

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

P	T	F	C		R	E	D	E	V	E	L	O	P	M	E	N	T		C	O	R	P	O	R	A	T	I	O	N

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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B	A	L	I	N	T	A	W	A	K	,		Q	U	E	Z	O	N		C	I	T	Y								

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

	N	A	
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COMPANY INFORMATION

Company's email Address

NA

Company's Telephone Number

(02) 362-1808

Mobile Number

NA

No. of Stockholders

More than twenty (20)

Annual Meeting (Month / Day)

Last Thursday of January

Fiscal Year (Month / Day)

31-AUG

CONTACT PERSON INFORMATION

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

Name of Contact Person

PATRICIA A. O. BUNYE (CORPORATE SECRETARY)
--

Email Address

po.bunye@cruzmarcelo.com

Telephone Number/s

(02) 810-5858

Mobile Number

(0917) 843-6976

CONTACT PERSON'S ADDRESS

11th Floor One Orion, 11th Avenue corner University Parkway, Bonifacio Global City, 1634 Taguig, Metro Manila

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

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

COVER SHEET

SEC Number **5926**
File Number _____

PTFC REDEVELOPMENT CORPORATION
(Company's Full Name)

802 A. Bonifacio Street, Balintawak, Quezon City
(Company's Address)

362-1808
(Company's Telephone Number)

2019 August 31
(Fiscal Year Ending-Month and Day)

SEC FORM 17-Q
(FORM TYPE)

31 May 2019
Period Ended Date

(Amendment Designation, if applicable)

(Secondary License Type, if any)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended 31 May 2019
2. SEC Identification Number 5926 3. BIR Tax Identification No. 000-365-952-000.
4. PTFC REDEVELOPMENT CORPORATION
Exact name of issuer as specified in its charter
5. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only).
7. 802 A. Bonifacio Street, Balintawak, Quezon City 1105
Address of issuer's principal office Postal Code
8. (02) 362-1808
Issuer's telephone number, including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common share, P1.00 par value	35,000,000

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 class/es of securities listed therein:

Philippine Stock Exchange Common Stock – 35,000,000 shares

12. Indicate by check whether the registrant:

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

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of PTFC Redevelopment Corporation and its Subsidiary (collectively, the Group) as of and for the period ended May 31, 2019 (with comparative figures as of August 31, 2018 and for the period ended May 31, 2018) are filed as part of this form 17-Q as Annex "A".

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

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as Annex "B".

PART II – OTHER INFORMATION

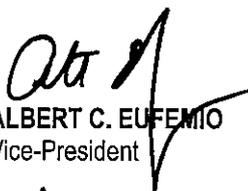
There are no disclosures not made under SEC form 17-C.

SIGNATURES

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

Issuer **PTFC REDEVELOPMENT CORPORATION**

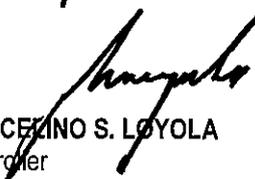
Signature and Title


ALBERT C. EUFEMIO
Vice-President

Date

10 July 2019

Signature and Title


MARCELINO S. LOYOLA
Controller

Date

10 July 2019

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2019 AND AUGUST 31, 2018
(Amounts in Philippine Pesos)

Annex "A"

	May 31, 2019 (Unaudited)	Aug 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3, 5, 29 and 30)	P231,259,051	P219,086,379
Trade and other receivables (Notes 3, 4, 6, 29 and 30)	5,127,516	6,790,983
Inventories – net (Notes 3, 4 and 7)	208,915	206,458
Creditable withholding taxes (Note 3)	7,782,955	10,128,810
Prepayments and other current assets (Notes 3 and 8)	4,548,166	3,501,569
Total Current Assets	248,926,603	239,714,199
Noncurrent Assets		
Investments in associates – net (Notes 3, 4 and 9)	96,091,118	94,952,095
Property and equipment – net (Notes 3, 4 and 10)	233,242	409,425
Investment properties – net (Notes 3, 4 and 11)	83,565,589	80,496,583
Deferred tax assets (Notes 3, 4 and 26)	7,231,772	6,911,746
Other noncurrent assets (Notes 3, 4, 12, 29 and 30)	2,334,100	2,254,818
Total Noncurrent Assets	189,455,821	185,024,667
TOTAL ASSETS	P438,382,424	P424,738,866
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities		
Trade and other payables (Notes 3, 13, 29 and 30)	P4,570,981	P6,559,913
Dividends payable (Notes 3, 27, 29 and 30)	2,926,627	2,529,250
Income tax payable (Note 3)	4,195,072	3,218,480
Other current liabilities (Notes 3, 14, 29 and 30)	5,014,927	4,966,813
Total Current Liabilities	16,707,607	17,274,456
Noncurrent Liabilities		
Advance rentals – net (Notes 3 and 4)	14,707,500	14,244,919
Security and utility deposits – net (Notes 3, 4, 15, 29 and 30)	30,535,254	30,110,005
Retirement benefit obligation (Notes 2, 3 and 16)	8,502,527	7,663,572
Deferred tax liability (Notes 3, 4 and 26)	210,444	246,981
Total Noncurrent Liabilities	53,955,725	52,265,477
TOTAL LIABILITIES	70,663,332	69,539,933

Forwarded

EQUITY

Share capital (Notes 3, 18 and 31)	35,000,000	35,000,000
Additional paid-in capital (Notes 3 and 31)	182,922,688	182,922,688
Cumulative actuarial gain reserve – net (Notes 2 and 16)	42,856	42,856
Retained earnings (Notes 3, 27 and 31)	149,753,548	137,233,389
	367,719,092	355,198,933
<hr/>		
TOTAL LIABILITIES AND EQUITY	P438,382,424	P424,738,866
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See accompanying Notes to Consolidated Financial Statements.

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED MAY 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	May 31, 2019 (Unaudited)	May 31, 2018 (Unaudited)
REVENUES (Notes 3 and 20)	P149,900,181	P139,636,662
COST OF SERVICES (Notes 3 and 21)	(46,832,708)	(50,224,556)
GROSS PROFIT	103,067,473	89,412,106
OTHER INCOME (Notes 3 and 22)	16,529,796	3,987,783
TOTAL PROFIT	119,597,269	93,399,889
GENERAL AND ADMINISTRATIVE (Notes 3 and 23)	(28,842,160)	(23,806,974)
SELLING AND MARKETING (Notes 3 and 24)	(86,721)	(55,717)
OTHER EXPENSES (Notes 3 and 25)	(84,292)	(30,142)
PROFIT BEFORE INCOME TAX	90,584,096	69,507,056
PROVISION FOR INCOME TAX (Note 3)		
Current	(25,895,607)	(20,721,154)
Deferred (Note 26)	356,563	415,346
	(25,539,044)	(20,305,808)
NET INCOME	65,045,052	49,201,248
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	P65,045,052	P49,201,248
EARNINGS PER SHARE (Notes 3 and 28)		
Computed based on Net Income	P1.86	P1.41
Computed based on Total Comprehensive Income	1.86	1.41
DIVIDENDS DECLARED PER SHARE (Notes 3 and 27)	P1.50	P1.00

* There were no other comprehensive income items for the periods ended May 31, 2019 and 2018.

See accompanying Notes to Consolidated Financial Statements.

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MAY 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	May 31, 2019 (Unaudited)	May 31, 2018 (Unaudited)
REVENUES (Notes 3 and 20)	P51,319,155	P47,703,489
COST OF SERVICES (Notes 3 and 21)	(15,877,843)	(16,404,616)
GROSS PROFIT	35,441,312	31,298,873
OTHER INCOME (Notes 3 and 22)	2,867,175	1,646,785
TOTAL PROFIT	38,308,487	32,945,658
GENERAL AND ADMINISTRATIVE (Notes 3 and 23)	(10,892,123)	(7,920,211)
SELLING AND MARKETING (Notes 3 and 24)	(23,325)	(14,189)
OTHER EXPENSES (Notes 3 and 25)	(754,881)	(506,562)
PROFIT BEFORE INCOME TAX	26,638,158	24,504,696
PROVISION FOR INCOME TAX (Note 3)		
Current	(7,657,480)	(7,442,718)
Deferred (Note 26)	78,379	36,649
	(7,579,101)	(7,406,069)
NET INCOME	19,059,057	17,098,627
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	P19,059,057	P17,098,627
EARNINGS PER SHARE (Notes 3 and 28)		
Computed based on Net Income	P0.54	P0.49
Computed based on Total Comprehensive Income	0.54	0.49
DIVIDENDS DECLARED PER SHARE (Notes 3 and 27)	P1.50	P1.00

* There were no other comprehensive income items for the periods ended May 31, 2019 and 2018.

