COVER SHEET

A	S	0	9	4	-	0	0	6	3	0	9

12/PSEC Registration Number

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

UNIT 1704 THE PEAK TOWER, 107 L.P. LEVISTE STREET, SALCEDO VILLAGE, MAKATI CITY

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

Ms. Odessa Lora D. Bodanio
(Contact Person)

(632) 7753-1405
(Company Telephone Number)

0	5		3	1

Month *Day*
(Fiscal Year)

1	7	-	Q	

(Form Type)

1	0			

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

		Total Amount of Borrowings		
383				
Total No. of Stockholders		Domestic		Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU	
Document ID	Cashier	

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **August 31, 2023**

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:
Metro Manila, Philippines

6. Industry Classification Code: (________) (SEC Use only)

7. Address of principal office
Unit 1704 The Peak Tower, 107 L.P. Leviste St., Salcedo Village, Makati City
Postal Code
1227

8. Issuer's telephone number, including area code
(632) 7753-1405

9. Former name, former address, and former fiscal year, if changed since last report
Not applicable

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	14,400,000,000 shares
		₱1,440,000,000
b)	**Issued and Outstanding**	
	Common shares, .10 par value	14,400,000,000 shares
	Amount	₱ 1,440,000,000
c)	**Amount of Debt Outstanding**	₱ 247.315.029

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. (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 ( )

a. (b) has been subject to such filing requirements for the past ninety (90) days
Yes (/) No ( )

TABLE OF CONTENTS

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Philippine Peso

	August 31, 2023 Unaudited	May 31, 2023 Audited
ASSETS		
Current Assets		
Cash (Note 5)	**160,689,546**	202,194,353
Financial assets at fair value through profit or loss (Note 9)	**325,489,354**	325,489,354
Trade and other receivables -net (Note 6)	**3,935,101**	3,538,221
Amounts owed by related parties (Note 23)	**144,592,480**	99,111,982
Inventories – at cost (Note 7)	**155,773**	207,745
Prepayments and other current assets (Note 8)	**112,547,037**	81,227,377
Subscription Receivable	**5,435,142**	-
Total Current Assets	**752,844,433**	711,769,032
Noncurrent Assets		
Loans receivable	**13,000,000**	13,000,000
Investments properties - net (Note 8)	**670,011,880**	670,416,689
Property and equipment - net (Note 9)	**1,010,476,894**	1,004,178,037
Total Noncurrent Assets	**1,693,488,774**	1,687,594,726
TOTAL ASSETS	**2,446,333,207**	2,399,363,758
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**147,851,185**	148,525,291
Amounts owed to related parties (Note 19)	**46,479,282**	18,352,829
Income tax payable	**11,012,470**	11,012,469
Customers' deposit	**-**	-
Retirement benefits Liability – current (Note 12)	**-**	-
Total Current Liabilities	**205,342,937**	177,890,589
Noncurrent Liability		
Deferred tax liability (Note 21)	**6,415,906**	6,415,906
Retirement Benefits Liability - net of current portion (Note 12)	**5,556,186**	5,556,186
Deposit for future stock subscription	**-**	234,564,858
Other non-current liabilities	**30,000,000**	30,000,000
Total Noncurrent Liabilities	**41,972,092**	276,536,950
Total Liabilities	**247,315,029**	454,427,539
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱0.10 par value (Note 21)		
Authorized - 14,400,000,000 common shares		
Issued and subscribed – 14,400,000,000 common shares	**1,440,000,000**	1,200,000,000
Additional paid-in capital (Note 21)	**621,984,337**	621,984,337
Remeasurement gain (loss) on retirement benefits liability (Note 15)	**(2,937,225)**	(2,937,225)
Retained Earnings	**230,349,128**	216,267,171
	2,289,396,240	2,035,314,283
Non-controlling interests	**(90,378,062)**	(90,378,064)
Total Equity	**2,199,018,178**	1,944,936,219
TOTAL LIABILITIES AND EQUITY	**2,446,333,207**	2,399,363,758

See accompanying Notes to Consolidated Financial Statements.

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
In Philippine Peso

	Three Months period Ended	
	August 31, 2023	August 31, 2022
	Unaudited	Unaudited
REVENUES (Notes 8, 13, 20)		
Rooms	**3,918,147**	4,502,919
Food and beverages	**2,863,139**	2,716,858
Others	**358,152**	110,842
	7,139,438	7,330,619
COSTS AND EXPENSES		
Cost of sales and services (Note 13)	**7,153,069**	10,138,667
General, administrative and selling (Note 14)	**22,217,837**	14,639,313
	29,370,905	24,777,980
OTHER INCOME (CHARGES)		
Interest expense (Note 17)	**-**	(534,740)
Bank Charges	**(72,001)**	(79,731)
Foreign exchange gains (losses)-net	**1,241**	6,200
Interest income and others	**36,384,185**	689,397
	36,313,424	81,126
INCOME (LOSS) BEFORE INCOME TAX	**14,081,957**	(17,366,235)
Provision for income tax	**-**	–
NET INCOME (LOSS)	**14,081,957**	(17,366,235)
ATTRIBUTABLE TO		
Equity holders of the Parent	**18,090,652**	(12,565,155)
Non-controlling interests	**(4,008,695)**	(4,801,080)
	14,081,957	(17,366,235)
INCOME (LOSS) PER SHARE (Note 16)		
Basic earnings (loss) per share for the year		
Attributable to equity holders of the Parent	**0.00126**	(0.00105)

See accompanying Notes to Consolidated Financial Statements.

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In Philippine Peso

	Three Months period Ended	
	August 31, 2023 Unaudited	August 31, 2022 Unaudited
NET INCOME (LOSS)	**14,081,957**	(17,366,235)
Cumulative translation adjustments		
TOTAL COMPREHENSIVE INCOME	**14,081,957**	(17,366,235)
ATTRIBUTABLE TO		
Equity holders of the parent:	**18,090,652**	(12,565,155)
Non-controlling interest	**(4,008,695)**	(4,801,080)
	14,081,957	(17,366,235)

See accompanying Notes to Consolidated Financial Statements.

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In Philippine Peso

	Capital Stock (Note 21)	Additional Paid In Capital (Note 21)	Deficit	Remeasurement gain on retirement benefits liability	Total	Non-Controlling Interests (Note 21)	Total Equity
Balance as of May 31, 2022	**1,200,000,000**	**612,094,337**	**335,435,093**	**6,567,353**	**2,154,096,783**	**(51,378,123)**	**2,102,718,660**
Cumulative translation gain, net of tax							
Net loss			(12,565,155)		(12,565,155)		**(12,565,155)**
Non-controlling interests						(4,801,080)	**(4,801,080)**
Balance as of August 31, 2022	**1,200,000,000**	**612,094,337**	**322,869,938**	**6,567,353**	**2,141,531,628**	**(56,179,203)**	**2,085,352,425**
Balance as of May 31, 2023	**1,440,000,000**	**621,984,337**	**216,267,171**	**(2,937,225)**	**2,035,314,283**	**(90,378,064)**	**1,944,936,219**
Net income (loss)			18,090,652		18,090,652		**18,090,652**
Additional capital stock							
Non-controlling interests						(4,008,695)	**(4,008,695)**
Balance as of August 31, 2023	**1,440,000,000**	**621,984,337**	**234,357,823**	**(2,937,225)**	**2,293,404,935**	**(94,386,759)**	**2,199,018,178**

See accompanying Notes to Consolidated Financial Statements.

BOULEVARD HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
In Philippine Peso

	Three Months Period Ended	
	August 31, 2023	**August 31, 2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**14,081,959**	(17,366,237)
Adjustment for:		
Depreciation and amortization (Notes 8 and 9)	**(5,894,048)**	(21,515,931)
Retirement benefit		(2,104,718)
Amount owed by related parties	**(45,480,498)**	(579,262)
Interest income	**(36,384,185)**	(689,397)
Operating loss before working capital changes	**(73,676,771)**	(42,255,545)
Decrease (increase) in:		
Trade and other receivables	**(396,880)**	219,008,990
Subscription Receivable	**(5,435,142)**	
Inventories	**51,972**	(105,648)
Prepayment and other current assets	**(31,319,660)**	10,534,171
Increase (decrease) in:		
Trade and other payables	**(674,106)**	(27,382,049)
Deposit for future stock subscription	**(234,564,858)**	282,612
Amount owed to related parties	**28,126,453**	(1,504,796)
Net cash flows generated from (used in) operations	**(317,888,992)**	160,082,532
Interest received	**36,384,185**	689,397
Net cash flows generated from (used in) operating activities	**(281,504,807)**	160,771,929
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from collection of subscription receivable	**240,000,000**	-
Net cash flows generated from (used in) investing activities	**240,000,000**	-
NET INCREASE (DECREASE) IN CASH	**(41,504,807)**	160,771,929
CASH AT BEGINNING OF YEAR	**202,194,353**	625,074,138
CASH AT END OF YEAR	**160,689,546**	785,846,067

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, Status of Operations of Subsidiaries and Affiliates

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 and its subsidiaries (collectively referred to as the "Group") has investments in operations 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 Parent Company's registered address is located at Unit 1704, The Peak Tower, 107 L.P. Leviste Street, Salcedo Village, Makati City.

Business Operations

a. Friday's Holdings, Inc. (FHI) owns and operates a luxury resort situated in Boracay Island that offers 51 rooms and facilities and amenities such as restaurants, function halls and other tourist-oriented activities.

   Land dispute in Boracay Island

   On February 14, 2014, a dispute arose involving FHI's land presented as part of "Property and Equipment" account in the consolidated statements of financial position, between FHI and the heir of the seller regarding the possession of the land where the resort is located. Stipulation of the lease contract states the transfer of ownership of the land upon consummation. The lease contract was consummated on February 14, 2014. However, as an act of dishonoring the contract, the heir of the seller barricaded a portion of FHI's beach resort in defense that the contract was void at the very beginning. To counter this action, FHI filed a criminal case for usurpation of property as well as a civil case for forcible entry with a Temporary Restraining Order to remove the barricades built.

   On July 18, 2014, the Municipal Circuit Trial Court (MTCT) of Buruanga-Malay issued a Writ of Preliminary Injunction, ordering the heir of the seller to vacate the premises.

   On September 29, 2014, the corresponding tax declaration of the property under litigation has been successfully registered under the name of FHI with the Provincial Register of Deeds of Aklan.

   On December 3, 2014, FHI received the Court Order and Writ of Preliminary Injunction from the 5th MCTC of Buruanga-Malay, Province of Aklan allowing FHI to take possession of the property at Boracay Island, Malay, Aklan.

   On March 2, 2015, FHI received the Court Order from the 5th MCTC of Buruanga-Malay, Province of Aklan granting the request for police assistance in the implementation of the Writ of Preliminary Injunction dated November 26, 2014. Police assistance was primarily for the maintenance of peace and order and so as to endure safety of the Court personnel tasked for the implementation of the same. On March 13, 2015, the Court Order was implemented and FHI re-occupied the approximately 1,500 square meters (sqm) prime beach front at Boracay Island, Malay, Aklan.

