subject to externally-imposed capital requirements.

21. Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit.

The Group's reportable segments in February 2014 and 2013 are hospitality and leisure and investment holding.

Hospitality and Leisure - primarily engaged in delivering quality service and hospitality through world-class accommodations, room amenities and offers wide range of cuisine. Revenues principally come from room occupancy. Its rooms are all distinctly native with Filipino styling-quaint yet with modern conveniences. In addition, the food and beverage also contributes to its increase in revenue as it is known in the island for its excellent selection of food.

Investment Holding - primarily engaged in the holding of investment properties and companies in the hospitality and leisure industry.

February 28, 2014

	Holding Company	Hospitality and Leisure	Total
Sales of products and services	₱	₱100,600,690	₱100,600,690
Income tax expense	11,608	6,046,568	6,058,176
Net income (loss)	(6,801,472)	13,975,817	7,174,345
Depreciation	4,182,270	1,657,732	5,840,002
Interest income	1,316	10,267	11,583
Interest expenses		32,513	32,513
Capital expenditure	361,632	69,354,613	69,716,245
Total assets	1,540,393,687	304,132,043	1,844,825,730
Total liabilities	33,517,546	94,112,855	127,630,401

28-Feb-13

	Holding Company	Hospitality and Leisure	Total
Sales of products and services	₱	₱88,654,086	₱88,654,086
Income tax expense		5,911,571	5,911,571
Net income (loss)	(4,700,681)	8,424,738	3,724,057
Depreciation	3,514,812	6,020,568	9,535,380
Interest income	394	16,418	16,812
Interest expenses		40,849	40,849
Capital expenditure		99,658,391	99,658,391
Total assets	1,313,734,187	357,518,184	1,671,252,371
Total liabilities	25,322,189	118,167,924	143,490,113

22. Equity

The following are the movements in the number of subscribed and issued shares of stock:

February 28, 2014

	Number of shares	Capital stock	Additional paid- in capital, net of transaction cost
Issued and subscribed shares at beginning of the year	9,833,893,557	₱878,389,356	₱505,566,933
Subscription December 13, 2014	2,166,106,443	216,610,644	108,305,322
Less-subscription receivable		(158,803,923)	(78,919,165)
Less - charges for the period	—	-	(482,796)
Issued and subscribed shares at end of the year	12,000,000,000	936,196,077	₱534,470,294

May 31, 2013

	Number of shares	Capital stock	Additional paid-in capital, net of transaction cost
Issued and subscribed shares at beginning of the year	7,966,853,408	₱796,685,341	₱352,890,692
Issued on October 25, 2012	466,853,408	46,685,341	52,694,915
Issued on May 31, 2013	466,853,408	46,685,341	53,314,659
Subscribed on May 31, 2013	933,333,333	93,333,333	46,666,667
	9,833,893,557	983,389,356	505,566,933
Less subscription receivable	—	(105,000,000)	—
Issued and subscribed shares at end of the year	9,833,893,557	₱878,389,356	₱505,566,933

On February 14, 2012, the Parent Company's BOD approved the plan to increase the authorized capital stock of the Parent Company from ₱800.000 million divided into 8 billion shares at par value of ₱0.10 per share to ₱1.200 billion divided into 12 billion shares at par value of ₱0.10 per share. On February 28, 2012, the SEC approved the increase in authorized capital stock.

Also on February 28, 2012, JP Guilds, Inc. subscribed to 466,853,408 shares at a price of ₱0.2142 per share in exchange for cash amounting to ₱100 million, which represents the first tranche of the ₱300 million subscription agreement of the Parent Company with JP Guilds, Inc. These shares were approved for listing by the Philippine Stock Exchange, Inc. (PSE) on June 1, 2012.

On October 25, 2012 and May 31, 2013, JP Guilds, Inc. fully funded the second and third tranche of the subscription agreement, respectively, worth ₱100.0 million equivalent to 466,853,408 shares at ₱0.2142 per share for each tranche. These were settled partly through cash amounting to ₱153.61 million and partly through the conversion of the deposit for future stock subscription amounting to ₱46.39 million (see Note 22).