See accompanying Notes to Consolidated Financial Statements.

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
MAY 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	May 31, 2019 (Unaudited)	May 31, 2018 (Unaudited)
SHARE CAPITAL (Notes 3, 18 and 31)	P35,000,000	P35,000,000
ADDITIONAL PAID-IN CAPITAL (Notes 3 and 31)		
Balance at beginning of year	182,430,466	182,430,466
Effect of change in ownership interest	492,222	492,222
	182,922,688	182,922,688
CUMULATIVE ACTUARIAL GAIN (LOSS) RESERVE – net (Notes 2 and 16)	42,856	(1,791,225)
RETAINED EARNINGS (Notes 3, 27 and 31)		
Balance at beginning of year	137,233,389	106,913,931
Net income	65,045,052	49,201,248
Reversal of claimed dividends	(24,893)	–
Dividends declared	(52,500,000)	(35,000,000)
Balance at end of the period	149,753,548	121,115,179
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	P367,719,092	P337,246,642

See accompanying Notes to Consolidated Financial Statements.

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MAY 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	May 31, 2019 (Unaudited)	May 31, 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	P90,584,096	P69,507,056
Adjustments for:		
Depreciation expense (Notes 21 and 23)	5,674,710	10,466,953
Provision for retirement (Note 16)	838,955	825,789
Interest expense on security and utility deposits (Note 25)	80,285	28,059
Interest expense on advance rentals (Note 25)	4,007	1,775
Reversal of claimed dividends (Note 27)	(24,893)	–
Share in cumulative equity gain in associates – net (Note 22)	(1,139,023)	(523,532)
Interest income (Note 22)	(4,416,399)	(1,865,364)
Gain on sale of land under investment properties (Note 22)	(9,274,942)	–
Operating cash flows before movements in working capital	82,326,796	78,440,736
Decrease (increase) in:		
Trade and other receivables (Note 6)	1,663,467	222,586
Inventories (Note 7)	(2,457)	31,846
Creditable withholding taxes (Note 3)	(8,702,493)	(8,522,885)
Prepayments and other current assets (Note 8)	(1,046,597)	(485,047)
Other noncurrent assets (Note 12)	(79,282)	59,539
Increase (decrease) in:		
Trade and other payables (Note 13)	(1,988,932)	(5,684,002)
Income tax payable (Note 3)	976,592	1,999,865
Advance rentals (Note 3)	458,574	149,374
Security and utility deposits (Note 15)	344,964	2,176,707
Retirement benefit obligation (Note 16)	–	(671,623)
Other current liabilities (Note 14)	48,114	759,938
Net cash generated from operating activities	73,998,746	68,477,034
Income tax paid	(14,847,259)	(9,535,147)
Net cash provided by operating activities	59,151,487	58,941,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments in associates (Note 9)	–	(60,000,000)
Additions to investment properties – net (Note 11)	(9,114,020)	(1,302,865)
Proceeds from sale of investment properties (Note 11)	9,821,429	–
Interest received (Note 22)	4,416,399	1,865,364
Net cash provided by (used in) investing activities	5,123,808	(59,437,501)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid (Note 27)	(52,102,623)	(34,515,525)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,172,672	(35,011,139)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	219,086,379	229,405,324
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P231,259,051	P194,394,185

CASH AND CASH EQUIVALENTS AT END OF YEAR CONSISTS OF:

Cash on hand	P55,000	P55,000
Cash in bank	68,553,938	38,546,372
Time deposits	162,650,113	155,792,813
	P231,259,051	P194,394,185

See accompanying Notes to Consolidated Financial Statements.

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

PTFC Redevelopment Corporation, formerly, Philippine Tobacco Flue-Curing and Redrying Corporation (the "Parent Company" or PTFC) is a leasing company incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on March 28, 1951. Its primary purpose is to deal, engage or otherwise acquire an interest in land or real estate development, whether in the Philippines or elsewhere, to acquire, purchase, sell, convey, encumber, lease, rent, erect, construct, alter, develop, hold, manage, operate, administer or otherwise deal in and dispose of, for itself or for others, for profit and advantage, residential, commercial, industrial, recreational, urban and other kinds of real property.

On October 14, 1996 the SEC approved the extension of the Parent Company's corporate life until March 28, 2051.

The Parent Company is currently engaged in lease of its properties which includes land and warehouses to its subsidiaries, related parties and third parties.

On March 18, 2014, the Parent Company amended Articles I and II of its Articles of Incorporation by changing its name from Philippine Tobacco Flue-Curing and Redrying Corporation to PTFC Redevelopment Corporation and its primary purpose.

The Parent Company's registered office is located at No. 802 A. Bonifacio Street, Balintawak, Quezon City. Its employees in 2017 were transferred to its subsidiary during the fiscal year 2018.

Baesa Redevelopment Corporation (the "Subsidiary Company" or BRC) is a real estate corporation incorporated in the Philippines and registered with the SEC on December 2, 1992 primarily to acquire by purchase, lease, donation or otherwise, and to own, use, improve, develop and hold for investment or otherwise, real estate of all kinds, and to erect or cause to be erected on any lands owned, held or occupied by the corporation, buildings or other structures with their appurtenances, and to rebuild, enlarge, alter or improve any buildings or other structures, or part thereof at any time owned or held by the corporation. BRC is wholly owned by the Parent

The Subsidiary Company's registered office is located at No. 232 Quirino Highway, Baesa, Quezon City. It has twenty (20) employees for the nine months and year ended May 31, 2019 and August 31, 2018, respectively.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis. These consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated.

The Group presents all items of income and expense in a single statement of comprehensive income. Two comparative periods are presented for the statements of financial position when the Group applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC), and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements consists of the account of the Parent Company and its Subsidiary (the "Group").

A subsidiary is an entity controlled by the Parent Company. Control exists if all of the following are present: (a) power over investee (i.e., existing rights that give it the current ability to direct relevant activities of the investee); (b) exposure or rights, to variable returns from its involvement with the investee; and, (c) the ability to use its power over the investee to affect its return. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The Subsidiary is consolidated from the date on which control was transferred to the Parent Company and ceases to be consolidated from the date the Parent Company loses such control.

The consolidated financial statements are prepared for the same period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. All significant intergroup accounts and transactions are eliminated in the consolidation.

Noncontrolling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company.

Changes in the Group's ownership interests in existing subsidiary

Any changes in the Group's ownership interest in existing subsidiary do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable PFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Where necessary, adjustments are made to the financial statements of the Subsidiary to bring its accounting policies into line with those used by the Parent Company.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain accounting estimates. Exercise of judgment is also required in the application of these accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Segment reporting

The Group has no geographical and operational segments as all of the companies, which engage only in leasing activities, primarily operate only in the Philippines.

3. Changes in Accounting Policies, Summary of Significant Accounting and Financial Reporting Policies

Changes in Accounting Policies

Changes in Accounting Policies and Disclosure

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following amended PFRS, amended PAS and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) which became effective for the fiscal year ended August 31, 2018:

- Amendments to PAS 7, "*Statements of Cash Flow – Disclosure Initiative*"

The amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:

- changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and
- a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statements of financial position including those changes identified immediately above.

The amendments did not have significant impact on the financial statements as this affects disclosures only.

- PAS 12, "*Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*"

The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. As transition relief, an entity may recognize the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity.

The amendment did not have significant impact on the Group's financial statements.

- Annual Improvements to PFRSs (2012-2014 Cycle)

PFRS 12, "*Disclosure of Interest in Other Entities – Clarification of the Scope of the Standard*"

Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interest listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, "*Non-current Assets Held for Sale and Discontinued Operations*".