   Also, in a related case, the complaint for falsification of public documents filed against Daligdig Sumndad, the two witnesses who signed on the Compromise Agreement, and Jose Marcel Panlilio, was recommended for dismissal on March 26, 2015 for insufficiency of evidence and approved by the City Prosecutor of Makati.

   On April 24, 2015, the Court promulgated its decision upholding the superior right of FHI to the possession of the subject property and making permanent the injunction against the heir of the seller and its representatives to any further intrusion thereon. The heir of the seller then elevated the matter on ordinary appeal as provided for under the Rules of Court.

On September 24, 2015, the case has been raffled off to Branch 6 of the Regional Trial Court (RTC) of Kalibo, Aklan, presided over by Judge Jemena Abella-Arbis. The parties have been directed to turn in their Memoranda of the legal and factual issues of the case.

On February 3, 2016, FHI became a third party claimant when a Writ of Execution was issued by the RTC of Quezon City and a Notice of Public Auction on March 7, 2016 on the 1,477 sqm real property of FHI in Boracay. FHI being a third party claimant, filed a motion to suspend the auction.

On March 4, 2016, resolution was issued for the Third Party Claimant's Omnibus Motion to suspend the scheduled auction sale on March 7, 2016.

On August 30, 2016, the Provincial Prosecution Office of Kalibo, Aklan issued a resolution charging the heir of the seller and other parties with the crime of grave coercion.

On September 5, 2016, a Writ of Preliminary Injunction from RTC of Kalibo, Aklan was issued in favor FHI, directing defendant to pay the latter a reasonable compensation amounting to ₱74.48 million for loss profit equal to daily rental rate of nineteen (19) rooms involved in the forcible entry covering period from February 15, 2014 up to March 14, 2015, or a total of three hundred ninety-two (392) days. The heir of the seller interposed a Motion for Reconsideration. FHI filed a Motion for Execution before the RTC of Kalibo, Aklan to execute the award of compensation.

On April 3, 2017, FHI won the case over the complaint filed against the Provincial Assessor (PA) of Aklan and Municipal Assessor (MA) of Malay, Aklan for the latter's refusal in cancelling the Tax declaration registered under Mila Yap-Sumndad despite the valid issuance of Tax declaration to FHI.

Based on the decision of the Office of the Ombudsman on October 25, 2017, the PA of Aklan and MA of Malay, Aklan were declared as administratively liable of Grave Misconduct. As a result, these PAs were dismissed from rendering any government service and have been penalized accordingly.

Temporary closure of Boracay Island

On April 26, 2018, the Philippine Government, under Proclamation Decree No. 475, ordered the temporary closure of Boracay Island for six (6) months from April 26, 2018 to October 25, 2018 where Friday's Boracay Beach Resort in Aklan, Malay (Friday's Boracay) is located as part of government's efforts to environmentally rehabilitate the island. The proclamation states that an inter-agency task force composed of Department of Environment and Natural Resources (DENR), Department of the Interior and Local Government (DILG), and Department of Tourism, will be formed to evaluate the environmental state of the whole island of Boracay, and investigate if the businesses/establishments complies with the existing environmental and health laws, rules and regulations.

FHI has secured the necessary approval from DENR and DILG to commence its operations evidenced by the compliance certificates that have been issued to FHI on November 15, 2018. FHI commenced its operation on October 30, 2018.

The National Government ordered an Enhanced Community Quarantine which took effect on March 15, 2020, as prescribed by the Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases particularly the Covid-19. The pandemic has forced Friday's Boracay Resort's temporary closure on March 17, 2020. The Friday's Boracay Resort is looking for possible opportunities for its re-opening.

b. Friday's Puerto Galera, Inc. (FPGI) started the construction of a luxurious native style boutique resort in the exclusive Boquete Island in Puerto Galera, Oriental Mindoro in 2012, aiming to replicate the success of the original Friday's Resort in Boracay. However, the construction was temporarily suspended in March 2014 by management's decision, but it eventually resumed in October 2016.

In May 2017, FPGI's project consultant recommended the demolition and reconstruction of two (2) out of the eight (8) cluster villas and the generator-set room of the hotel resort in Puerto Galera as a result of a typhoon and for failing to meet the quality standards of FPGI. The aggregate cost of derecognized hotel resort properties amounted to ₱10.43 million.

In December 2017, FPGI has officially started its commercial operation with four (4) cluster villas, equivalent to sixteen (16) available rooms. Subsequently, in March 2018 another 2 cluster villas had been completed and used in operations, which offers an additional 8 rooms, aggregating to a total of twenty-four (24) available rooms. The remaining 2 cluster villas, with a total of 8 rooms, are still to be constructed.

c. Crown One Land Inc. (COLI) is engaged in the real estate business and currently owns 44% of FHI. COLI's only assets relate to its investment in FHI. COLI is yet to start its business operations.

Material Uncertainty Related to Going Concern

The Group incurred net income of P=14.08 million and net loss of P=17.37 million for the three months period ended August 31, 2023 and 2022 respectively. The group recorded total retained earnings of P=230.35 million and P=216.27 million as at August 31, 2023 and May 31, 2023, respectively. The Group's current assets exceeded its current liabilities by P=547.50 million and P=533.88 million as at August 31, 2023 and May 31, 2023, respectively.

The Group has remained operating through the financial assistance of the Group's major stockholders and has not been in debt from any banks. Friday's Puerto Galera Beach Resort ("Friday's Puerto Galera") has been intermittently operating since May 2021 and expected to be fully operational by the end of 2023 after the construction of the electric powerline in Friday's Puerto Galera Beach Resort. The increase in room keys for Friday's Puerto Galera Beach Resort ("Friday's Puerto Galera") is planned to commence by the last quarter of 2023. Friday's Holdings, Inc. entered into a License Agreement with Radisson Hotel Asia PAcific Investment PTE. Ltd. to market the Friday's Boracay Beach Resort as a property under the "Radisson Collection" brand. The Friday's Boracay Beach Resort is set to construct a new Friday's with 110 room keys more or less, 2 to 4 restaurants & bars, jungle gym, infinity pool with lap pool and a beach wedding pavilion. Friday's Boracay Beach Resort is expected to welcome our new and returning guests by 2026. Currently, there is an ongoing demolition.

The Group plans to improve its resorts operations through enhanced marketing, promotional activities, and will concentrate on its upper niche market of Westerners and well-to-do Asian travelers. The Group is also focused on investing in properties in other locations to be developed into new Friday's Resorts similar to FHI and FPGI.

The Group believes that it is appropriate to prepare the consolidated financial statements on a going-concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, and to provide for any further liabilities which might arise and reclassify non-current assets as current assets.

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 in compliance with the Philippine Financial Reporting Standards (PFRSs).

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statements of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective statement, or a reclassification of items in consolidated financial statements.

Going Concern Assumption

The Group is not aware of any significant uncertainties that may cast doubts upon the Group's ability to continue as a going concern.

Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on whether it is current and non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

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 disclosed in Note 27.

Changes in Accounting Policies and Procedures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PFRSs, Philippine Accounting Standards (PASs), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC), which were effective beginning June 1, 2018. Adoption of these amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, *Financial Instruments, PFRS 7, Financial Instruments: Disclosures, PFRS 4, Insurance Contracts, and PFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2*
- Amendments to PFRS 17, *Insurance Contracts*

Effective Beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts – Costs of Fulfilling a Contract

Annual Improvements to PFRS Standards 2018-2020 Cycle

• PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – Subsidiary as a first-time adopter.
• PFRS 9, *Financial Instruments* – Fees in '10 per cent' test for derecognition of financial liabilities
• PFRS 16, *Lease Incentives*
• PAS 41, *Agriculture* – Taxation in fair value measurements

Deferred effectivity

• Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3. Summary of Significant Accounting and Financial Reporting Policies

Principal accounting and financial reporting policies applied by the Group in the preparation of its consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of consolidated statements of income (loss), and a second statement beginning with consolidated statements of income (loss) and displaying components of consolidated other comprehensive income (OCI) in the consolidated statements of comprehensive income (loss).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries as at August 31, 2023 and 2022:

			Percentage of Ownership			
		Financial	**August 31, 2023**		August 31, 2022	
Subsidiary	Country of Incorporation	Reporting Period	**Direct**	**Indirect**	Direct	Indirect
FHI [a]	Philippines	June 30	**55.00**	**22.00**	55.00	22.00
FPGI [a], [b]	Philippines	April 30	**45.46**		45.46	
COLI [a], [b]	Philippines	December 31*	**50.00**		50.00	
Askar Ltd.[c], [d]	British Virgin Islands	May 31				
Infocast [d]	Canada	December 31*				

**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) Majority of the subsidiary's BOD are also BOD of the Parent Company
(b) Parent Company exercises power to govern the financial and operating policies by virtue of a shareholders' agreement by the minority shareholders in favor of the Parent Company
(c) No longer operating
(d) Foreign subsidiaries, written-off on December 29, 2018

The Parent Company entered into a shareholder's agreement with FCWS, Inc., which owns 54.52% of FPGI, providing the Parent Company management control over its operations and financials.

The Parent Company controls COLI since it holds significantly more voting rights than any other shareholder as other shareholdings are widely dispersed. The Parent Company exercises power to govern the financial and operating policies of COLI and majority of its BOD are also BOD of the Parent Company.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),

- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee,
- rights arising from other contractual arrangements,
- the Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared with different reporting year not longer than three (3) months as the Parent Company, using uniform accounting policies for transactions and other events in similar circumstances.

Non-controlling interests (NCI)

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the NCI.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with non-controlling interests are accounted for as an equity transaction.

<u>Business Combination and Goodwill</u>

Acquisition method

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's fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general, administrative, and selling expenses.

When the Group acquires a business, it assesses the financial assets and financial 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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments* is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statements of income (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 cash-generating units (CGUs) 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 has been allocated to 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 in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

<u>Financial Instruments</u>

Recognition and Measurement

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

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

a) Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flow that are SPPI on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

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

The Group does not have any financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition and financial assets at FVPL as at May 31, 2022
3 and 2022.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at August 31, 2023 and May 31, 2023, the Group's financial assets consist mainly of cash, trade and other receivables, amounts owed by related parties (see Note 26).

Cash and Cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise of cash on hand and cash in banks and time deposits, which earn interest at their respective bank deposit rates.

Cash on hand includes petty cash fund and other cash items not yet deposited with the banks. Cash in banks include demand deposits which are unrestricted as to withdrawal. Cash equivalent is short-term, highly liquid investment held to meet short-term cash commitment rather than for investment or other purposes. This has a short maturity of 3 months or less from the date of acquisition.

Cash and cash equivalent is valued at face value. Cash and cash equivalent in foreign currency is valued at the current exchange rate. If a bank holding the funds of the Company is in bankruptcy or financial difficulty, cash and cash equivalent is written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

Cash and cash equivalents include term deposits. A term deposit has a maturity period of one to three months from the date of acquisition. It is highly liquid, readily convertible to known amounts of cash and which is subject to insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are amounts due from customers for sale of services performed in the ordinary course of business.