During the special meeting held on December 6, 2012, the BOD approved the amendment of the Articles of Incorporation to remove the pre-emptive rights of the stockholders. The same was approved by the stockholders during the annual stockholders meeting which followed thereafter. On October 31, 2013, the SEC approved the amendment of the Articles of Incorporation to remove the pre-emptive rights of the stockholders.

On February 14, 2013, during the special meeting of the BOD of the Parent Company, the following were approved:

- a) Subscription by JP Guilds, Inc. to 3,099,439,776 unissued shares of the Parent Company worth ₱ 464.92 million at subscription price of ₱0.15 per share based on the last 5 trading days average price of ₱0.1316 per share plus premium of 13.98%.

On May 31, 2013, JP Guilds, Inc., subscribed to 933,333,333 common shares amounting to ₱140 million, representing the first tranche of the subscription agreement. Of this amount, ₱105 million remains to be subscription receivable as at February 28, 2014.

- b) Increase in authorized capital stock of the Parent Company from ₱1.2 billion divided into 12 billion shares at par value of ₱0.10 per share to ₱1.7 billion divided into 17 billion shares at par value of ₱ 0.10 per share.

The increase in authorized capital stock was previously approved by the stockholders during the annual stockholders' meeting on November 19, 2010, allowing an increase up to an amount to be determined by the BOD not exceeding ₱2.8 billion divided into 28 billion shares at par value of ₱ 0.10 per share.

- c) Subscription by JP Guilds, Inc. to 25% of the new common shares of the Corporation to be taken from the increase in authorized capital stock, equivalent to 1.25 billion common shares at the subscription price of ₱0.15 per share.
- d) On December 13, 2013, JP Guilds, Inc., subscribed to 2,166,106,443 common shares amounting to ₱325 million, representing the additional four (4) tranches of the subscription agreements. Of this amount, ₱238 million remains to be subscription receivable as at February 28, 2014.

23. Contingencies

The Group is a party to certain legal and other proceedings and claims, the amounts of which cannot be reasonably estimated. Management, in consultation with its legal counsels, believes that the ultimate resolution of these legal and other proceedings and claims would not have material effects on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these legal and other proceedings and claims.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations of BHI should be read in conjunction with the consolidated financial statements and the related notes as at and for the period ended February 28, 2014 (with comparative figures as at May 31, 2013 and for the period ended February 28, 2012) included elsewhere in this quarterly report. All necessary adjustments to present fairly the consolidated financial conditions, results of operations and cash flows of the Company for the nine (9) months period ended February 28, 2014, and for all other periods presented, have been made. This discussion contains forward-looking statements that reflect Registrant's current views with respect to future events and its future financial performance. These statements involve risks and uncertainties and the Registrant's actual results may differ materially from those anticipated in these forward-looking statements.

Overview

BHI main segment

Hotel, leisure and tourism related segment – provided by Friday's Holdings, Inc. owner and operator of Friday's Boracay Island Beach Resort which reported total sales of ₱100.60 million for the current period (February 28, 2013: ₱88.65 million) representing 13% growth. The management has continued to take actions that will further develop this segment: 1) the ongoing business development of Friday's Puerto Galera, Inc. at Boquete Island, Puerto Galera, Mindoro, Friday's Boracay Island Beach Resort; 2) the forthcoming business organization of Friday's Paniman, Inc; c) the recent acquisition of parcel of land at Boracay Island for future expansion; and 3) the Parent Company planned to acquire 100% stake in Cala Paniman, Inc. ("Cala") through a share-sale purchase agreement. BHI is purchasing Cala as a vehicle for prospective joint ventures in the resort property sector, with the right partners and compelling synergies.

Net income for the period amounted to ₱7.17 million as compared to ₱3.72 million as of February 28, 2014 and 2013, respectively due to higher sales performance.

Material changes (+ / - 5% or more) in the financial statements

Statements of Income Items

Three Months Period Ended February 28, 2014 versus February 28, 2013.

- 5% increase in services revenues
23% increase in sales
10% increase in total revenues
Mainly due to increase in travel agency and on-line sales bookings and the effect of more saleable rooms for the period.
- 9% increase in cost of sales and services
Mainly due to the effect of higher revenues resulting in the increase of the related cost of sales and services for the period.
- 10% increase in general, administrative and selling expenses
Mainly due to higher expenses incurred for the period on personnel costs, management fees, power, light and water, rental, repairs and maintenance, fees and licenses, net of other expenses as a result of higher revenues realized for the period.