This improvement did not have significant impact to the Company's financial statements as this affects disclosures only.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to the Fiscal Year Ended August 31, 2019

The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective for fiscal year August 31, 2019

- PFRS 2, "*Share-Based Payment – Classification and Measurement of Share-based Payment Transactions*"

This contains the following clarifications and amendments:

- Accounting for cash-settled share-based payment transactions that include a performance condition;
- Classification of share-based payment transactions with net settlement features;
- Accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach");
- An optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach")

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

- PFRS 9, "*Financial Instruments: Classification and Measurement*"

PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. The Group is currently assessing the impact of this new standard to its financial statements.

This is not expected to have a significant impact on the Group's financial statements.

- PFRS 15, "*Revenue from Contracts with Customers*"

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- PFRS 15, "*Clarifications to PFRS 15, Revenue from Contracts with Customer*"

These amendments, which are effective from January 1, 2018, clarify how companies:

- identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
- determine whether the revenue from granting a license should be recognized at a point in time over time.

- PAS 40, "*Investment Property – Transfers of Investment Property*"

The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

- Annual Improvements to PFRS and PAS (2014 - 2016 Cycles)

Amendment to PAS 28, "*Measuring an Associate of Joint Venture at Fair Value*"

The amendment clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Philippine Interpretation IFRIC 22, "*Foreign Currency Transactions and Advance Considerations*"

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Effective for fiscal year August 31, 2020

- PFRS 16, "*Leases*"

Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with an early adoption.

The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

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

The amendments to PAS 28 clarify that an entity applies PFRS 9, "*Financial Instruments*" including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4, "*Insurance Contracts*", to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Amendments to PFRS 9, "*Prepayment Features with Negative Compensation*"

Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

- Philippine Interpretations IFRIC 23, "*Uncertainty over Income Tax Treatments*"

The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances.

Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

The interpretations were adopted by the FRSC on July 12, 2017 but are still subject to the approval by the Board of Accountancy.

Deferred

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Currently, the Group has no activities to which this interpretation will apply.

- PFRS 10, "*Consolidated Financial Statements*" and PAS 28, "*Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*"

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's financial statements when these are adopted.

Summary of Significant Accounting and Financial Reporting Policies

The principal accounting and financial reporting policies adopted in preparing the consolidated financial statements of the Group are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated.

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 to 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 nonfinancial 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 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
- 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 financial statements 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the statements of financial position based on current or noncurrent classification.

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Financial Assets and Liabilities

Date of recognition

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition

Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at FVPL, includes transaction costs.

Determination of fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Financial Asset

The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation every reporting date. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- *Financial asset at fair value through profit or loss (FVPL)*

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. Derivatives are also categorized as held at FVPL, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are accounted for in consolidated statements of comprehensive income.

Financial instruments held at FVPL or loss are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

As of May 31, 2019 and August 31, 2018, the Group has no financial asset at FVPL.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Such assets are carried initially at cost and at amortized cost subsequent to initial recognition in the consolidated statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets.

The Group's cash and cash equivalents, trade and other receivables, and refundable deposits under other noncurrent assets are included in this category (see Notes 5, 6 and 12, respectively).

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the consolidated statements of financial position. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within 12 months from the end of financial reporting period and as non-current assets if maturity is more than a year from the end of financial reporting period.

As of May 31, 2019 and August 31, 2018, the Group has no held-to-maturity investments.

- *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of comprehensive income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include reference to recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

As of May 31, 2019 and August 31, 2018, the Group has no available-for-sale investments.

Financial Liabilities

- *Financial liability at FVPL*

Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

As of May 31, 2019 and August 31, 2018, the Group has no financial liabilities at FVPL.

- *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables, accruals) or borrowing (e.g. long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The Group's trade and other payables, security and utility deposits, advances from clients and tenants under other current liabilities and dividends payable are included in this category (see Notes 13, 14, 15 and 27, respectively).

Impairment of Financial Assets

The Group assesses at each end of financial reporting period whether a financial asset or group of financial assets is impaired.

- *Assets carried at amortized cost*. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated statements of comprehensive income.

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

If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

- *Assets carried at cost*. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

- *Available-for-Sale Financial Assets*. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statements of comprehensive income, is transferred from consolidated equity to the consolidated statements of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the consolidated statements of comprehensive income. For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of comprehensive income, is removed from consolidated equity and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statements of comprehensive income; increases in their fair value after impairment are recognized directly in consolidated equity.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to:

(a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Cash and Cash Equivalents

Cash is stated at face value and includes cash on hand and in banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of cost or net realizable value (NRV) (fair value less costs to sell). Costs comprise of purchase price, including duties, transport and handling costs, and other incidental expenses incurred in bringing the inventories to their present location and condition. Net realizable value is the selling price in the ordinary course of business, less cost of marketing and distribution. Cost is calculated using the first-in, first-out (FIFO) method.

Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged and obsolete inventories and charged to operations.

Creditable Withholding Tax

Creditable withholding tax is recognized for income taxes withheld by customers. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

- *Input Tax*. Input tax is recognized when an entity in the Group purchases goods or services from a VAT-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized. Input tax is stated at its realizable value.

- *Prepaid Expenses*. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate account in the Group's consolidated statements of comprehensive income when incurred. Prepaid expenses are stated at its realizable value.
- *Deferred Input VAT*. Deferred input VAT represents portion of input VAT incurred and paid in connection with purchase of capital assets in excess of P1 million per month. As provided by Republic Act No. 9337 which is implemented by Revenue Regulation 4-2007, said portion of the input VAT shall be deferred and depreciated over the shorter of the expected useful lives of said capital asset or five years. Deferred input VAT is stated at its realizable value.

Prepayments and other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset.

Value Added Tax (VAT)

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Other current liabilities" in the consolidated statements of financial position.

Investment in Associates

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

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. Any excess of the fair value of the identifiable assets, liabilities and contingent liabilities and assets of the investee company over cost is included in the determination of the Group's share of the profit or loss in the period in which the investment is acquired.

Under the equity method, investment in shares of stock is carried at cost adjusted by post-acquisition changes in the Group's share of the net assets of the investee. The Group's share in the investee's post-acquisition profits or losses is recognized in the consolidated statements of comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves, if any. The cumulative post-acquisition movements are adjusted against the carrying amount of investment. The carrying value is also decreased for any cash or property dividends received.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period when the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Transportation equipment	5-10 years
Furniture and fixtures	5-10 years
Miscellaneous and other equipment	3 years

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

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 comprehensive income in the year the asset is derecognized.

Investment Properties

Investment properties consist of properties held to earn rental income, for capital appreciation or both. These are initially recorded at cost, including transaction cost. The carrying amount includes the cost of replacing part of an existing property at the time the cost are incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	3-5 years
Buildings	7-23 years
Building improvements	3-10 years

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

The useful lives and depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from the use of the properties for lease.

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

Other Noncurrent Assets

Deposits

Deposits represent refundable deposits which are stated at amortized cost less impairment loss, if any.

Impairment of Nonfinancial Assets

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

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Security Deposits

Security deposits are measured at amortized cost using the effective interest rate method. Amortization of security deposits are recognized as “interest expense on security deposits” in the consolidated statements of comprehensive income. The difference between the cash received and its fair value is recognized as “Security deposit – discounted”.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) and, individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

Equity

Share capital is determined using the par value of shares that have been issued and fully paid.

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Cumulative actuarial loss reserve comprises the net actuarial gains and losses on the Group's retirement obligation as a result of re-measurement.

Retained earnings include all current and prior period net income less any dividends declared as disclosed in the consolidated statements of comprehensive income and the effects of retrospective application of changes in accounting policies or restatements, if any.

Earnings Per Share (EPS)

Basic EPS is determined by dividing net profit for the year by weighted average number of common shares outstanding during the year (after retroactive adjustment for any stock dividends declared in the current year).

Diluted EPS is computed by dividing net profit for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue, related cost incurred or to be incurred/cost to complete the transactions can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any value added taxes.

The following specific recognition criteria must also be met before revenue is recognized:

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

Sale of services are recognized in the accounting period in which the services are rendered by reference to completion of specific transactions assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other operating income represents electricity, water, common maintenance, parking and other charges reimbursed and billed to tenants by the Group which is accrued on a timely basis and recognized upon utilization of the service and billed to tenants.