Amounts owed by related parties

Amounts owed by related parties represent non-interest-bearing advances handed by the Group to its related parties for working capital requirements.

Deposit for future stock investment

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

Construction deposit

Construction deposit pertains to a construction bond paid to contractors which is refundable upon successful completion of the projects.

Loans receivable

Loans receivable is the amount due from a debtor with fixed repayment terms and no stated interest rate. Loans receivable are measured at an undiscounted amount of cash and expected to be collected. If collection is one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments). The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statements of loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments).

Financial Assets at FVPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVPL and did not make the irrevocable election to account for listed equity securities at fair FVOCI. The fair value was determined in line with the requirements of PFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of Financial Assets

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

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

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

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

The Group considers a financial asset in default when contractual payments are more than 90 days past due. Also, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

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

The Group's cash is graded to be low credit risk investment based on the credit ratings of depository banks.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

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

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

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

b) Financial Liabilities

Initial Recognition and Measurement

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

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

As at August 31, 2023 and May 31, 2023, the Group's financial liabilities does not designate any financial liabilities at FVPL. The Group's financial liabilities include trade and other payables (excluding government and statutory liabilities and contract liabilities), amounts owed to related parties and customers' deposit (see Note 26).

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

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

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

Derecognition

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

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

<u>Inventories</u>

Inventories are valued at the lower of cost and net realizable value (NRV).

Cost is determined using the first-in, first-out method. Cost of inventories includes all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of goods. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

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.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The Group assesses at each reporting date whether any inventories are impaired. The Group makes the assessment by comparing the carrying amount of each item of inventory (or group of similar items) with its net realizable value. If an item of inventory (or group of similar items) is impaired, the Group reduces the carrying amount of the inventory (or the group) to its net realizable value. The reduction is treated as an impairment loss and is recognized immediately in consolidated profit or loss.

<u>Prepayments and Other Current Assets</u>

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

CWT

CWT is tax withheld from income subject to expanded withholding tax. CWT can be utilized as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. CWT is expected to be utilized as payment for income taxes within twelve (12) months and is classified as current asset.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations, which can be recovered as tax credit against future tax liabilities of the Group upon approval by the Bureau of Internal Revenue and/or the Philippine Bureau of Customs.

Deferred input VAT includes input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter and input VAT of unpaid purchases of services.

Input VAT is presented net of output VAT for the same entity and is included as part of "Prepayments and other current assets" account, which can be recovered as tax credit against future tax liability of the Group.

When the resulting outcome is a net output VAT, it is included as part of "Trade and other payables" account to be remitted to applicable taxation authorities. Deferred input VAT is included as part of "Prepayments and other current assets" and "Other non-current assets".

Output VAT represents indirect taxes passed on to the Group's customers resulting from the sale of services and other income, as applicable, and as required by the Philippine taxation laws and regulations.

Prepayments

Prepayments include advance payments for legal fees, insurance and dues and subscriptions which the Group expects to realize or consume within 12 months after each reporting period and carried at cost.

Non-current assets held-for-sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification (subject to limited exceptions).

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets classified as held for sale are presented separately as current items in the consolidated statements of financial position.

If the assets are no longer available for immediate sale or if a sales transaction is no longer highly probable, the classification is to be ceased. The Group then needs to reclassify the assets as the criteria for held for sale classification is no longer met.

The Group shall measure the non-current asset that ceases to be classified as held for sale at the lower of its carrying amount before the asset was classified as held for sale, adjusted for any depreciation or revaluations that would have been recognized had the asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

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 any impairment in value, if any.

Depreciation is computed using the straight-line method over the estimated useful lives of the investment properties, except land. Investments in depreciable condominium units classified as investment properties are depreciated over the estimated useful life of 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 derecognition of an investment property are recognized in the consolidated statements of loss in the period of derecognition.

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

Property and Equipment

Property and equipment, except land, are stated at cost, excluding the costs of day-to-day servicing, less depreciation and amortization, if any. 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 its working condition and location 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 statements of loss in the period in which costs are incurred.

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, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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:

Assets	Years
Condominium units and improvements	25
Building and building equipment	2-10
Office equipment	5
Transportation equipment	5
Furniture and fixtures	2-7
Machinery and equipment	3-5
Operating equipment	5
Computer equipment and software	5

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

Construction in progress is stated at cost. This includes the cost of construction of 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.

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 statements of loss 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 property and equipment are retained in the accounts until they are no longer in use.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other cost that the Company incurs in connection with the borrowing of funds

Impairment of Non-financial 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 consolidated statements of loss.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset, or in the case of inventories, NRV, since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount, or in the case of inventories, NRV. That increased amount cannot exceed the carrying value that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss.

Other current assets

The Group provides allowance for impairment losses on other current assets and deferred input VAT – non-current portion, 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 other current and other non-current assets, excluding deposits.

Recovery of impairment losses recognized in prior years for other current and other non-current assets, excluding deposits 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 consolidated statements of income (loss). However, the increased carrying value of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying value that would have been determined had there been no impairment loss recognized for that asset in prior years.

Non-current assets held-for-sale

Impairment is considered both at the time of classification as held for sale and subsequently:

At the time of classification as held for sale, impairment is measured and recognised in accordance with the applicable standards. Any impairment loss is recognised in profit or loss unless the asset had been measured at revalued amount, in which case the impairment is treated as a revaluation decrease. After classification as held for sale. Impairment loss is calculated based on the difference between the adjusted carrying amounts of the asset and fair value less costs to sell. Any impairment loss that arises by using the measurement principles in PFRS 5 are recognised in profit or loss.

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 recoverable amount, the asset or CGU is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to as recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses are recognized in the consolidated statements of loss.

Recovery of impairment loss recognized in prior years is recorded on investment properties and property and equipment when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the consolidated statements of loss. 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 (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Customers' Deposits

Customers' deposits represent security deposits refundable to guests and lessees upon the completion of the event or check-out and at the end of the lease term, respectively.

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.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of loss.

Deferred tax

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

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

- where the deferred 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 profit nor taxable profit or loss; and
- in respect of 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 tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits in the form of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses in the form of net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

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

The carrying amount of deferred 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 tax asset to be utilized. Unrecognized deferred 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 tax assets to be recovered.

Deferred 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.

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

<u>Employee Benefit</u>

Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses non-monetary benefits and medical insurance.

Retirement Benefits Liability

The retirement benefits liability or asset is the aggregate of the present value of the retirement benefits liability at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a retirement benefits asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the retirement benefits liability or asset
- Remeasurements of retirement benefits liability or asset

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

Net interest on the retirement benefits liability or asset is the change during the period in the retirement benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement benefits liability or asset. Net interest on the retirement benefits liability or asset is recognized as expense or income in the consolidated statements of loss.

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a retirement benefits liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Deposit for Future Stock Subscription

Deposit for future stock subscription represents the amount received that will be applied as payment in exchange for a fixed number of the Parent Company's own equity instruments. These will be applied as payment in exchange for a fixed number of the Parent Company's own equity instruments. It is presented as equity if it meets all the following requirements:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- there is stockholder's approval of said proposed increase, and;
- the application for the approval of the proposed increase has been filed with the Philippine SEC.

Deposit for future stock subscription is classified as a liability if not all the above requirements have been met.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs directly attributable to the issue of new common stock are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings (Deficit)

Retained earnings (deficit) represents accumulated losses of the Group, prior period adjustments, effect of changes in accounting policies, and other capital adjustments.

Other Comprehensive Income

OCI comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statements of loss for the year in accordance with PFRSs.

Cumulative Translation Adjustments

This arises from exchange differences arising on a monetary item that forms part of the Group'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 OCI 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.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Rooms, food and beverage

Rooms revenue recognition criteria is met at the time of occupancy. Food and Beverage revenues are recognized when the food and beverage have been transferred or rendered to the customer. The transaction prices for rooms and food and beverage are the net amounts collected from customers for such goods and services that are recorded as revenue when the goods are provided, services are performed, or events are held. Service charges collected by the Group on behalf of its employees are excluded from revenues. Advance deposits on rooms are recorded as contract liability until services are provided to the customer. Revenues from contracts with multiple goods or services provided by the Group are allocated to each good or service based on its relative standalone selling price.

Other operated departments

Revenue from other operated departments, including guest transfer and commission, is recognized upon execution of service or as contracted.

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).

Cost and Expenses

Cost and 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 and expenses are recognized in the consolidated statements of loss in the period these are incurred.

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.

Earnings (Loss) per Share

Earnings or loss per share is determined by dividing net loss by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the year.

Leases

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

Determination of whether an arrangement contains a lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment 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.

The Group as a lessee

The standard requires lessees to recognize all leases on their balance sheet except for relatively small-value assets and leases with terms of 12 months or less. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

For leases that are subject to the provisions of PFRS 16, the Group is required to recognize a right-to-use asset and a lease liability, measured at the discounted value of the future lease payments in the balance sheet. A depreciation expense of the right-to-use asset and the interest charged on the outstanding lease liability are then recognized in the consolidated statements of loss. Any lease payment is treated as a reduction from the lease liability.

The Group as a lessor

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. 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 basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned. Receipts under operating leases (net of any incentives granted to the lessee) are charged to the consolidated statements of loss on a straight-line basis over the period of lease.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Parent Company’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 statements of loss 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.

At the end of the reporting period, the assets and liabilities of Askar and Infocast are translated into the presentation currency of the Group using the Philippine Dealing System and Banker’s Association of the Philippines (BAP) closing rate at the end of the reporting period as at May 31, 2022 and 2021 and their respective consolidated statements of loss are translated using the BAP 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 statements of financial position. On disposal of a foreign subsidiary, the deferred cumulative amount is recognized in the consolidated statements of loss.

Related Party Relationships and Transactions

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

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 statements of loss, 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 statements of loss.

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 consolidated 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.

4. Summary of Significant Accounting Judgments and Estimates and Assumptions

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.

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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:

Consolidation of Entity in which the Group Holds Less than 50% of the Voting Rights

The Group considers that it has control over FPGI even though it only owns 45.46% of the voting rights because of the shareholder's agreement with FCWS which gives the Parent Company the exclusive control and decision over the relevant activities of FPGI.

The Group owns 50% shares of COLI and has assessed that it has control since it holds significantly more voting rights than any other shareholder as other shareholdings are widely dispersed. The Parent Company exercises power to govern the financial and operating policies of COLI and majority of its BOD are also BOD of the Parent Company.

Distinction between Property and Equipment and 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 current 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). The Group considers each property separately in making its judgment. The Group considers each property separately in making its judgment.

Classification as Non-current Assets Held for Sale

The Group classifies its assets as NCAHFS by identifying if their carrying value will be recovered principally through a sale transaction rather than through continuing use and if the sale is considered highly probable. The Group commits to the plan to sell the asset and expects the sale to be completed within one year from the date of the classification (subject to limited exceptions). Actions required to complete the plan indicates that it is unlikely that plan will be significantly changed or withdrawn.