- 9% decrease in rentals
Due to lower condominium units leased for the period.
- 703% increase in interest income and others- net
Mainly due to higher interest income and others-net for the period.
- 9% increase in income before income tax
Mainly due to the effect of higher revenues net of savings on cost of sales and services for the period.
- 25% decrease in provision for income tax
Mainly due to the net effect of lower provision for income tax for the period.
- 120% increase in net income attributable to equity holders of the parent
Mainly due to the effect of higher net income for the period.
- 14% increase in net income attributable to non-controlling interests
Mainly due to the effect of higher net income for the period.

Statements of Income Items

Nine Months Period Ended February 28, 2014 versus February 28, 2013.

- 12% increase in services revenues
18% increase in sales
13% increase in total revenues
Mainly due to increase in travel agency and on-line sales bookings and the effect of more saleable rooms for the period.
- 20% increase in general, administrative and selling expenses
Mainly due to higher expenses incurred for the period on personnel costs, management fees, power, light and water, rental, repairs and maintenance, fees and licenses, supplies, insurance; net of other expenses as a result of higher revenues realized for the period. Professional fees expense also increases due to legal and other management services in connection with the negotiations of Puerto Azul related transactions with the 3rd party.
- 5% decrease in rentals
Due to lower condominium units rented for the period.
- 98% decrease in interest income and others- net
Mainly due to lower interest income and others-net received for the period.
- 37% increase in income before income tax
Mainly due to the effect of higher revenues and savings on cost of sales and services for the period.
- 93% increase in net income
Mainly due to the effect of improved revenues and savings on cost of sales and services for the period.

- 137% increase in net income attributable to equity holders of the parent
Mainly due to the effect of higher net income for the period.
- 56% increase in net income attributable to non-controlling interests
Mainly due to the effect of higher net income for the period.

Statements of Financial Position Items February 28, 2014 versus May 31, 2013

- 44% decrease in cash
Mainly due to investments made in Friday's Puerto Galera, Inc. to fund the ongoing hotel construction project in Boquete, Oriental Mindoro.
- 49% increase in prepayments and other current assets
Mainly due to increase in input value added tax incurred for the ongoing hotel construction project in Boquete, Oriental Mindoro.
- 21% increase in property and equipment-net
Mainly due to the ongoing hotel construction project in Boquete, Oriental Mindoro for the period and the continuous renovation of hotel rooms at Friday's Boracay Island Beach Resort.
- 7% increase in other noncurrent assets
Mainly due to the deposit for land acquisition for a planned purchase of a land in Moal Boal, Cebu and deposit for future stock subscription of the Parent Company to Cala Paniman, Inc.
- 19% increase in retirement benefit obligation
Due to current obligation charged for the period.
- 7% increase in capital stock
Due to additional subscriptions of shares of stock made by the majority shareholder for the period.
- 6% increase in additional paid-in capital
Due to additional subscription of shares of stock made by the majority shareholder for the period in excess of par.
- 9% increase in cumulative translation adjustments
Due to the effect of the foreign exchange rate differential for the period.
- 12% increase in retained earnings
Due to net income attributable to the equity holders of the parent for the period .

Liquidity and Capital Resources

The consolidated cash flow statements show a net decrease in cash for the period ended February 28, 2014 of ₱3.66 million (February 28, 2013: ₱26.12 million). Cash from operating activities for the period increased by ₱9.32 million due to the net cash operating income for the period and the deferment of the payments of trade and other payables. The Company invested mainly in property and equipment and increase in other

noncurrent assets for ₱99.69 million. The current capital expenditures incurred were funded from the investments made by JP Guilds, Inc. worth ₱86.71 million.

Generally, the group sourced its working requirements through a combination of internally generated cash and from advance hotel bookings at Friday's Boracay Island Beach Resort. Its fundamentals remained and its statements of financial condition continued to reflect stability.

The registrant kept its borrowings at low level with a debt-to-equity ratio of 7:93. Total non-interest peso-denominated liabilities registered at ₱127.63 million as at February 28, 2014.

Dividends

There has been no declaration of dividends in the two most recent years.