Cost and Expense Recognition

Rental costs, operating and other expenses which include expenses related to administering and operating the business are expensed upon utilization of the service or at the date they are incurred. Interest and similar expenses are reported on accrual basis.

Leases

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Operating lease receipts are recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

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

Group as a lessee

Leases of assets under which the lessor effectively retains all the risks and reward of ownership are classified as operating lease. Operating lease payments are recognized as expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Associated costs such as repairs and maintenance and business taxes are expensed when incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term employee benefits given by the Group includes salaries and wages, life and health insurances, social security system contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Retirement Benefit Costs

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

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or 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 net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Income Taxes

Income taxes represent the sum of the tax currently due and deferred tax.

Current Income Tax

The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Excess of income tax expense for the period over prepaid taxes (including creditable withholding tax) is recognized as income tax still due (payable) in the statements of financial position.

Deferred Income Tax

Deferred tax is provided, using the liability method. Deferred tax assets and liabilities are recognized for future tax consequence attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred income tax assets are reviewed at each consolidated statements of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets be utilized.

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

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of financial reporting period and adjusted to reflect the current best estimate.

Contingencies

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

Events After the End of the Reporting Period

Events subsequent to the close of the accounting period that provide additional information about the Group's position at the consolidated statements of financial position date (adjusting events) are reflected in the financial statements, while subsequent events that do not require adjustments (non-adjusting events) are disclosed in the notes to consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Actual results could differ from such estimates, and such estimates will be adjusted accordingly.

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

The following is a summary of these significant estimates and judgments and the related impact and associated risks on the consolidated financial statements.

Judgments

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

- *Determination of Fair Value of Financial Instruments*

PFRS requires that certain financial assets and liabilities to be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

The summary of the carrying values and fair values of the Group's financial instruments as of May 31, 2019 and August 31, 2018 is shown in Note 30.

- *Classification of Financial Instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument and re-evaluates this designation at every reporting date in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

- *Determination of Control*

The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Group controls an entity if and only if the Group has all of the following:

- Power over the entity;
- Exposure, or rights, to variable returns from its involvement with the entity; and
- The ability to use its power over the entity to affect the amount of the Group's returns.

The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- *Significant Influence over an Associate*

Note 9 describes that Nightingale Holdings, Inc. (NHI), Saratoga Holdings, Inc. (SHI), Le Rossignol, Inc. (LRI) and Kombi Land Inc. (KLI) are associates of the Group although the Subsidiary only have 19.35%, 18.03%, 18% and 19.68% ownership interest in NHI, SHI, LRI and KLI, respectively. The Group has significant influence over NHI, SHI, LRI and KLI due to the Subsidiary's representation in the BOD of NHI, SHI, LRI and KLI and participates in its policy-making procedures.

- *Distinction between Investment Property and Owner-Occupied Property*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the supply process.

Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property in making its judgment.

- *Classification of Leases*

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 whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangements conveys a right to use the asset. A reassessment is made after 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. Renewal option is exercised or an extension granted, unless that 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.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstance gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Currently, all of the Group's lease agreements are determined to be operating leases as reassessed by management.

Rental income and expense for the nine months ended May 31, 2019 and 2018 are shown in Notes 20 and 21.

- *Determination of Fair Value of Advance Rentals, Security and Utility Deposits*

In determining the fair value of financial assets and liabilities recorded in the consolidated statements of financial positions, the Group uses a variety of valuation techniques if these cannot be derived from active markets. As such, fair value of advance rentals, security and utility deposits that are due after one year is determined using the discounted cash flow method.

- *Realizability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each consolidated statements of financial position date and reduces deferred income tax assets to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Estimates

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- *Estimation of Allowances for Impairment of Financial Assets*

The Group reviews its trade and other receivables at each reporting date to assess whether an allowance for impairment should be recorded in the Group's consolidated statements of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior, legal opinion on recoverability in case of legal disputes and known market factors. The Group reviews the age and status of legal disputes and known market factors and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant trade and other receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is generally based on the age and status of the accounts.

The amount 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 doubtful accounts would increase recorded expenses and decrease net income.

No allowance for doubtful accounts on trade and other receivables were recorded as of May 31, 2019 and August 31, 2018 because the management believes that all trade and other receivables are collectible.

- *Estimation of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence of fair value available at the time the estimates are made. The net realizable value is calculated in an effort to prevent the Group from under or over estimating the value of such assets. The Group adjusts the cost of the assets to the recoverable value at a level considered adequate to reflect obsolescence, if any. Provision for obsolescence or decline in value is established based on the evaluation of age and movement of inventories. Any increase in provision for decline in value or obsolescence would increase recorded expenses and decrease the related assets. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance is made.

Allowance for impairment loss on inventories amounted to P718,550 as of May 31, 2019 and August 31, 2018. Inventories, net of allowance for impairment loss, amounted to P208,915 and P206,458 as of May 31, 2019 and August 31, 2018, respectively (see Note 7).

- *Write-down of Inventories*

Provision is established based on the evaluation of age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance is made.

- *Estimation of Useful Lives of Property and Equipment and Investment Properties*

The Group estimates useful lives of its property and equipment and investment properties based on years over which the properties are expected to be available for use. Estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and obsolescence on the use of the assets.

The carrying values of property and equipment amounted to P233,242 and P409,425 as of May 31, 2019 and August 31, 2018, respectively (see Note 10); while the carrying values of investment properties amounted to P83,565,589 and P80,496,583 as of May 31, 2019 and August 31, 2018, respectively (see Note 11).

- *Estimating Impairment and Recoverable Values of Nonfinancial Assets*

The Group reviews prepayments and other current assets, investment properties, property and equipment, investment and deposits for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. 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 may affect land and improvements, investment properties, property and equipment, and other assets.

There were no provisions for impairment on nonfinancial assets as of May 31, 2019 and August 31, 2018.

The carrying amounts of property and equipment and investment properties are disclosed in Notes 10 and 11, respectively.

- *Estimation of Pension and Other Retirement Benefits*

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

The assumptions for obligations and cost of retirement benefits are described in Note 16, and include among others, discount rates and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations. Any changes in assumptions would increase or decrease the net retirement liability and the amount recognized in total comprehensive account.

Retirement liability amounted to P8,502,527 and P7,663,572 as of May 31, 2019 and August 31, 2018, respectively (see Note 16).

- *Estimation of Deferred Tax Assets and Deferred Tax Liabilities*

Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As of May 31, 2019 and August 31, 2018, deferred tax assets and liabilities amounted to P7,231,772 and P6,911,746, respectively and P210,444 and P246,981, respectively (see Note 26).

- *Estimation of Provisions for Contingencies*

The Group is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered. Any increase in provision would increase operating expenses and liabilities.

Accrued deficiency tax related to CTA Case No. 7991 amounting to P3,998,497 in 2016 was settled on August 9, 2017 (see Note 32).

5. Cash and Cash Equivalents

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Cash on hand	P55,000	P55,000
Cash in bank	68,553,938	62,511,641
Time deposits	162,650,113	156,519,738
	P231,259,051	P219,086,379

Cash in banks generally earn interest based on the prevailing respective bank deposits rates of approximately less than 1% annually.

The average effective interest rates on short-term time deposits of the Group range from 1.25% to 6% in 2019. The short-term time deposits have an average maturity of 30 to 60 days.

Interest income, net of final withholding taxes, earned from cash in bank and short-term bank deposits amounted to P4,416,399 and P2,604,348 as of May 31, 2019 and August 31, 2018, respectively.

6. Trade and Other Receivables

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Trade receivables	P5,124,380	P6,111,611
Other receivables	3,136	679,372
	P5,127,516	P6,790,983

Trade receivables are noninterest-bearing and are generally on a 30-day term.

Other receivables pertain to advances to officers and employees and advances for liquidation.

In a special meeting held on March 8, 2017, the Executive Committee approved the write-off of past due receivables from a former lessee amounting to P97,712 since the ability of the Company to collect have become cumbersome.

No receivables are pledged as security for liabilities and no allowance for impairment loss was provided for management believes that all receivables are collectible.

7. Inventories

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Materials, parts and other supplies	P927,465	P925,008
Less allowance for impairment loss	718,550	718,550
	P208,915	P206,458

Inventories are materials and supplies used by the Parent Company for the maintenance and improvements of its leased assets. The carrying value of inventories is lower than NRV. No inventories are pledged as security for liabilities.