<u>Estimates and Assumptions</u>

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 year are as follows:

Credit-impaired financial assets
A financial asset is credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

- The borrower is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is experiencing financial difficulty or is insolvent;
- The borrower is in breach of financial covenant(s);
- Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

As of August 31, 2023 and 2022, credit-impaired receivables amounted nil and nil million, respectively. Carrying value of receivables amounted to ₱3.94 million and ₱3.54 million as of August 31, 2023 and 2022, respectively (see Note 6 and 26).

The Group's amount owed by related party has carrying value of ₱144.60 million as at August 31, 2023 (see Note 23). The Group deemed that there is no impairment on the amounts owed by the related party after considering the historical data analysis of amounts owed by related party written-off and effects of any potential value when realized and payment terms and conditions. The Group believes that this will be collected hence, provision for ECL relating to time value of money is insignificant and not recognized.

The carrying value of cash in banks is ₱160.70 million as at August 31, 2023 (see Note 5). The Group assessed that the credit risk on cash in banks did not increase significantly since initial recognition considering that the cash in banks are held by financial institutions with low credit risk or equivalent to investment grade quality. As a result, the Company only measured the loss allowance for cash in banks at an amount equal to 12-month ECL.

Provision for ECLs of Receivables and Amounts Owed by Related Parties

The Group uses a provision matrix to calculate ECLs for receivables and amounts owed by related parties. The provision rates are based on days past due for groupings of customers that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Estimation of Impairment of Deposit for Future Stock Investment

The Group uses external approach in calculating the impairment for deposit for future stock investment. Under external approach, the Group based its probability of default using the external credit ratings or benchmarking using relative companies that has similar nature of business, and its loss given default based on recovery rate from the data gathered. The Group uses the 'Low credit risk simplification' in assessing significant increase in credit risk. A financial asset which remains to have 'low' credit risk will continue to recognize 12-month impairment. When its credit risk increase to 'moderate' or 'high', the Group will consider recognizing a lifetime allowance.

Investment Properties at Cost-model

The Group uses cost-model to measure all its investment properties as it will reduce the profit volatility of the Group. The Group believes that using the fair value model considering the cyclical nature of the real estate industry will lead to increases and decreases in the value of real estate, which in turn will lead to volatile financial report which will reduce the predictive value of the Group's future financial performance.

The Group assessed that using the cost model as a measure will provide a more accurate value to its stakeholders as the use of fair value may lead to overstatement of the Group's profit report which is unrealistic to the Group's current cash profit.

Estimating allowance for impairment of non-financial 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.

Other Current Assets

The Group reviewed if there is an indication of possible impairment, the recoverable amount of assets is estimated and compared with their carrying value and determined that there is no indication that the assets have suffered impairment loss.

The carrying values of prepayments and other current assets amounted to ₱112.55 million and ₱81.23 as at August 31, 2023 and May 31, 2023 (see Note 8).

Non-current Assets Held for Sale

The Group recalculates any impairment loss based on the difference between the adjusted carrying amounts of the asset and fair value less costs to sell. No impairment loss was recognized by the Group in 2023.

Investment Properties and Property and Equipment

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 value 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 value. 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.

The carrying values of investment properties amounted to ₱670.01 million and ₱670.42 million as at August 31, 2023 and May 31, 2023, net of accumulated depreciation amounting to ₱32.10 million and ₱31.69 million as at August 31, 2023 and May 31, 2023, respectively (see Note 12).

The carrying values of property and equipment amounted to ₱1.01 billion and ₱1.00 billion, net of accumulated depreciation and accumulated impairment amounting to ₱418.75 million and ₱ 415.57 million as at August 31, 2023 and May 31, 2023, respectively (see Note 13).

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.

The Group makes the assessment of whether an inventory (or group of similar items) is impaired by comparing the carrying amount of each item of inventory (or group of similar items) with its net realizable value.

The carrying values of inventories amounted to ₱0.16 million and ₱0.21 million as at August 31, 2023 and May 31, 2023, respectively which are lower than their NRV.

Estimating useful lives of investment properties and property and equipment, except land

The estimated useful lives used as basis for depreciating the Group's investment properties and property and equipment, excluding land, 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, excluding land in August 2023 and May 2023. The estimated useful lives of investment properties and property and equipment, excluding land are disclosed in Note 3 to the consolidated financial statements.

The carrying values of investment properties, except for land, amounted to ₱8.04 million and ₱8.44 million as at August 31, 2023 and May 31, 2023, respectively (see Note 12). The carrying values of property and equipment, except land, amounted to ₱165.29.and ₱158.99 million as at August 31, 2023 and May 31, 2023, respectively (see Note 13).

Estimating realizability of deferred tax assets

The Group reviews the carrying amounts of deferred 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 tax assets to be utilized.

Estimating retirement benefits 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 15 to the consolidated financial statements, and include among others, discount rates and salary increase rates.

In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the retirement benefits liability.

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 benefits liability.

Changing market conditions, in conjunction with discount rate fluctuations, will lead to volatility in the Group's retirement benefits liability on the consolidated statements of financial position and retirement benefits costs on the consolidated statements of loss.

Retirement benefit obligation amounted to ₱5.56 million and ₱5.56 million as at August 31, 2023 and May 31, 2023 (see Note 15).

5. Cash and Cash Equivalents

	August 31, 2023	May 31, 2023
Cash on hand	**1,727,045**	180,037
Cash in banks	**158,962,502**	102,014,316
Short Term Investments		100,000,000
	₱ 160,689,546	₱ 202,194,353

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱8,613 and ₱133 in August 31, 2023 and 2022, respectively, as presented as under "Other income (charges) net" in consolidated statements of loss.

6. Trade and Other Receivables

	August 31, 2023	May 31, 2023
Trade	**₱ 3,490,766**	₱ 3,184,886

Others	**444,335**	353,335
	3,935,101	3,538,221
Less: allowance for ECL	**-**	-
Total	**₱ 3,935,101**	₱ 3,538,221

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

	August 31, 2023	May 31, 2023
Beginning	–	-
Provision for ECL	–	-
Reversal/Recovery		
Write-off		
	–	-

Trade receivables are non-interest bearing and are normally settled on 30 to 60 days term. Others are non-interest bearing and are generally collectible on demand. This includes outstanding receivables from contractors, and receivables from officers and employees.

The Group does not hold any collateral over these balances, nor does it have a legal right to offset against any amount owed by the Group to the counterparty.

Trade receivables from third parties were provided with allowance amounting to nil as at August 31, 2023 and May 31, 2023.

7. Inventories

	August 31, 2023	May 31, 2023
At cost:		
Beverage	**₱ 85,105**	₱ 86,613
Operating supplies	**–**	–
Food	**70,667**	121,132
General supplies		-
Others		-
	₱ 155,773	₱ 207,745

The carrying amount of inventories as at August 31, 2023 and May 31, 2023 are lower than its NRV. There were no purchase commitments and accrued net losses on the same as at August 31, 2023 and May 31, 2023.

Cost of inventories that were charged to cost of sales amounted to nil and nil million as at August 31, 2023 and 2022, respectively (see Note 15).

8. Prepayment and Other Current Assets - net

	August 31, 2023	May 31, 2023
Input VAT	**₱ 64,976,660**	₱ 62,721,099
Deferred Input VAT	**961,232**	961,232
Creditable withholding tax	**1,236,446**	1,236,446
Prepayments	**29,369,778**	305,679
Advances to third party		-
Others	**16,002,921**	16,002,921
	₱ 112,547,037	₱ 81,227,377

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

Deferred input VAT includes current portion of input VAT on capital goods of which the acquisition cost exceeds ₱1,000,000 to be amortized in subsequent periods and input VAT of unpaid purchases of services.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Parent Company's financial assets at FPVL is as follows:

	Note	2023	2022
Unit in investment in debt and equity securities			
Balance at beginning of the year		**-**	-
Acquisition		**300,000,000**	-
Unrealized fair value gain	**20**	**25,489,354**	-
Balance at the end of year		**₱ 325,489,354**	-

On June 11, 2022 the Parent Company entered into an agreement with JP Guilds, Inc. to facilitate the Parent Company's investment abroad amounting to ₱300 million (see Note 23), recorded under "financial assets at fair value through profit or loss". There is no specified term indicating until when JP Guilds, Inc. will manage the investment, however, the Parent Company may withdraw these investments following a notice period from 30 to 60 days. The investment manager regularly sells their investments in response to increasing market prices and buys new investments when market prices decline, which is an indication that such investments are held for trading.

The Parent Company's investments are composed of:

	2023	2022
Equities, equity funds, and certificates	**30,073,256**	–
Options, futures, and certificates	**1,003,749**	–
Deposits and DCI	**145,303,088**	–
Current accounts	**153,655,013**	–
Loans	**(4,545,752)**	–
	325,489,354	–

The fair values of investments have been determined directly by reference to the published prices in an active market or from the net asset value provided by its investment managers.

The Group earned interest income amounting to ₱22.12 million, nil and nil in 2023, 2022 and 2021, respectively (see Note 20).

The Group paid a flat fee to JP Guilds, Inc. for managing its investments, recorded as part of "professional fees" under administrative expenses in Note 18.

10. NON-CURRENT ASSETS HELD-FOR-SALE

On February 22, 2019, the Group's management informed its stockholders the plan to sell its portfolio of Bcondominium units, as management wants to focus on its resort business in key tourist destinations.

As at May 31, 2019, condominium units with related cost and accumulated depreciation of ₱41.88 million and ₱25.87 million, respectively, and an aggregate fair value less cost to sell amounting to ₱55.34 million was reclassified as "Non-current assets held-for-sale" as part of thecurrent assets in the consolidated statements of financial position.

On August 8, 2019, the Parent Company sold several condominium units with related cost and accumulated depreciation of ₱6.54 million and ₱4.41 million, respectively. The proceeds from sale of the condominium units amounted to ₱10.22 million. The Group has recognized gain on sale of properties amounting to ₱8.09 million.

As at May 31, 2022, the management believes that the sale of these assets is no longer highly probable, thus, its classification as non-current assets held for sale is ceased. Condominium units with related cost and accumulated depreciation of ₱35.35 million and ₱21.45 million, respectively, and an aggregate fair value amounting to ₱50.14 million was reclassified as "Investment properties" (see Note 12).

As at May 31, 2023 and 2022, there are no noncurrent assets held for sale.

11. LOANS RECEIVABLE

In 2023 and 2022, FHI transferred amounts of ₱14 million and ₱11.50 million, respectively, to a third party, totaling ₱25.50 million. Out of this total, ₱12.50 million represents payment for the acquisition of land in Balabag (see Note 13). The remaining ₱13 million is designated as a loans receivable from a third party, as formalized on June 30, 2023. This loan is characterized as non-interest-bearing and is due for repayment on or before the expiration of a five (5) year period from the date of the loan agreement.

No provision for impairment was recognized since the Company believes that no objective evidence exist that it will not be able to collect all amounts due according to the original terms ofthe receivables.

As of May 31, 2023 and 2022, the loans receivable amounted to ₱13 million and nil, respectively.

No portion of receivables has been pledged as collateral for a financial liability.