Earnings per share

Earnings per share attributable to the equity holders of the Parent for the current period is ₱.00038 and ₱.00021 as at February 28, 2014 and February 28, 2013 respectively.

Other Matters

There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales and revenues or income from continuing operation. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons during the reporting period. The revenues and expenses disclosed in the income statements are all business related transactions and arose from the Company's continuing operations. There are no seasonal aspects that had a material effect on the financial condition of the Company or results of its operations.

PART 11 – OTHER INFORMATION

Item 3. Nine Months Ended February 28, 2014 Developments

- | | | | | | | | | | | | | | | | | | | | | |
|------------------------|---|--|----------------------|--------------------------|-----------------------|---|---------------------|--------------------|------------------------|----------|--------------------|----------------------|-------------------|----------------------|---------------------|----------|--------------------|----------|--------------------|----------|
| A. | New project or investments in another line of business or corporation | The ongoing hotel construction of Friday's Puerto Galera, Inc. in Oriental Mindoro. Expected opening month of the new hotel is moved to last quarter of 2014 due to continuous rain and bad weather condition in the island. This would impact additional revenues for the Group in the future for fiscal year ending May 31, 2015 onwards. | | | | | | | | | | | | | | | | | | |
| B. | Composition of Board of Directors | <table border="0"> <tr> <td style="padding-right: 20px;">Jose Marcel Panlilio</td> <td>Chairman/President & CEO</td> </tr> <tr> <td>Lorenzo R. Tanada III</td> <td>Vice Chairman/Corporate Compliance Office</td> </tr> <tr> <td>Joselito V. Cabrera</td> <td>Director/Treasurer</td> </tr> <tr> <td>Christopher M. Gotanco</td> <td>Director</td> </tr> <tr> <td>Reynaldo Y. Maulit</td> <td>Independent Director</td> </tr> <tr> <td>Ricardo S. Pascua</td> <td>Independent Director</td> </tr> <tr> <td>Victor V. Benavidez</td> <td>Director</td> </tr> <tr> <td>Alfonso S. Anggala</td> <td>Director</td> </tr> <tr> <td>Goran Carl Perring</td> <td>Director</td> </tr> </table> | Jose Marcel Panlilio | Chairman/President & CEO | Lorenzo R. Tanada III | Vice Chairman/Corporate Compliance Office | Joselito V. Cabrera | Director/Treasurer | Christopher M. Gotanco | Director | Reynaldo Y. Maulit | Independent Director | Ricardo S. Pascua | Independent Director | Victor V. Benavidez | Director | Alfonso S. Anggala | Director | Goran Carl Perring | Director |
| Jose Marcel Panlilio | Chairman/President & CEO | | | | | | | | | | | | | | | | | | | |
| Lorenzo R. Tanada III | Vice Chairman/Corporate Compliance Office | | | | | | | | | | | | | | | | | | | |
| Joselito V. Cabrera | Director/Treasurer | | | | | | | | | | | | | | | | | | | |
| Christopher M. Gotanco | Director | | | | | | | | | | | | | | | | | | | |
| Reynaldo Y. Maulit | Independent Director | | | | | | | | | | | | | | | | | | | |
| Ricardo S. Pascua | Independent Director | | | | | | | | | | | | | | | | | | | |
| Victor V. Benavidez | Director | | | | | | | | | | | | | | | | | | | |
| Alfonso S. Anggala | Director | | | | | | | | | | | | | | | | | | | |
| Goran Carl Perring | Director | | | | | | | | | | | | | | | | | | | |

- | | | |
|----|---|---|
| C. | Performance of the corporation or result/progress of operations | Please see unaudited consolidated financial statements and management's discussion on results of operations under Item 2. |
| D. | Declaration of dividends | None. |
| E. | Contract of merger, consolidation or joint venture, contract of management, licensing, marketing, distributorship, technical assistance or similar agreements | None. |
| F. | Offering of rights, granting of Stock Options and corresponding plans therefore | None. |
| G. | Acquisition of rights, granting of Stock Options and corresponding plans therefore | None. |
| H. | Other information, material events or happening that may have affected or may affect market price of security | None. |

Item 4 Other Notes to Nine Months Period Ended February 28, 2014 Operations and Financials