Packaging materials which were impaired in prior years were sold in 2018 in which the Group recognized a gain on sale of P30,812.

Workforward analysis of allowance for inventory obsolescence follows:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Balance at beginning of year	P718,550	P862,473
Reversal	-	(143,923)
Balance at end of year	P718,550	P718,550

8. Prepayments and Other Current Assets

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Prepaid taxes and licenses	P3,270,162	P2,250,552
Prepaid insurance	1,277,504	1,207,617
Others	500	43,400
	P4,548,166	P3,501,569

Other prepayments and current assets include other deposits and retainers fee.

9. Investments in Associates

The analysis of the balance of investment in associates follows:

	May 31, 2019				
	NHI	SHI	LRI	KLI	Total
Acquisition cost:					
Balance at beginning of year	P15,600,000	P15,400,000	P6,156,650	P60,000,000	P97,156,650
Additions during the year	–	–	–	–	–
Balance at end of year	15,600,000	15,400,000	6,156,650	60,000,000	97,156,650
Share in cumulative equity in net income (loss):					
Balance at beginning of year	142,213	130,701	(2,093,941)	(383,528)	(2,204,555)
Equity in net income					
during the year	724,954	146,376	362,119	(94,426)	1,139,023
Balance at end of year	867,167	277,077	(1,731,822)	(477,954)	(1,065,532)
Net carrying value	P16,467,167	P15,677,077	P4,424,828	P59,522,046	P96,091,118
August 31, 2018					
	NHI	SHI	LRI	KLI	Total
Acquisition cost:					
Balance at beginning of year	P15,600,000	P15,400,000	P6,156,650	P–	P37,156,650
Additions during the year	–	–	–	60,000,000	60,000,000
Balance at end of year	15,600,000	15,400,000	6,156,650	60,000,000	97,156,650
Share in cumulative equity in net income (loss):					
Balance at beginning of year	(419,372)	(385,909)	(2,569,278)	–	(3,374,559)
Equity in net income (loss)					
during the year	561,585	516,610	475,337	(383,528)	1,170,004
Balance at end of year	142,213	130,701	(2,093,941)	(383,528)	(2,204,555)
Net carrying value	P15,742,213	P15,530,701	P4,062,709	P59,616,472	P94,952,095

Investment in NHI

NHI owns a parcel of land with an area of 933 square meters along San Miguel Avenue in Ortigas Center, Pasig City. The property is leased to Linden Suites Inc. The land is carried on the books of NHI at P29.8 million but has a market value of P152 million as appraised by Royal Asia Appraisal Corporation in its report dated August 23, 2016.

In 2017, the Subsidiary acquired 12,000 shares or 19.35% equity in the shareholdings of NHI at P1,300 per share when the application for increase in capital stock of NHI was approved by the SEC on September 21, 2016.

NHI and the Group do not have the same reporting periods. NHI prepares its financial statements as of and for the calendar year ending December 31 which is different from the Group's reporting period as of and for the fiscal year ending August 31. For the purposes of determining the equity in net income of NHI, the latest available financial statements (unaudited) were used.

The equity in net income for the nine months and year ended May 31, 2019 and August 31, 2018 are based on NHI's unaudited net income for the nine months ended March 31, 2019 and twelve months ended June 30, 2018, respectively.

The summarized financial information of NHI with respect to the Group's associate is set out below:

	Mar 31, 2019	Jun 30, 2018
	(Unaudited)	(Unaudited)
Total assets	P155,068,836	P112,238,297
Total liabilities	11,632,274	11,961,554
Net assets	143,436,562	100,276,743
Revenue	6,214,662	6,572,700
Net income for the period	3,746,532	2,902,249
Equity in net income for the period (19.35%)	724,954	561,585

NHI owns 1,621,946 shares of stock of PTFC. The shares are carried on the books of NHI at a market value of P67.4 million versus an acquisition cost of P17.0 million.

On January 19, 2017, NHI's BOD approved the cash dividend declaration of its 2016 unrestricted retained earnings amounting to P3.0 million. Dividend income received by the Subsidiary amounted to P0.6 million in 2017.

Investment in SHI

SHI owns parcels of land with a total area of 6,904 square meters which are leased to Halifax Davao Hotel, Inc. as the site for its Marco Polo Davao Hotel in Davao City. The land is carried on the books of SHI at P20.5 million but has a market value of P242 million as appraised by CB Richard Ellis, Inc. in its report dated July 21, 2016.

In 2016, the Subsidiary acquired 110,000 of shares or 18.03% equity in the shareholdings of SHI at P140 per share when the application for increase in capital stock of SHI was approved by the SEC on August 31, 2016.

SHI and the Group do not have the same reporting periods. SHI also prepares its financial statements as of and for the calendar year ending December 31 which is different from the Group's reporting period as of and for the fiscal year ending August 31. For the purposes of determining the equity in net income of SHI, the latest available financial statements (unaudited) were used.

The equity in net income for the nine months and year ended May 31, 2019 and August 31, 2018 are based on SHI's unaudited net income for the nine months ended March 31, 2019 and twelve months ended June 30, 2018, respectively.

The summarized financial information of SHI with respect to the Group's investment is set out below:

	Mar 31, 2019	Jun 30, 2018
	(Unaudited)	(Unaudited)
Total assets	P174,602,316	P116,657,987
Total liabilities	15,879,779	12,330,519
Net assets	158,722,537	104,327,468
Revenue	11,389,163	13,267,335
Net income for the period	811,844	2,865,278
Equity in net income for the period (18.03%)	146,376	516,610

SHI owns 2,205,071 shares of stock of PTFC. The shares are carried on the books of SHI at a market value of P118 million versus an acquisition cost of P22.5 million.

On January 19, 2017, SHI's BOD approved the cash dividend declaration of its 2016 unrestricted retained earnings amounting to P9.0 million. Dividend income received by the Subsidiary amounted to P1.6 million in 2017.

Investment in KLI

KLI is a company that is engaged in holding and acquiring properties in the Philippines. It owns various parcels of land with a total area of 146,701 square meters and a total book value of P340 million located at Lipa City and Malvar, Batangas. The properties with a total area of 30,795 square meters and a total book value of P70 million are being leased out.

In 2018, the Subsidiary Company acquired 49,000 shares or 19.68% equity in the shareholdings of the KLI for P60 million. BRC paid an initial non-refundable amount of P15 million to KLI under the subscription agreement and subsequently paid the remaining P45 million upon approval of the transaction by the SEC.

KLI and the Group do not have the same reporting periods. KLI also prepares its financial statements as of and for the calendar year ending December 31 which is different from the Group's reporting period as of and for the fiscal year ending August 31. For the purposes of determining the equity in net income of KLI, the latest available financial statements (unaudited) were used.

The equity in net income for the nine months and year ended May 31, 2019 and August 31, 2018 are based on KLI's unaudited net income for the nine months ended March 31, 2019 and cumulative deficit as of June 30, 2018, respectively.

The summarized financial information of KLI with respect to the Group's associate is set out below:

	Mar 31, 2019	June 30, 2018
	(Unaudited)	(Audited)
Total assets	P346,733,305	P344,090,998
Total liabilities	84,460,788	83,980,449
Net assets	262,272,517	260,110,549
Revenue	1,098,021	1,464,029
Net loss for the period	(479,807)	(771,642)
Cumulative deficit	(2,428,627)	(1,948,820)
Equity in net loss/cumulative deficit (19.68%)	(94,426)	(383,528)

KLI owns 108,715 shares of stock of PTFC. The shares are carried on the books of KLI at a market value of P5.8 million versus an acquisition cost of P1.1 million.

KLI agreed to sell to Lima Land, Inc. (LLI) four (4) parcels of land with an aggregate area of 115,906 square meters located at LTC-SEZ, Malvar, Batangas for the total amount of P463,624,000. The selling price is about 172% of the total book value of the properties at P269,982,571 for a gross profit of about Php193.6 million for KLI. In accordance with the Contract to Sell dated April 2, 2019, 50% of the total consideration was paid to KLI while the remaining 50% was to be paid to KLI ninety days after or on July 1, 2019. LLI recently requested for an extension to pay the balance up to September 2, 2019. This was granted by KLI.