12. Investment Properties - net

August 31, 2023

	Land	Condominium Units	Total
Cost	**₱ 661,973,270**	**₱ 40,134,005**	**₱ 702,107,275**
Accumulated depreciation:			
Beginning balance		**31,690,586**	**31,690,586**
Depreciation		**404,809**	**404,809**
Ending balance		**32,095,395**	**32,095,395**
Net book values	**₱ 661,973,270**	**₱ 8,038,610**	**₱ 670,011,880**

May 31, 2023

	Land	Condominium Units	Total
Cost:			
Beginning balances	₱ 661,973,270	₱ 40,134,005	₱ 702,107,275
Reclassification	-	-	-
Ending balances	661,973,270	40,134,005	702,107,275
Accumulated Depreciation:			
Beginning balance	–	30,071,349	30,071,349
Depreciation	–	1,619,237	1,619,237
Reclassification	–	–	–
Ending balance		31,690,586	31,690,586
Adjustments (Investment Properties sold):		–	–
Net book values	₱ 661,973,270	₱ 8,443,419	₱ 670,416,689

The Group's investment properties include parcels of land located in Barangay Sapang, Ternate, Cavite, with a total land area of 1,066,012 sqm, which is currently held for capital appreciation. The fair value of the land, which has been determined based on the latest valuations performed by an independent licensed real estate appraiser dated August 31, 2022.

The Group assessed that the highest and best use of the land is for mixed used (i.e., residential and recreational utility). Highest and best use is the most probable use of a property which is physically possible, appropriately justified, legally permissible, and financially possible.

On May 18, 2022, the Group entered into an agreement to sell a portion of land to Solaire Entertainment Property Holdings, Inc. (SEPHI) with a total land area of 281,932 sqm for a total amount of ₱1.27 billion, exclusive of VAT. The Group has recognized gain from such sale amounted to ₱1.03 billion. Total broker's commission incurred from such sale amounted to ₱227 million.

Also included in the investment properties are condominium units, the aggregate fair value, which has been determined based on the latest valuations performed by independent licensed real estate appraiser dated August 28, 2019, amounted to at least ₱56.81 million.

The aggregate fair value of the investment properties as at May 31, 2023 and 2022 amounted to ₱1.86 billion and ₱1.65 billion, respectively. The fair value of the investment properties has been determined based on the latest valuations performed by independent licensed real estate appraisers. Fair value represents the price that would be reserved to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. exit price).

The investment property is categorized under Level 2 of the fair value hierarchy and the valuation method used was the Sales Comparison Approach. This approach is a comparative method to value the investment property considering the sale of similar or substitute properties and related market data and establishes a value estimate. Listings and offering are also considered.

13. Property and Equipment

August 31, 2023

	Land	Condominium Units	Building and Building Equipment	Office Equipment	Transportation Equipment	Furniture and Fixtures	Machinery and Equipment	Operating Equipment	Computer Equipment and Software	Construction in Progress	Total
Cost:											
Beginning balances	845,184,737	10,936,697	438,583,609	5,576,902	11,088,323	22,823,342	18,587,096	15,152,951	1,281,783	50,533,239	**1,419,748,679**
Additions		–	-	41,603	1,020	–	–	–	–	9,433,950	**9,476,033**
Disposals / Write off	–	–	–	–	–	–	–	–	–		
Ending balance	**845,184,737**	**10,936,697**	**438,582,609**	**5,617,965**	**11,089,343**	**22,823,342**	**18,587,096**	**15,152,951**	**1,281,783**	**59,967,189**	**1,429,224,712**
Accumulated depreciation:											
Beginning balances	–	–	301,591,931	5,576,902	10,645,807	19,964,922	8,917,764	15,152,953	940,457	–	**362,790,736**
Depreciation (notes 13 & 14)	–	–	2,307,383	-	143,357	437,843	239,456		49,134	–	**3,177,173**
Ending balances	**–**	**–**	**303,899,314**	**5,576,902**	**10,789,164**	**20,402,765**	**9,157,220**	**15,152,953**	**989,591**	**–**	**365,967,909**
Accumulated Impairment											
Beginnng Balances	–	–	–	–	–	–	–	–	–	52,779,908	**52,779,908**
Impairment Loss	–	–	–	–	–	–	–	–	–	–	**–**
Ending balances	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52,779,908**	**52,779,908**
Net Book Value	**845,184,737**	**10,936,697**	**134,684,295**	**41,063**	**301,179**	**2,420,577**	**9,429,876**	**-**	**292,192**	**7,187,281**	**1,010,476,894**

May 31, 2022

	Land	Condominium Units Units	Building and Building Equipment	Office Equipment Equipment	Transportation Equipment	Furniture and Fixtures Fixtures	Machinery and Equi Equipment	Operating Equipment	Computer Equipment and Software	Construction in Progress	Total
Cost:											
Beginning balances	729,684,737	14,202,350	428,079,745	2,100,077	11,088,324	35,119,789	18,973,757	5,946,671	1,281,783	38,306,411	**1,285,021,144**
Additions	115,500,000	–	7,000,711	–	–	-	–	–	–	12,226,828	**134,727,539**
Disposal/writeoff	–	–	–	–	–	–	–	–	-	–	**-**
Reclassification			237,500							(237,500)	**-**
Ending balance	**845,184,737**	**14,202,350**	**435,317,956**	**2,100,077**	**11,088,324**	**35,119,789**	**18,973,757**	**5,946,671**	**1,281,783**	**50,533,239**	**1,419,748,683**
Accumulated depreciation:											
Beginning balances	–	13,221,705	253,983,878	2,100,077	10,072,380	30,448,279	8,323,784	5,935,294	684,100	–	**324,769,497**
Depreciation (notes 13 & 14) –		643,398	33,742,950		573,427	1,818,056	980,640	6,413	256,356	–	**38,021,241**
Other Adjustments	–	–	–	–	–	–	–	–	-	–	**-**
Ending balances		**13,865,104**	**287,726,828**	**2,100,077**	**10,645,807**	**32,266,335**	**9,304,424**	**5,941,707**	**940,456**	–	**362,790,738**
Accumulated Impairment											
Beginnng Balances		–	–	–	–	–	–	–	-	38,306,411	**38,306,411**
Impairment Loss –		–	**14,473,497**	-	–	–	–		-	–	**14,473,497**
Ending balances	–	–	**14,473,497**	**-**	–	–	–	**-**	–	**38,306,411**	**52,779,908**
Net Book Value	**845,184,737**	**337,246**	**133,117,631**	**-**	**442,517**	**2,853,454**	**9,669,333**	**4,964**	**341,327**	**12,226,828**	**1,004,178,037**

Construction-in-progress
The construction in progress of the Group pertains to the construction of Friday's Puerto Galera and Friday's Boracay.

In December 2017, FPGI has started its commercial operation with 4 cluster villas equivalent to 16 rooms. In March 2018, another 2 cluster villas were completely constructed and used in the operation resulting to an additional 8 rooms - a total of 24 available rooms. The remaining 2 other cluster villas are still to be constructed as at May 31, 2022.

In 2021, the Group's project consultant recommended the demolition and reconstruction of the CIP as a result of damages caused by a typhoon and for failing to meet the quality standards of the Group. The Group has recognized loss on write-off for the whole amount of such CIP amounting to nil. The Group's net carrying value of CIP relating to FPGI amounted to ₱12.36 million as at May 31, 2023.

In 2018, renovations of various guest rooms, swimming pool, and construction of the sewerage treatment plants in Friday's Boracay were initiated but were suspended with further delays due to COVID-19.

In 2021, the Group has determined that there is indication that an impairment loss has occurred in its CIP, thus, the Group has provided an allowance for the whole amount of such CIP amounting to ₱38.31 million, as the management has yet to decide its course of action to undertake. The Group's net carrying value of CIP relating to FHI amounted to ₱0.24 million as at May 31, 2023.

Land
Land pertains to costs of properties, including its land properties in Boracay for which the titles have not yet been granted to the Group.

Land in Boracay
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 the Boracay Island 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 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. Should there be a change in ownership documentation by the Local Government Unit in Boracay from the tax declaration to the Transfer of Certificate Title (TCT) as proof of ownership, the Group will register under the new scheme to properly secure the ownership claims of the parcels of land owned by the Group.

Land in Moal Boal
On January 10, 2010, FHI entered into a Memorandum of Agreement (MOA) with Tri-Island Corporate Holdings, Inc. (TCHI, seller) to purchase parcels of land located in Moal Boal, Cebu with an area of 353,810 sqm. FHI intends to develop the parcels of land into a boutique hotel to be known as Friday's Moal Boal Beach Resort.

On September 19, 2017, an Addendum to the MOA was executed by the parties stating that TCHI shall effect the transfer of 150,750 sqm land parcels in Moal Boal, Cebu in favor of FHI, which will be settled through the application of the deposit on land acquisition accumulated as at this date amounting to ₱301.82 million. TCHI shall transfer and turn over the possession of the portion of the properties to FHI or its representative, who may thereafter enter into the properties to survey its boundaries and to secure the same against any unauthorized entry or other acts prejudicial to the ownership and possession, by posting guards and erecting a perimeter fence, among other things.

In addition, the remaining 203,060 sqm land parcels for ₱406.12 million shall be covered by a separate agreement and that as at May 31, 2023, no related agreement has been entered into by both parties.

All additions for the years ended May 31, 2023 were paid in cash. The Group has no outstanding contractual commitments to acquire certain property and equipment and there are no existing restrictions and pledges as security for liability on the property and equipment as at May 31, 2023.

14. Trade and Other Payables

	August 31, 2023	May 31, 2023
Trade	**₱ 16,973,124**	₱ 17,907,012
Accrued services	**43,615,562**	44,719,344
Taxes and government payables	**34,240,753**	34,218,416
Accrued utilities	**10,703,423**	10,695,923
VAT Payable	**2,945,899**	2,135,402
Others	**39,372,424**	38,849,191
	₱ 147,851,185	₱ 148,525,288

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

Accrued services contain the accruals for audit fees, security services, professional fees, salaries and benefits, and others. These are based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the end of the financial reporting date.

Taxes and government payables comprise of taxes payable to Bureau of Internal Revenue such as VAT, EWT, withholding tax on compensation, and others, contributions payable to Social Security System, PhilHealth, and Home Development Mutual Fund, and payables to the municipalities for business permits.

Accrued utilities include accruals for electricity, water and others. These are generally payable on the month following the month of receipt of billing.

VAT payable comprises of FHI's output VAT, net of input VAT.

Contract liability pertains to guests' deposits made for reservations which are generally nonrefundable and are expected to be earned within 1 year.

Other liabilities include accrual for claims, advertising, insurance, interests, and other non-trade payables.

15. Retirement Benefit Liability

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 benefits are equal to a percentage of final monthly salary for every year of credited service. The latest independent actuarial valuation report as at May 31, 2023 for the Group is determined using the projected unit credit method. The retirement benefits obligations balance of ₱5,556,187 as at August 31, 2023.