- | | | |
|----|--|--|
| J. | Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents | Please see Note to Financial Statements (Note 9). The ongoing hotel construction of Friday's Puerto Galera, Inc. in Oriental Mindoro resulted in the increase in property and equipment. The Company expects to increase its property and equipment due to Group's ongoing construction and development. |
| K. | Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | None. |
| L. | New financing through loans/issuances, repurchases, and repayments of debt and equity securities | None |
| M. | Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period. | -BHI has agreed on March 13, 2014 to sell to Ayala Land, Inc. certain parcels of land in Ternate, Cavite which will be used to develop a high-end mixed-used community using the Ayala Land Premier Brand. The agreement is subject of a closing period in order to obtain all requisite |

approvals, conduct of due diligence, and other conditions precedent to closing within the next three to four months.

-Deed of Absolute Sale between Spouses Dalidig A. Sumndad and Mila Yap -Sumndad (sellers) and Friday's Holdings, Inc. (buyer) of a parcel of land located in Boracay, Aklan dated March 3, 2014 indicating proof that FHI is the new and legitimate owner of said property.

-Legal case filed by FHI for grave threats and usurpation of real rights in property in connection with the Grave Coercion of the Revised Penal Code versus Mila Yap-Sumndad, Datu Yap-Sumndad, Joel Gelito, Atty. Ray Jean Tamayo, Atty. John Doe and John Does.

-Legal case filed by Fridays Holdings, Inc. for forcible entry with urgent application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Prohibitory/Mandatory Injunction versus spouses Mila Yap- Sumndad and Atty. Dalidig Sumndad, Datu Yap-Sumndad, Joel Gelito, and John Does.

-Letter of Protest in behalf of the Friday's Resort Boracay foreign-clients-dignitaries, tourists and guests relative to the continuous disturbance of the unidentified men representing DatuYap-Sumndad dated March 24, 2014 signed by Arlene C. Durana , Resort Manager of Friday's Boracay Resort.

These developments/incidents at Friday's Resort Boracay will greatly affect the total revenues and operating results of the Group's in the future.

- | | | |
|----|---|------|
| N. | The effect of changes in the composition of the issuer during the interim period including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations | None |
| O. | Changes in contingent liabilities or contingent assets since the last annual balance sheet date | None |
| P. | Other material events or transactions | None |

during the interim period

- Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company; including any default or acceleration of an obligation None
- R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period None
- S. Material commitments for capital expenditures, general purpose and expected sources of funds. The ongoing Friday's Puerto Galera, Inc. hotel construction in Oriental Mindoro. The ongoing conceptual planning cost and development planning cost in Paniman, Ternate Cavite, and Boracay by Aecom and Palafox & Associates. Funds will come from the continuous investments of BHI through equity infusion of JP Guilds, Inc. The ongoing hotel construction of Friday's Puerto Galera, Inc. in Oriental Mindoro. Management expects the opening of the new resort in the last quarter of 2014. This would impact additional revenues in the future starting FY May 31, 2015 and onwards.
- T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations None
- U. Significant elements of income or loss that did not arise from continuing operations None
- V. Causes for any material changes/s from period to period in one or more line items of the financial statements Please see Item 2. Material changes explaining the 5 % +/- or more in the financial statements.
- W. Seasonal aspects that had material effect on the financial condition or results of operations The hospitality and leisure operations has three seasons based on expected revenues:
a) Peak Season
It includes long holiday seasons such as Christmas, Chinese New Year and Holy Week. During this

period, the Group prioritizes long staying guests, apply peak season charges and does not extend preferential rates

b) High Season

Accepts wedding bookings, celebration of special occasions and other functions. Extends higher room rates with strict reservations and cancellation policies. Ad placement both international and local as additional marketing tool to generate improved revenues.

c) Low Season

It occurs after summer. The group promotes summer promos and extends lowest possible rates to generate occupancy. It increases sales and marketing campaign; upgrades of rooms and facilities by refurbishments; and conducts staff training and seminar to maintain/improved if necessary its service quality to customers.