Investment in LRI

LRI owns a property of 1,553 square meters along Agoho Street in Forbes Park, Makati City. This property was acquired for P35.6 million but has a market value of P130.5 million based on a report dated June 29, 2011 by Royal Asia Appraisal Corporation. It is leased to a third party.

The Subsidiary had 40% equity in the shareholdings of LRI recognized as investment in associate. In 2009, due to the increase of capital stock and changes of ownership structure of LRI, the Subsidiary Company's ownership in LRI was reduced to 18%.

LRI and the Group do not have the same reporting periods. LRI also prepares its financial statements as of and for the calendar year ending December 31 which is different from the Group's reporting period as of and for the fiscal year ending August 31. For the purposes of determining the equity in net income of LRI, the latest available unaudited or audited financial statements were used.

The equity in net income for the nine months and year ended May 31, 2019 and August 31, 2018 are based on the increase or decrease on the Group's share on LRI's net assets as of March 31, 2019 and December 31, 2017, respectively.

The summarized financial information with respect to the Group's investment in LRI is set out below:

	Mar 31, 2019	Dec 31, 2017
	(Unaudited)	(Audited)
Total assets	P65,220,801	P234,695,791
Total liabilities	40,638,424	212,125,183
Net assets	24,582,377	22,570,608
Revenue	2,156,875	2,100,000
Net income for the period	1,425,765	2,633,414

Shown below is the computation of the Group's equity in net income:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Cost of investment in LRI	P6,156,450	P6,156,450
Less carrying value of investment in LRI for the period:		
Net assets as of March 31, 2019 and December 31, 2017	24,582,377	22,570,608
% of ownership	18%	18%
	4,424,828	4,062,709
Cumulative equity in net loss at the end of period	1,731,622	2,093,741
Cumulative equity in net loss at the beginning of period	2,093,741	2,569,278
	(P362,119)	(P475,537)

LRI owns 5,000 shares of stock of PTFC. The shares are carried on the books of LRI at a market value of P267,500 versus an acquisition cost of P52,831.

The information of the Group's investments in associates is presented below:

	May 31, 2019 (Unaudited)	Aug 31, 2018 (Audited)
NHI	P16,467,167	P15,742,213
SHI	15,677,077	15,530,701
LRI	4,424,828	4,062,709
KLI	59,522,046	59,616,472
	P96,091,118	P94,952,095

10. Property and Equipment

This account consists of:

	May 31, 2019				Total
	Land	Transportation equipment	Furniture, fixtures, and other equipment	Miscellaneous and other equipment	
Cost:					
Balance at beginning of year	P133,838	P5,481,108	P1,934,486	P9,906,965	P17,456,397
Disposals	-	-	-	-	-
Balance at end of year	133,838	5,481,108	1,934,486	9,906,965	17,456,397
Accumulated depreciation:					
Balance at beginning of year	-	5,269,873	1,934,486	9,842,613	17,046,972
Depreciation	-	111,831	-	64,352	176,183
Balance at end of year	-	5,381,704	1,934,486	9,906,965	17,223,155
Net carrying value	P133,838	P99,404	P-	P-	P233,242

	August 31, 2018				Total
	Land	Transportation equipment	Furniture, fixtures, and other equipment	Miscellaneous and other equipment	
Cost:					
Balance at beginning of year	P133,838	P5,481,108	P1,934,486	P10,256,965	P17,806,397
Reclassification	-	-	-	(350,000)	(350,000)
Balance at end of year	133,838	5,481,108	1,934,486	9,906,965	17,456,397
Accumulated depreciation:					
Balance at beginning of year	-	5,120,766	1,934,486	10,076,586	17,131,838
Depreciation	-	149,107	-	116,027	265,134
Reclassification	-	-	-	(350,000)	(350,000)
Balance at end of year	-	5,269,873	1,934,486	9,842,613	17,046,972
Net carrying value	P133,838	P211,235	P-	P64,352	P409,425

Depreciations amounting to P176,183 and P265,134 were included in General and Administrative Expenses in the consolidated statements of comprehensive income May 31, 2019 and August 31, 2018, respectively.

All fully depreciated property and equipment amounting to P16,996,974 in 2018 are still in use and not retired from active use.

No property and equipment are pledged as security for liabilities. Also, there are no contractual commitments to purchase property and equipment.

No impairment loss was recognized in May 31, 2019 and August 31, 2018. Management believes that the carrying amount approximates its fair value.

11. Investment Properties

This account consists of:

	May 31, 2019					
	Land	Land Improvements	Building	Building improvements	Construction in progress	Total
Cost:						
Balance at beginning of year	P3,136,102	P9,328,246	P261,921,328	P19,581,013	P-	P293,966,689
Additions	-	4,074,219	-	3,485,662	1,554,139	9,114,020
Disposal	(546,487)	-	-	-	-	(546,487)
Balance at end of year	2,589,615	13,402,465	261,921,328	23,066,675	1,554,139	302,534,222
Accumulated depreciation:						
Balance at beginning of year	-	6,406,946	191,996,495	15,066,665	-	213,470,106
Depreciation	-	815,258	3,702,121	981,148	-	5,498,527
Balance at end of year	-	7,222,204	195,698,616	16,047,813	-	218,968,633
Net carrying value	P2,589,615	P6,180,261	P66,222,712	P7,018,862	P1,554,139	P83,565,589

	August 31, 2018					
	Land	Land Improvements	Building	Building improvements	Construction in progress	Total
Cost:						
Balance at beginning of year	P3,136,102	P8,309,764	P261,921,328	P17,707,130	1,589,500	P292,663,824
Additions	-	-	-	-	1,302,865	1,302,865
Reclassification	-	1,018,482	-	1,873,883	(2,892,365)	-
Balance at end of year	3,136,102	9,328,246	261,921,328	19,581,013	-	293,966,689
Accumulated depreciation:						
Balance at beginning of year	-	5,556,086	181,241,930	12,848,091	-	199,646,107
Depreciation	-	850,860	10,754,565	2,218,574	-	13,823,999
Balance at end of year	-	6,406,946	191,996,495	15,066,665	-	213,470,106
Net carrying value	P3,136,102	P2,921,300	P69,924,833	P4,514,348	P-	P80,496,583

On December 6, 2017, the Parent Company entered into a contract with HRN Construction for the asphaltting of the access driveway of an investment property located in Baesa. The improvement was completed in December 2017 and presented under land improvements.

In January 2019, the Parent Company entered again into a contract with HRN Construction for the asphaltting of the parking area of an investment property located in Baesa. The improvement was completed in February 2019 and presented also under land improvements.

On September 26, 2018, the Parent Company entered into a contract with Smart Eye Integrated, Inc. for the upgrade of the CCTV camera of a property located in Baesa. The improvement was completed in February 2019 and is presented under building improvements.

The completed investment property are being leased or offered for lease.

Rent income recognized on investment properties amounted to P137,613,339 and P172,104,743 in May 31, 2019 and August 31, 2018, respectively.

Depreciation amounting to P5,498,527 and P13,823,999 were charged to cost of services in May 31, 2019 and August 31, 2018, respectively.

The total cost of services amounting to P46,832,708 and P67,857,036 as of May 31, 2019 and August 31, 2018 pertain to the direct operating expenses arising from investment properties that generated rental income during the period.

Moreover, the total general and administrative expenses amounted to P28,842,160 and P33,678,028 as of May 31, 2019 and August 31, 2018 pertain to the direct operating expenses arising from investment properties that did not generate rental income during the periods, which is the insignificant portion of the investment properties held for administrative purposes.

In December 2018, the Parent Company sold a piece of land for a consideration amounted to P10,000,000 (inclusive of VAT). The cost of the land amounted to P546,487.

No investment properties are pledged as security for liabilities as of May 31, 2019 and August 31, 2018. There are also no impairment loss recognized as of May 31, 2019 and August 31, 2018.

The fair value of the investment properties is P3.4 billion based on the valuations performed by qualified and independent firm of appraisers on April 22, 2019 for valuation made on the Group's investment properties in 2019. The valuation undertaken considered the sales of similar or substitute properties and related market data and established estimated value by processes involving comparison.