Changes in present value of retirement benefits liability are as follows:

	August 31, 2023	May 31, 2023
Beginning balances	**₱ 10,838,369**	₱ 10,838,369
Benefits paid	**(3,590,970)**	(3,590,970)
Retirement benefit costs	**(17,585,649)**	(17,585,649)
Actuarial gains - net	**15,894,437**	15,894,437
Ending Balances	**₱ 5,556,187**	₱ 5,556,187

Changes in present value of defined benefit obligations are as follows:

	August 31, 2023	May 31, 2023
Beginning balances	**₱ 10,838,369**	₱ 10,838,369
Benefits paid	**(3,590,970)**	(3,590,970)
Current service cost	**593,596**	593,596
Past Service Cost - Curtailment	**(18,609,789)**	(18,609,789)
Interest cost	**430,544**	430,544
Actuarial gains (losses) due to:		
Experience adjustments	**(158,894)**	(158,894)
Changes in financial assumptions	**661,595**	661,595
Changes in demographic assumptions	**15,391,736**	15,391,736
Ending balances	**₱ 5,556,187**	₱ 5,556,187

Actuarial gains attributable to:		
Equity holders of the parent	**₱ 3,889,331**	₱ 3,889,331
Non-controlling interest	**1,666,856**	1,666,856
Ending balances	**₱ 5,556,187**	₱ 5,556,187

16. Revenues and Costs of Sales and Services

Revenues

	August 31, 2023	August 31, 2022
Sales of Services		
Rooms	**₱ 3,918,147**	₱ 4,502,919
Sales of Goods and Services		
Food and beverage	**2,863,139**	2,716,858
Others		
Others	**358,152**	110,842
	₱ 7,139,438	₱ 7,330,619

Costs of Sales and Services

	August 31, 2023	August 31, 2022
Property, operations and maintenance	**₱ -**	₱ 157,978
Depreciation	**3,371,999**	8,340,028
Rooms	**520,623**	182,615
Food and beverage	**1,607,781**	1,194,667
Others	**1,652,666**	263,379
	₱ 7,153,069	₱ 10,138,667

Contract Balances
The Group has no contract assets and contract liabilities as at May 31, 2023 and 2022.

Performance Obligations
For the sale of goods and services, the performance obligation is satisfied when food and beverages are sold, and services are rendered. Payment is generally due immediately as the customer receives the goods and services except for some customers with specific credit terms. The Group applies the practical expedient and does not disclose information about the remaining performance obligations that have original expected durations of 1 year or less.

Cost of food and beverages pertains to the acquisition of edible items saleable within the Resort Hotel's restaurant, rooms, and bar/minibar as well as the salaries of the kitchen and restaurant personnel.

Similar with cost of food and beverages, property, operations and maintenance include the salaries and wages of the security agencies, engineering, and the likes, as well as water and electricity consumption within the Resort Hotel.

Expenditures related to the rooms are comprised of salaries intended for front office personnel, housekeepers, masseuse, guest care amenities, and fuel for diesel generator (i.e. genset).

17. General, Administrative and Selling

	August 31, 2023	August 31, 2022
Personnel costs	**₱ 3,309,543**	₱ 1,795,259
Professional fees	**7,459,060**	3,879,672
Depreciation	**209,984**	1,023,241
Insurance	**2,462**	756,718
Repairs and maintenance	**713,136**	217,127
Dues and subscription	**586,265**	929,789
Commission	**317,468**	142,647
Travel and transportation	**1,533,092**	719,967
Management fees	**-**	401,152
Communications	**250,567**	88,499
Power, light and water	**123,404**	143,520
Advertising and promotion	**121,545**	230,840
Supplies	**377,477**	372,374
Fuel and Oil	**-**	36,453
Rental	**86,875**	49,790
Fees and licenses	**5,041,380**	734,202
Security services	**795,157**	165,523
Entertainment, amusement and recreation	**474,723**	293,831
Miscellaneous	**815,699**	2,399,376
	₱ 22,217,837	₱ 14,379,979

Personnel costs refers to the salaries, wages, and other employee benefits of the administrative employees.

Professional fees consist of services obtained for legal matters, audit services, contractor services, actuary, appraisal, and others.

Fees and licenses pertain to the business permits, community tax certificate, barangay clearance, other local government taxes.

Power, light, and water are services incurred based on actual consumption of electricity, water, and cable television costs.

Management fees pertains to the services performed by Anglo-Asian Strategic Management, Inc. (AASMI) based on certain percentage of gross income.

Miscellaneous consist of miscellaneous operating expenses and other non-capitalizable expenses incurred during the year.

18. Personnel Costs

	August 31, 2023	August 31, 2022
General, administrative and selling	**₱ 3,309,543**	₱ 1,795,259
Cost of sales and services	**–**	–
	₱ 3,309,543	₱ 1,795,259

19. Income (Loss) Per Share

Basic loss per share attributable to equity holder of the Parent was computed as follows:

	August 31, 2023	August 31, 2022
Net income (loss)	**18,090,652**	(12,565,155)
Weighted average number of common shares	**14,400,000,000**	12,000,000,000
Income (Loss) per share	**(0.00126)**	(0.00105)

There were no common stock equivalents outstanding in August 2023 and 2022 that would require calculation of diluted earnings per share.

20. 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		Amount/ Volume	Outstanding Balances	Terms	Condition
Amounts owed by related party					
Under Common Control					
PALI					
	8/31/2023	**-**	₱ 72,673,611	Settle through cash	Collectible on demand;
	5/31/2023	16,652,943	₱ 72,673,611	noninterest-bearing advances	Unsecured; impaired
Others					
	8/31/2023	45,450,498	162,707,071	Settle through cash	Collectible on demand;
	5/31/2023	26,438,371	116,990,875	noninterest-bearing advances	Unsecured; impaired
TOTAL					
	8/31/2023	45,450,498	**₱ 235,144,984**		
	5/31/2023	43,091,314	₱ 189,664,486		
Less: Allowance for Impairment Losses					
	8/31/2023	-	90,552,504		
	5/31/2023	-	90,552,504		
TOTAL					
	8/31/2023	45,450,498	144,592,480		
	5/31/2023	43,091,314	99,111,982		

Related Party	Period	Amount/ Volume	Balances	Terms	Condition
Amounts owed to related parties					
Under Common Control					
JP Guilds, Inc.				Settle through cash,	
	8/31/2023	**–**	**₱ 16,961,901**	Interest-bearing	Payable on Demand;
	5/31/2023	(57,166,051)	16,961,901	0-16% per annum	unsecured
CALA				Settle through cash,	
	8/31/2023	**–**	**₱ 295,754**	Interest-bearing	Payable on Demand;
	5/31/2023	–	295,754	0-16% per annum	unsecured
AASMI					
	8/31/2023	**-**	**₱ 1,095,174**	Settle through cash,	Payable on
	5/31/2023	(5,024,299)	1,095,174	noninterest-bearing advances	Demand; unsecured
Others					
	8/31/2023	**28,126,453**	**₱ 28,126,453**		
	5/31/2023				

TOTAL					
	8/31/2023	**₱ 28,126,453**	**₱ 46,479,282**		
	5/31/2023	(62,190,350)	18,352,829		

Related Party	Period	Amount/ Volume	Balances	Terms	Condition
Management services					
Under Common Control					
AASMI	**8/31/2023**	₱ –	₱ 1,071,107	Management fee computed as 2% of gross income, plus 10% of gross operating profit and 5% of net income	Due monthly and payable on or before the following month
	5/31/2023	–	1,071,107		

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

- Amounts owed by related parties which consist mainly of non-interest-bearing advances for working capital requirements which are due and demandable anytime. The Group has no approval requirement and limits on the amount and extent of its related party transactions.

21. Agreements and Commitments

a. On January 10, 2010, FHI entered into a MOA with TCHI, a company under common control, to purchase parcels of land located in Moal Boal, Cebu with an area of 353,810 sqm. FHI intends to develop the parcels of land into a resort property to be known as Friday's Moal Boal Beach Resort.

   On September 19, 2017, an Addendum to the MOA was executed by the parties stating that TCHI shall effect the transfer of 150,750 sqm land parcels in Moal Boal, Cebu in favor of FHI, and which will be settled through the application of the deposit on land acquisition accumulated as at this date amounting to ₱301.82 million. TCHI shall transfer and turn over the possession of the portion of the properties to FHI or its representative, who may thereafter enter into the properties to survey its boundaries and to secure the same against any unauthorized entry or other acts prejudicial to the ownership and possession, by posting guards and erecting a perimeter fence, among other things. In addition, the remaining 203,060 sqm land parcels for ₱406.12 million shall be covered by a separate agreement and that as at May 31, 2022, no related agreement has been entered into by both parties.

b. On October 30, 2017, JP Guilds, Inc. provided advances to FHI with an interest rate per annum, payable on demand amounting to ₱35 million. These advances were intended for the daily operations and business expenses of FHI. Subsequently, interest rate on these advances were changed to a range varying from 0% to 16% per annum. Interest expense incurred from advances amounted to ₱.9 million, ₱1.17 million and ₱1.24 million for the years ended May 31, 2022, 2021, and 2020 respectively.

c. FHI entered into a management agreement with AASMI in May 2006 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 FHI for a fee based on certain percentages of FHI's gross income, gross operating profit and net income. The agreement shall continue for 5 years, subject to renewals or extensions on terms as may be mutually agreed upon by the parties. This was subsequently renewed in May 2011, for another 5 years. The contract is extended and is subject for renewal as mutually agreed between the parties as at May 31, 2023 and 2022.

   FPGI entered into a management agreement with AASMI in May 2019. The agreement contains substantially the same provisions as that of FHI. The agreement shall continue for 5 years, subject to renewals or extensions on terms as may be mutually agreed upon by the parties.

Management fees incurred amounted to ₱0.20 million, ₱2.33 million and nil for the years ended May 31, 2023, 2022, and 2021, respectively.

d. The Parent Company leases its office premises in Makati from a third party. The lease is for a period of 1 year commencing August 2018 to 2019. The lease was subsequently renewed with 10% increase in rate for another year and was terminated thereafter in August 2020. The Parent Company recorded rent expense amounting to nil, nil and ₱0.33 million for the years ended May 31, 2023, 2022, and 2021, respectively.

   In addition, FHI and FPGI also entered into various one-time low-value lease agreements with various lessors for staff accommodations and equipment. FHI recorded rent expense amounting to nil, nil, and ₱0.01 million for the years ended May 31, 2023 and nil for both years ended May 31, 2022 and 2021, respectively. FPGI recorded rent expenses amounting to ₱0.14 million ₱0.59 million, ₱0.15 million for the years ended May 31, 2023, 2022 and 2021, respectively.

   Total rent expense recognized amounted to ₱0.20 million, ₱0.59 million, and ₱0.48 million for the years ended May 31, 2023, 2022 and 2021, respectively.

e. 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 1 year, renewable depending on the agreement of the contracting parties.

   Total rental income earned from these assets amounted to nil, nil, and ₱0.26 million for the years ended May 31, 2023, 2022, and 2021, respectively.

   The future minimum leases collectible within 1 year for the operating lease amounted to nil for the years ended May 31, 2022, 2021, and 2020, respectively.

f. The Parent Company and CALA jointly signed a contract with Jones Lang LaSalle (Philippines), Inc. as Marketing Advisor in June 2012. 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.