X. Disclosures not made Under SEC Form 17 C None

The following current reports have been conveyed by Boulevard Holdings, Inc. to SEC and PSE during the last six months covered by this report through official disclosure letters dated:

Date	Disclosure Details
09/11/2013	Consolidated sales of products and services for the month of August 2013 and first fiscal quarter ended August 31, 2013
10/10/2013	Postponement of Annual Stockholders' Meeting
10/11/2013	Audit Committee Charter and Audit Committee Assessment for 2013
11/05/2013	SEC approval of amendment to Articles of Incorporation re: removal of pre-emptive rights
11/11/2013	Update on Puerto Azul projects
11/28/2013	Emergency Special Board Meeting on November 29, 2013
11/29/2013	Results of the meeting of the board of directors: amendment to terms of reference executed with ALI
12/12/2013	-Consolidated sales of products and services for six-months period ended November 30, 2013

-Execution of agreement with JP Guilds, Inc. for the final tranche of subscription

01/07/2014 Consolidated Sales Report of Products and services of Boulevard Holdings, Inc. for the month of December and the seven-months period ended December 31, 2013 as compared to same period last year

02/20/2014 -Bad news from Friday's Boracay due to 300 armed goons that overran part of the frontage of Friday's Boracay Resort led by the adult son of Mrs. Mila Yap, Mr. Datu Yap Sumndad last February 15, 2014

-Ayala-BHI deployment of tax and lawyers experts

Item 5 - Financial Soundness Indicators

The Company's and its majority owned subsidiaries' key performance indicators /financial soundness indicators are shown below.

	Three months period ended		Favorable (Unfavorable) Variance
	February 28, 2014	February 28, 2013	
a. Current/Liquidity Ratios			
Current ratios ⁽¹⁾	74.64%	59.55%	15.09%
Quick ratios ⁽²⁾	44.57%	40.03%	4.54%
b. Solvency/Debt-to-Equity Ratios			
Debt to equity ratios ⁽³⁾	7.43%	9.69%	(2.26%)
Net debt to equity ratios ⁽⁴⁾	(0.28%)	(0.44%)	0.16%
c. Asset to Equity Ratios⁽⁵⁾	107.43%	112.85%	(5.42%)
d. Interest rate coverage ratios⁽⁶⁾	1,108.62	194.35	914.27
e. Profitability Ratios			
Net income margin ⁽⁷⁾	4.44%	2.21%	2.23%
Return on total assets ⁽⁸⁾	0.19%	0.13%	.06%

	Nine months period ended		Favorable (Unfavorable) Variance
	February 28, 2014	February 28, 2013	
a. Current/Liquidity Ratios			
Current ratios ⁽¹⁾	74.64%	59.55%	15.09%
Quick ratios ⁽²⁾	44.57%	40.03%	4.54%
b. Solvency/Debt-to-Equity Ratios			
Debt to equity ratios ⁽³⁾	7.43%	9.69%	(2.26%)
Net debt to equity ratios ⁽⁴⁾	(0.28%)	(0.54%)	0.26%
c. Asset to Equity Ratios⁽⁵⁾	107.43%	112.85%	(5.42%)
d. Interest rate coverage ratios⁽⁶⁾	1,703.66	470.31	1,233.35
e. Profitability Ratios			
Net income margin ⁽⁷⁾	3.99%	1.91%	2.08%
Return on total assets ⁽⁸⁾	0.40%	0.23%	.17%
Return on total equity ⁽⁹⁾	0.43%	0.26%	.17%

⁽¹⁾current assets / current liabilities

⁽²⁾(current assets less inventory less prepayments) / current liabilities

⁽³⁾total liabilities / total equity

⁽⁴⁾current portion of obligation under finance lease less cash) / (equity less non-controlling interest less unrealized valuation loss on AFS investments)

⁽⁵⁾total assets / total equity

⁽⁶⁾earnings before interest taxes depreciation and amortization (ebitda) / interest

⁽⁷⁾net income attributable to equity holders of the parent / total revenue

⁽⁸⁾net income after tax / average total assets

⁽⁹⁾net income after tax / average total equity

PART III – SIGNATURE

Pursuant to the requirements of the Securities and Exchange Regulation Code, the registrant has caused this to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: BOULEVARD HOLDINGS, INC.



JOSE MARCEL PANLILIO
Chairman / President & CEO
April 15, 2014



MAURO B. BADIOLA
Vice President-Finance &
Corporate Information Officer
April 15, 2014