12. Other Noncurrent Assets

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Refundable deposits	P2,031,243	P1,945,436
RFID	302,857	309,382
	P2,334,100	P2,254,818

RFID refers to the cost of security identification cards issued to the tenants.

13. Trade and Other Payables

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Accrued expenses	P4,491,368	P5,878,455
Accounts payable – trade and others	79,613	681,458
	P4,570,981	P6,559,913

Trade and other payables include accrual of security services, janitorial services, audit and bookkeeping fees, unused sick leave and vacation leave, performance bonus and 13th month pay.

14. Other Current Liabilities

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
VAT output	P2,332,627	P2,128,707
Security deposit	1,935,541	1,846,451
Advances from clients and tenants	305,896	558,394
Withholding tax compensation	238,861	230,117
Expanded withholding tax	119,293	112,117
Other government payables	82,709	71,027
Miscellaneous payable	–	20,000
	P5,014,927	P4,966,813

Other government payables pertain to SSS, PHIC and HDMF premiums and loans.

15. Security and Utility Deposits

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Security deposits – net of discount	P30,443,098	P30,067,849
Utility deposit	92,156	42,156
	P30,535,254	P30,110,005

Security and utility deposits pertain to rental, water and electricity deposits paid by tenants that are refundable at the end of the lease term.

Unamortized discount on security deposit amounted to P443,213 and P15,302 as of May 31, 2019 and August 31, 2018, respectively. Amortization of discount recognized as interest expense in the consolidated statements of comprehensive income amounted to P80,285 and P35,427 as of May 31, 2019 and August 31, 2018, respectively.

16. Retirement Benefit Cost

The Group uses Projected Unit Credit Method to determine the current service cost for the year and the past service liability. The current service cost is the present value of benefits which accrue during the year. The past service liability is the present value of the retirement benefits accrued as of the valuation date.

The actuarial valuations of the Group's Employee Retirement Guideline were carried out on August 31, 2018 by independent firm of appraisers.

Discussed below are the significant information related to the Group's unfunded and non-contributory retirement guidelines.

Regulatory Framework in which the Retirement Guidelines Operates

The BOD in its meeting in 2012 approved that effective January 1, 2013, the following new retirement guidelines will be adopted by the Group and which will be applied to the remaining employees not eligible to retire under the current Retirement Guidelines.

- a. All employees shall be compelled to retire upon reaching 60 years of age.
- b. Retirement benefit shall be the equivalent of one month's salary for every year of service. For any fraction of a year's term of service, the benefit computation shall be pro-rated.
- c. Reckoning of service period to qualify for retirement starts upon regularization of an employee's work status.
- d. The Group has the option to offer early retirement to an employee who reaches 50 years of age and has rendered at least ten years of service.
- e. An employee has the option to retire after rendering 20 years of service, regardless of age, subject to the approval of the Group.
- f. An employee who voluntarily resigns from the Group shall not be entitled to any retirement benefit.
- g. In case of death of an employee, his/her beneficiaries shall receive benefits equivalent to what he/she would have received if he/she retired at the time of death.
- h. In case of disability of an employee and he/she is no longer capable of serving the Group, or that his/her illness/disabilities is of such nature that pursuant to the Labor Code, Article 284 thereof, his/her employment can be validly terminated, he/she shall receive benefits equivalent to what he/she would have received if he/she retired at the time of disability/illness.
- i. In case of termination of employment due to closure of business, redundancy and retrenchment, and other causes provided by Article 283 of the Labor Code, the affected employees will receive the separation benefits equivalent to the retirement package as provided by the program or that which the labor Code provides, whichever is higher.

Unusual or Significant Risks to which the Retirement Plan exposes the Group Company

There are no identified unusual or significant risks to which the Plan exposes the Group. As stated above, the Group accrues retirement benefit obligation based in its new guideline in which in accordance with the law. However, in the event a benefit claim arises and since it is wholly unfunded, thus no fund to pay the benefit, the unfunded claim is immediately due and payable from the Group. The Group has enough cash and cash equivalent to pay the obligation as of May 31, 2019 and August 31, 2018.

Guidelines, Amendment, Curtailment or Settlement

There was no guidelines, amendment, curtailment, or settlement for the nine months and fiscal year ended May 31, 2019 and August 31, 2018. During the fiscal year the Group paid P405,518 to a retiree.

The following tables summarize the components of the retirement benefits cost recognized in the profit or loss and the amounts recognized in the consolidated statements of financial position based on the latest actuarial valuation in accordance with PAS 19 (Revised 2011).

The net retirement benefit obligation recognized as retirement benefit obligation account in the consolidated statements of financial position are P8,502,527 and P7,663,572 as of May 31, 2019 and August 31, 2018, respectively.

The changes in the present value of the retirement benefit obligation are as follows:

	May 31, 2019	Aug 31, 2018
Balance at beginning of year	P7,663,572	P9,154,995
Current service cost	456,159	1,902,405
Net interest cost	382,796	303,427
Actuarial gain – net	-	(2,620,115)
Benefits paid	-	(1,077,140)
Balance at end of year	P8,502,527	P7,663,572

Cumulative actuarial gain reserve recognized as of May 31, 2019 and August 31, 2018 amounted to P42,856.

The amounts of retirement benefit cost recognized in profit or loss of the consolidated statements of comprehensive income are as follows:

	May 31, 2019	Aug 31, 2018
Current service cost	P456,159	P1,902,405
Net interest cost	382,796	303,427
Total	P838,955	P2,205,832

Total retirement benefit cost charged to Cost of Services amounted to P190,852 and P187,615 for the nine months ended May 31, 2019 and year ended August 31, 2018, respectively, while retirement benefit cost amounted to P648,103 and P2,018,217 for the nine months ended May 31, 2019 and year ended August 31, 2018, respectively, were included in the General and Administrative Expenses.

The principal actuarial assumption used to determine retirement benefits obtained from the actuarial valuation report of the Group are as follows:

Beginning of period	
Discount rate	4.91%
Salary increase rate	5.00%
End of period	
Discount rate	6.66%
Salary increase rate	5.00%

The average future working years of service of Subsidiary's employees is 13 years in 2018.

Maturity analysis of the undiscounted benefit payments as of May 31, 2019:

1 year and less	P411,325
more than 1 year to 5 years	3,003,953
more than 5 years to 10 years	3,999,820
more than 10 years to 15 years	6,681,982
more than 15 years to 20 years	8,722,348
more than 20 years	4,377,566

Sensitivity analysis of retirement benefit obligation as of May 31, 2019:

Discount rate	+ 1.0%	- 1.0%
Present value of retirement benefit obligation	P7,458,329	P7,905,609
Increase (decrease) by:	(205,243)	242,037
Salary increase rate	at +2%	at -2%
Present value of retirement benefit obligation	P8,176,282	P7,279,811
Increase (decrease) by:	512,710	(383,761)

Asset-Liability Matching (ALM) Strategies to Manage Risks

Since there was no plan asset as of 2018, there was no specific matching strategy between the plan asset and retirement benefit obligation to manage risks.

Funding Requirements

The Group is not required to pre-fund the future defined benefits payable before they become due. The amount and timing of contributions, if any, to the retirement fund are at the Group's discretion. There are no expected contributions to the plan for the next annual reporting period. Any retirement benefit claim is due and payable immediately by the Group.

17. Lease Transactions

Information of the Group's properties for lease is presented below:

	May 31, 2019 (Unaudited)	Aug 31, 2018 (Audited)
Acquisition cost:		
Land	P2,589,615	P3,136,102
Land improvement	13,402,465	9,328,246
Buildings	261,921,328	261,921,328
Building improvements	23,066,675	19,581,013
Construction in progress	1,554,139	–
	302,534,222	293,966,689
Less accumulated depreciation:		
Land improvement	7,222,204	6,406,946
Buildings	195,698,616	191,996,495
Building improvements	16,047,813	15,066,665
	218,968,633	213,470,106
Net carrying amount	P83,565,589	P80,496,583

Lease term on buildings ranges from one (1) month to ten (10) years, which can be renewed subject to negotiations.

The Contract of Lease also provides for two (2) months advance rental, of which one (1) month is consumable on the first month of the lease term and the other on the last month of the lease period. It also provides for security deposit equivalent to two (2) months' rent. Discounted advance rentals and security deposits amounted to P14,707,500 and P32,378,639, respectively, as of May 31, 2019 and P14,244,919 and P31,914,300, respectively, as of August 31, 2018.