   The Group has no broker's commission for the years ended May 31, 2023 and 2022 respectively, and incurred broker's commission ₱0.03 million for the years ended May 31, 2021.

22. 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, trade and other receivables, amounts owed by related parties, deposit for future stock investments, trade and other payables (excluding taxes and government payables, VAT payable and contract liability), amounts owed to related parties, customer's deposits and deposit for future stock subscription. The main risks from the use of financial instruments are credit and liquidity risk. The Group has minimal exposure on interest rate risk since its advances from related parties are short-term and bear fixed interest rate.

The Group does not have foreign currency risk because of minimal monetary assets and liabilities denominated in foreign currency as at August 31, 2023 and May 31, 2023.

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

Credit Risk

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

Trade and other receivable balances are monitored on an ongoing basis. Provision for impairment losses on trade and other 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 maximum exposure to credit risk of the Group's financial assets, without taking into account any collateral and other credit enhancements:

	August 31, 2023	May 31, 2023
Cash in banks	**₱ 158,962,501**	₱ 202,014,316
Trade and Other receivables	**3,935,101**	3,538,221
Amount owed by related parties	**144,592,480**	99,111,982
Financial Assets at Fair Value through profit or loss	**325,489,354**	325,489,354
Loan Receivable	**13,000,000**	13,000,000
	₱ 645,979,436	₱ 643,153,873

The tables below show the aging analyses of past due but not impaired receivables per class that the Group held as at August 31, 2023 and May 31, 2023. A financial asset is past due when a counterparty has failed to make payment when contractually due.

August 31, 2023

	Neither past due nor impaired	**Past due but not impaired**		**Impaired**	**Total**
		30-90 days	**Over 90 days**		
Cash in banks	**₱ 158,962,501**	–	–	–	**₱ 158,962,501**
Receivables trade	**3,935,101**				**3,935,101**
Amount owed by related parties	**144,592,480**	–	–	–	**144,592,480**
Financial assets at Fair Value through profit or loss	**325,489,354**				**325,489,354**
Loan Receivable	**13,000,000**				**13,000,000**
Debt Instrument at FVOCI				**80,271,484**	**80,271,484**
	₱ 645,979,436	–	–	**80,271,484**	**₱ 726,250,920**

May 31, 2023

	Neither past due nor impaired	Past due but not impaired		Impaired	Total
		30-90 days	Over 90 days		
Cash in banks	₱ 202,014,316	–	–	–	₱ 202,014,316
Receivables Trade	3,538,221	–	–	–	3,538,221
Amount owed by related parties	99,111,982	–	–	-	99,111,982
Financial assets at Fair Value through profit or loss	325,489,354	–	–	-	325,489,354
Loan Receivable	13,000,000	–	–	–	13,000,000
Debt Instrument at FVOCI				80,271,484	80,271,484
	₱ 643,153,873	–	–	₱ 80,271,484	₱723,45,357

The table below shows the credit quality by class of financial assets based on the Group's credit rating system.

August 31, 2023

	High	Standard	Low	Impaired	Total
Cash in banks	**₱ 158,962,501**	**–**	**–**	**–**	**₱ 158,962,501**
Financial assets at Fair Value through profit or loss	**325,489,354**				**325,489,354**
Receivables					
Trade	**3,935,101**	**–**	**–**	**–**	**3,935,101**
Amounts owed by related parties	**144,592,480**	**–**	**–**	**–**	**144,592,480**
Loan Receivable			**13,000,000**		**13,000,000**
Debt Instrument at FVOCI	**–**	**–**	**–**	**80,271,484**	**80,271,484**
	₱ 632,979,436	**–**	**13,000,000**	**80,271,484**	**₱ 726,250,920**

May 31, 2023

	High	Standard	Low	Impaired	Total
Cash in banks	₱ 202,014,316	–	–	–	₱ 202,014,316
Financial assets at Fair Value through profit or loss	325,489,354				325,489,354
Receivables					
Trade	3,538,221	–	–	–	3,538,221
Amounts owed by related parties	99,111,982	–	–	–	99,111,982
Loan Receivable			13,000,000		13,000,000
Debt Instrument at FVOCI	–	–	–	80,271,484	80,271,484
	₱ 630,153,873	–	13,000,000	80,271,484	₱ 723,425,357

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 standard quality. Low quality receivables are accounts from related parties which are past due for ninety (90) days or more.

Accordingly, the Group has assessed the credit quality of the following financial assets:

- Cash with banks are assessed as high grade since these are deposited in local, reputable banks duly approved by the Group's BOD.
- Trade and other receivables are assessed as standard grade since historical experience shows high probability of collection.
- Amounts owed by related parties classified as past due but not impaired are assessed as low grade since these pertain to related parties which the Group expects to collect.
- Deposit for future stock investment with recycling of cumulative gains and losses (debt instruments) are assessed as impaired since investment in CALA shows remote probability of consummation.

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 August 31, 2023 and May 31, 2023 based on contractual and undiscounted payments.

August 31, 2023

	On demand	Within 1 year	Total
Financial liabilities:			
Trade and other payables*	**₱ 147,851,185**	**₱ -**	**₱ 147,851,185**
Amount owed to related parties	**46,479,282**	**–**	**46,479,282**
Customers' deposit	**-**	**–**	**-**
Deposit for future stock subscription	**–**	**–**	**–**
	₱ 194,330,467	**-**	**₱ 194,330,467**
Financial assets:			
Cash	**₱ 160,689,546**	**–**	**₱ 160,689,546**
Financial assets at Fair Value through profit or loss	**325,489,354**	**–**	**325,489,354**
Trade and other receivables	**3,935,101**	**–**	**3,935,101**
Amounts owed by related parties	**189,664,486**	**–**	**189,664,486**
Loan Receivable	**-**	**13,000,000**	**13,000,000**
	₱ 679,778,487	**13,000,000**	**₱ 692,778,487**

**Excluding government and statutory liabilities and contract liabilities*

May 31, 2023

	On demand	Within 1 year	Total
Financial liabilities:			
Trade and other payables*	₱ 101,604,052	₱ 3,215,010	₱ 104,819,062
Amount owed to related parties	18,352,829	–	18,241,829
Customers deposit		–	-
	₱ 119,956,881	₱ 3,215,010	₱ 123,171,891
Financial assets:			
Cash	₱ 202,194,353	–	₱ 202,194,353
Financial assets at Fair Value through profit or loss	325,489,354		325,489,354
Trade and other receivables	3,538,221	–	3,538,221
Amounts owed by related parties	99,111,982	–	99,111,982
Loan Receivable		13,000,000	13,000,000
	₱ 630,333,910	13,000,000	₱ 643,333,910

**Excluding government and statutory liabilities and contract liabilities*

The Group expects to generate sufficient income in the future to cover its financial liabilities. Also JP Guilds, Inc. has been historically infusing capital to support the Group's expansion and working capital requirements.

<u>Capital Management</u>

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 with other companies engaged in real estate industry for tourist destination development, and commanding a significant share in the primary resort home market outside Metro Manila in the next five years, 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 stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the quarter ended August 31, 2023 and year ended May 31, 2023.

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

	August 31, 2023	May 31, 2023
Capital stock	**₱ 1,440,000,000**	₱1,200,000,000
Amount owed to related parties	**46,479,282**	18,352,829
	₱ 1,486,479,282	₱ 1,218,352,829

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

23. 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 August 2023 and August 2022 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 and leasing of investment properties

August 31, 2023

	Holding Company	Hospitality and Leisure	Total	Elimination	Total
Revenue	₱ –	₱ 7,139,438	₱ 7,139,438	–	₱ 7,139,438
Cost and expenses	(11,620,734)	(17,750,171)	(29,370,905)	–	(29,370,905)
Other income (charges)	36,222,434	90,991	36,313,424	–	36,313,424
Income (loss) before income tax	₱ 24,601,700	₱ (10,519,743)	₱ 14,081,957	–	₱ 14,081,957
Provision for income tax	–	–	–	–	–
Net income (loss)	₱ 24,601,700	₱ (10,519,743)	₱ 14,081,957	–	₱ 14,081,957
Segment assets	2,447,238,251	13,051,979	2,460,290,230	(1,322,265,319)	1,138,024,911
Segment liabilities	131,405,181	70,927,879	230,333,060	-	230,333,060

August 31, 2022

	Holding Company	Hospitality and Leisure	Total	Elimination	Total
Revenue	–	₱ 7,330,618	₱ 7,330,618	–	₱ 7,330,618
Cost and expenses	(7,204,474)	(17,573,506)	(24,777,979)	–	(24,777,979)
Other income (charges)	5,109	76,017	81,126	–	81,126
Loss before income tax	₱ 7,199,365	₱ (10,166,870)	₱ (17,366,235)	–	₱ (17,366,235)
Provision for income tax	–	–	–	–	–
Net income (loss)	₱ 7,199,365	₱ (10,166,870)	₱ (17,366,235)	–	₱ (17,366,235)
Segment assets	1,743,956,911	911,318,539	2,655,275,450	(569,923,025)	2,655,275,450
Segment liabilities	453,647,818	116,275,207	569,923,025	(32,041,298)	569,923,025

24. Equity

	Number of Shares	Capital Stock	Additional Paid in capital
Authorized shares - ₱.10 par value at beginning of the year	**14,400,000,000**	**1,440,000,000**	**621,984,337**
Authorized shares - ₱.10 par value at end of the year	**14,400,000,000**	**1,440,000,000**	**621,984,337**

On January 19, 2010, the SEC approved the amendment to increase its capital stock from 200 million divided into 2 billion shares with the par value of 0.10 each to 800 million divided into eight 8 billion shares with the par value of ₱0.10 each. The issuance of 6 billion new shares was in consideration for the acquisition of seven parcels of land, located at Ternate, Cavite with an aggregate area of 1.067 million square meters. The properties-for-shares swap arrangement was certified by the BIR as a tax-deferred exchange under Section 40(C)(2) of the Tax Code of 1997, in a certification issued on November 27, 2009. The 6 billion new shares were issued to JP Guilds, Inc. on February 9, 2010.

On February 28, 2012, the SEC approved to increase its capital stock from 800 million divided into 8 billion shares with the par value of 0.10 each to 1.20 billion divided into 2 billion shares with the par value of ₱0.10 each.

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 3,099.44 million unissued shares of the Parent Company worth ₱464.92 million at a subscription price of ₱0.15 per share based on the last five (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. The subscribed common shares representing the tranche are already fully paid as at May 31, 2016.

On December 12, 2013, JP Guilds, Inc., subscribed to 2,166,106,443 common shares amounting to ₱324.92 million, representing the second up to the fifth tranches of the subscription agreement. The subscribed common shares representing the said tranches are already fully paid as at May 31, 2018.

The Parent Company filed several Notices of Exemption during the fiscal year ended May 31, 2013 with the SEC for the issuance of the total 1.87 billion common shares and for the fiscal year ended May 31, 2014 for the issuance of the total 2.17 billion common shares which resulted in the full subscription of Parent Company's authorized capital stock of 12 billion common shares with the par value of ₱0.10 each. As at October 20, 2017, Parent Company's authorized capital stock has been fully paid up.

The Parent Company filed several Notices of Exemption during the fiscal year ended May 31, 2013 with the SEC for the issuance of the total 1.87 billion common shares and for the fiscal year ended May 31, 2014 for the issuance of the total 2.17 billion common shares which resulted in the full subscription of Parent Company's authorized capital stock of 12 billion common shares with the par value of 0.10 each. As at October 20, 2017, Parent Company's authorized capital stock has been fully paid up.

On December 29, 2018, the Group's BOD disposed its investment in foreign entity (Askar and Infocast) which has resulted to the transfer of the cumulative translation adjustment as 'OCI' reported in the Equity section of the consolidated statements of financial position to profit or loss.

On August 3, 2023, the Securities and Exchange Commission approved the increase in capital stock of BHI from 12,000,000,000 shares to 14,400,000,000 shares.

Deposit for Future Stock Subscription

On November 10, 2017, the BOD approved the increase in authorized capital stock from 12 billion shares to 14.4 billion shares with a par value of ₱0.10 per share. The increase in the authorized capital stock shall be subscribed by JP Guilds, Inc., a major shareholder, at the subscription price of ₱0.10 per share or ₱240 million. JP Guilds, Inc. have paid the Parent Company an amount of ₱34.95 million, which represents as deposit for future stock subscription recorded under the "non-current liability" account which shall be reclassified as "Capital stock" under the equity, upon issuance of shares of stocks. On March 12, 2021, the BOD reapproved the said increase in authorized capital stock. As at May 31, 2022, the Group has yet to file the increase in authorized capital stock with the SEC.

On March 4, 2021, the BOD approved to further increase its authorized capital stock from ₱1.44 Billion Pesos divided into 14.4 billion shares with par value of ₱0.10 per share to P1.7 Billion Pesos divided into 17 billion shares with par value of P0.10 per share. The 2.6 billion shares increase in authorized capital stock shall be subscribed by JP Guilds, Inc. at the subscription price of ₱0.10 per share. As at May 31, 2022, the Parent Company is yet to file the said increase in authorized capital stock with the SEC as the previous application is still on process.

For the years ended May 31, 2023 and 2022, additional payments were made by JP Guilds, Inc. amounting to ₱0.06 million and ₱25.71 million, respectively, representing funds to finance the construction and development of the properties of the Group.

Total deposit for future stock subscription under the "non-current liabilities" in the consolidated statements of financial position amounted to ₱234.56 as at May 31, 2023.

Non-controlling Interests (NCI)

The percentage of equity interest held by non-controlling interest in subsidiaries with material non-controlling interests follows:

Name of Subsidiary	Country of Incorporation and Operation	Nature of Business	**August 31, 2023**	May 31, 2022
FHI	Philippines	Hospitality and leisure	**23.00%**	23.00%
FPGI	Philippines	Hospitality and leisure	**54.54%**	54.54%

25. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

Set out below is a comparison by category and by class of carrying and fair values of all the Group's financial instruments as at May 31, 2022 and 2021, other than those with carrying amounts that are measurable approximations of fair values such as, cash, trade and other receivables, amounts owed by related parties, trade and other payables (excluding taxes and government payables, VAT payable and contract liability), and amounts owed to related parties, customer's deposits and deposit for future stock subscription:

Deposit for future stock investment

The fair values of deposits for future stock investment is determined by reference to the fair value of the future stock investments to be received which approximates the par value less impairment.

Fair Value Hierarchy

The Group has assets for which its fair values are disclosed (i.e., investment properties and non–current assets held–for–sale) uses Level 2 category, its fair values have been determined based on Sales Comparison Approach valuation method.

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 August 31, 2023 (with comparative figures as at May 31, 2023 and for the period ended August 31, 2022) 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 three (3) months period ended August 31, 2023, 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 FHI and FPGI owner and operator of Friday's Boracay Island Beach Resort and Friday's Puerto Galera Beach Resort, respectively which reported total sales of ₱7.14million for the current period (August 31, 2022: ₱7.33 million) due to the intermittent operations of Friday's Puerto Galera Beach Resort. The Friday's Boracay Beach resort is looking for possible opportunities for its re-opening while Friday's Puerto Galera Beach Resort has been intermittently operational since May 2021.

Net income for the period amounted to ₱14.08 million as compared to net loss of ₱17.37 million as of August 31, 2023 and August 31, 2022, respectively.

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

Statements of Income Items
Three Months Period Ended August 31, 2023 versus August 31, 2022

- *13% decrease in rooms revenues*
  5% increase in food and beverages sales
  223% increase in other revenues
  3% decrease in total revenues
  Mainly due to the intermittent operations of Friday's Puerto Galera Beach Resort.

- *29% decrease in cost of sales and services*
  Cost of sales is mainly due to cost of food and beverage and cost of rooms incurred for the period as compared to same period last year.

- *52% increase in general, administrative and selling expenses*
  Mainly due to the increase in personnel costs, professional fees, dues and subscriptions, communication, travel and transportation, repairs and maintenance since Friday's Puerto Galera Beach Resort has been intermittently operating.

- *5178% decrease in interest income and others*
  Due to higher interest income for the period as compared to same period last year.

- *181% decrease in loss before income tax*
  Mainly due to the gains from investment of BHI.

- *181% decrease in net loss*
  Mainly due to the intermittent operations of Friday's Puerto Galera Beach Resort and gains from financial assets of BHI.

- *244% decrease in loss attributable to equity holders of the parent*
  Mainly due to gains from financial assets of BHI.

- *17% decrease in non-controlling interests*
  Mainly due to the temporary closure of Friday's Boracay Beach Resort and intermittent operations of Friday's Puerto Galera Beach Resort.

Statements of Financial Position Items
August 31, 2023 versus May 31, 2023

- *21% decrease in cash*
  Due to payments to suppliers and advances to FHI and FPGI..

- *11% increase in trade and other receivables*
  Mainly due to the lower occupancy in Friday's Puerto Galera Beach Resort and temporary closure of Friday's Boracay Resort.

- *25% decrease in inventories*
  Mainly due to the intermittent operations of Friday's Puerto Galera Beach Resort.

- *39% increase in prepayments and other current assets*
  Mainly due to increase in prepayments and in input VAT.

- *100% increase in Subscription Receivable*
  Mainly due to the unpaid portion of the 2.4B shares at 0.10 per share subscribed by JPGI..

- *7% increase in retained earnings*
  Mainly due to gains from financial assets of BHI and intermittent operations of FPGI.

- *100% decrease in Deposit for future stock subscription*
  Mainly due to the reversal of account and SEC approval of the additional 2.4B shares at 0.10 per share subscribed by JPGI. .

Liquidity and Capital Resources

The consolidated cash flow statements show a net decrease in cash for the period ended August 31, 2023 of ₱41.50 million (August 31, 2022: ₱157.93 increase). Cash from operating activities for the period decreased by ₱281.50 million due to income generation for the period. Generally, the group sourced its working capital requirements through the infusion of cash advances from JPGI.

The registrant kept its borrowings at low level with a debt-to-equity ratio of 11.25. Total non-interest peso-denominated liabilities registered at ₱205.34 million as at August 31, 2023.

Dividends

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

Income per share

Income per share attributable to the equity holders of the Parent is 0.00126 and a loss of 0.00105 per share as at August 31, 2023 and August 31, 2022, respectively.

Other Matters

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships 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 operations.

PART II – OTHER INFORMATION

Item 3. Three Months Period Ended August 31, 2023 Developments

A.	New project or investments in another line of business or corporation	None.
B.	Composition of Board of Directors	Jose Marcel Panlilio – Chairman/President & CEO Lorenzo R. Tañada III – Vice Chairman/SEC Corporate Compliance Officer/Corporate Secretary Victor V. Benavidez – Director/Treasurer Ricardo S. Consunji III – Independent Director David L. Kho – Independent Director Ricardo S. Pascua – Director Christopher M. Gotanco – Director Reynaldo Y. Maulit – Director Michael Lancelot F. Panlilio – Director The members of the Board of Directors were elected during the July 13, 2023 ASM.
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. Friday's Boracay Beach Resort is set to re-open by 2026 while Friday's Puerto Galera Beach Resort has been intermittently operational since May 2021.
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 Three (3) Months Period Ended August 31, 2023 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 13. Increase in revenue is due to the gains from financial assets of BHI and intermittent operations of FPGBR.

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.	None.
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 during the interim period	None
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 FHI and FPGI hotel construction to increase its room keys will require funds for its capital expenditures. Funds will come from the continuous investments of BHI.
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 polices. 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 ten months covered by this report through official disclosure letters dated

Date	Disclosure Details
June 07, 2023	Material Information/Transactions - BHI Sales Report as of May 2023
June 07, 2023	Information Statement
June 08, 2023	Statement of Changes in Beneficial Ownership of Securities
June 08, 2023	[Amend -1] Public Ownership Report
June 08, 2023	[Amend -1] Public Ownership Report
June 08, 2023	Statement of Changes in Beneficial Ownership of Securities
June 22, 2023	Information Statement
Jul 07, 2023	Update on Corporate Actions/Material Transactions/Agreements
Jul 07, 2023	Statement of Changes in Beneficial Ownership of Securities
Jul 10, 2023	Material Information/Transactions - BHI Sales Report as of June 2023
Jul 14, 2023	Results of Annual or Special Stockholders' Meeting
Jul 14, 2023	Results of Organizational Meeting
Jul 17, 2023	Public Ownership Report
Jul 17, 2023	List of Top 100 Stockholders (Common Shares)
Jul 18, 2023	Statement of Changes in Beneficial Ownership of Securities
Jul 24, 2023	Statement of Changes in Beneficial Ownership of Securities

Jul 31, 2023	Statement of Changes in Beneficial Ownership of Securities
Aug 04, 2023	Statement of Changes in Beneficial Ownership of Securities
Aug 07, 2023	Material Information/Transactions - BHI Sales Report as of July 2023
Aug 11, 2023	Amendments to Articles of Incorporation

Item 5 - Financial Soundness Indicators

The Company's and its majority owned subsidiaries' key performance indicators /financial soundness indicators as of August 31, 2023 with comparative annual figures for May 31, 2023 are shown below.

	Three Months Ended August 31, 2023	Year Ended May 31, 2023
a. Current/Liquidity Ratios		
Current ratio[(1)]	**366.63%**	400.12%
Quick ratio[(2)]	**311.74%**	354.34%
b. Solvency/Debt-to-Equity Ratios		
Debt to equity ratio[(3)]	**11.25%**	23.36%
Net debt to equity ratio[(4)]	**3.94%**	12.64%
c. Asset to equity ratio[(5)]	**111.25%**	123.36%
d. Interest rate coverage ratio[(6)]	**Nil**	Nil
e. Profitability Ratios		
Net income margin[(7)]	**253.39%**	(717)%
Return on total assets[(8)]	**0.58%**	(6.09)%
Return on total equity[(9)]	**0.68%**	(7.68)%

[(1)]current assets / current liabilities
[(2)]quick assets / 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
November 30, 2023

ODESSA LORA B. BODANIO
OIC – Head of Finance
Chief Corporate Information Officer
November 30, 2023