Rent income from the Group's lease transactions involving the properties listed above amounted to P137,613,339 and P172,104,743 in May 31, 2019 and August 31, 2018, respectively.

The total future minimum rental income on current lease contracts for each of the following periods is as follows:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Due within one year	P93,724,543	P87,555,978
Due after one year but not more than five years	50,614,364	46,311,766
Due beyond five years	590,623	883,813
	P144,929,530	P134,751,557

18. Share Capital

This account consists of:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Authorized:		
35,000,000 shares of par value of P1 each	P35,000,000	P35,000,000
Subscribed and paid:		
35,000,000 shares of par value of P1 each	P35,000,000	P35,000,000

Capital stock was held by a total of 511 stockholders as of May 31, 2019 and August 31, 2018, respectively.

Track record of registration:

Date	Number of Shares Licensed	Issue/Offer Price
December 19, 1955	1,398,505	P1
February 18, 1956	2,601,495	1
April 27, 1961	6,000,000	1
February 05, 1962	7,500,000	1
April 03, 1978	17,500,000	1

19. Related Party Transactions

The Group, in the normal course of business, has provided and/or received advances, services and/or goods to and from related parties. The related party transactions were made at terms equivalent to those that prevail in arm's length transactions.

The related party transactions were made at terms equivalent to those that prevail in arm's length transactions.

As of May 31, 2019

	Classification	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
<i>(a) Subsidiary</i>					
Baesa Redevelopment Corporation	Loans payable	unsecured, unguaranteed, non-interest-bearing, payable in a monthly amortization of P373,333 up to February 2022 and a one-time full payment of P55,908,446 on March 1, 2022.	none	(P2,151,596)	P64,032,374
	Dividend receivable/ Dividend income	unsecured, unguaranteed, noninterest-bearing, no term, receivable in cash	none	11,750,000	–
	Security deposits	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	–	8,000,000
	Trade payables/ Maintenance and collection services and contract services	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	8,370,000	–
	Trade receivables/ Rental income	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	5,008,787	–
	Interest income	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	1,208,404	–

As of August 31, 2018

	Classification	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of Volume of Transaction	Outstanding Balance
<i>(a) Subsidiary</i>					
Baesa Redevelopment Corporation	Loans payable	unsecured, unguaranteed, non-interest-bearing, payable in a monthly amortization of P373,333 up to February 2022 and a one-time full payment of P55,908,446 on March 1, 2022.	none	(P2,807,552)	P66,183,969
	Security deposits	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	–	8,000,000
	Trade payables/ Maintenance and collection services and contract services	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	11,160,000	–
	Trade receivables/ Rental income	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	5,386,165	–
	Interest income	unsecured, unguaranteed, noninterest-bearing, 30 days term, payable in cash	none	1,672,448	–

The outstanding balance of non-interest bearing payable and amount of transaction with Subsidiary Company were eliminated in the consolidation.

The dividend paid and dividend income from Subsidiary Company were eliminated also in the consolidation.

Other related parties are entities that are controlled by the stockholders and/or directors and key management officers of the Group but neither a subsidiary or associate of the Group.

The following are other relevant related party disclosures:

Identification	Nature of Relationship	Business Purpose of Arrangement	Contract or Other Commitments
Baesa Redevelopment Corporation	subsidiary	Parent Company purchased the building, which was redeveloped into a commercial center known as BTC	contract of absolute sale
		Subsidiary Company provides support services which include, but not limited to, messengerial, clerical and other related services to the Parent Company	service agreement

In January 2019, KLI which is 19.68 % owned by BRC agreed to engage the latter to study and develop KLI's four (4) parcels of land located at LTC-SEZ, Malvar, Batangas. For these services KLI committed to pay BRC a project development and management fee amounting to P11,200,000. In April 2019, KLI decided to sell the four (4) parcels of land instead because of the attractive price offered. Nonetheless, KLI subsequently paid BRC the aforesaid fee last June recognizing its earlier commitment to BRC.

Transactions with related parties were made at normal market prices. An assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Transactions with related parties have been fairly evaluated since the Company treated it same with the transactions to the third parties.

There are no parties that fall outside the definition of "related parties" with whom the Company or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties at an arm's length basis.

Key management compensation

The aggregate amount of salaries received by way of professional fees and salaries and wages of key management personnel of the Group amounted to P2,255,677 and P2,145,926 for the period ended May 31, 2019 and 2018. This is included under General and Administrative Expenses in the consolidated statements of comprehensive income.

There are no agreements between the Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

20. Revenues

This account consists of:

	For nine months ended		For three months ended	
	May 31, 2019 (Unaudited)	May 31, 2018 (Unaudited)	May 31, 2019 (Unaudited)	May 31, 2018 (Unaudited)
Rental income:				
Baesa and Balintawak warehouses	P113,066,805	P106,290,335	P38,199,538	P36,405,675
Baesa Town Center	24,526,445	21,943,997	8,581,730	7,685,790
Candon warehouses and facilities	20,089	–	6,696	–
	137,613,339	128,234,332	46,787,964	44,091,465
Other operating income:				
Electricity	10,301,900	8,717,508	3,857,846	3,033,320
Water	952,279	1,346,410	318,783	370,022
Common maintenance	86,186	793,287	21,697	53,341
Communication	24,778	24,323	8,292	8,094
Others	921,699	520,802	324,573	147,247
	12,286,842	11,402,330	4,531,191	3,612,024
Total revenues	P149,900,181	P139,636,662	P51,319,155	P47,703,489

Other operating income pertains to charges billed to tenants.

21. Cost of Services

This account consists of:

	For nine months ended		For three months ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Communication, light and water	P12,461,022	P11,212,810	P4,596,912	P4,015,905
Security services	12,148,460	11,158,758	3,741,599	3,499,729
Depreciation	5,498,527	10,260,547	1,936,523	3,403,347
Taxes and licenses	4,826,872	4,259,665	1,754,600	1,504,227
Real estate tax	3,808,024	4,962,691	1,177,630	1,315,197
Maintenance and collection services	2,872,700	2,663,220	1,051,210	858,506
Repairs and maintenance	2,120,886	2,196,641	666,179	695,462
Salaries, wages and allowances	1,459,912	1,854,414	476,117	633,292
Insurance	1,033,297	1,034,590	345,829	345,936
Retirement benefits (Note 16)	190,852	187,923	63,617	62,641
Others	412,156	433,297	67,627	70,374
	P46,832,708	P50,224,556	P15,877,843	P16,404,616

22. Other Income

This account consists of:

	For nine months ended		For three months ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on sale of land under investment properties (Note 11)	P9,274,942	P–	P892,857	P–
Interest income (Note 5)	4,416,650	1,866,577	1,787,866	503,705
Share in cumulative equity gain in an associate – net (Note 9)	1,139,023	523,532	–	–
Miscellaneous income	1,699,181	1,597,674	186,452	1,143,080
	P16,529,796	P3,987,783	P2,867,175	P1,646,785

Miscellaneous income includes sale of scrap items, penalty for late collections and non-smoking violators, cost of damaged and lost RFID cards and VAT expenses.

23. General and Administrative

This account consists of:

	For nine months ended		For three months ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries, wages and allowances	P13,275,635	P14,328,390	P4,417,055	P4,645,884
Donations	4,216,451	511,586	3,000,000	400,000
Professional and legal fees	4,067,080	2,353,021	1,143,850	608,050
Communication, light and water	1,627,887	1,613,484	549,965	579,778
Contract services	1,017,134	910,190	382,211	304,416
Transportation and travel (forwarded)	745,279	662,059	204,462	296,549

Repairs and maintenance	729,259	470,654	260,488	134,576
Retirement benefits (Note 16)	648,103	637,865	216,035	212,621
Insurance	321,370	314,532	109,334	107,086
Membership dues	251,000	256,000	–	–
Commission	209,736	213,726	199,412	213,726
Supplies	206,158	188,432	59,545	78,103
Depreciation	176,183	206,406	58,728	58,728
Taxes and licenses	38,369	57,922	10,318	31,096
Miscellaneous	1,215,246	990,880	249,101	237,225
Others	97,270	91,827	31,619	12,373
	P28,842,160	P23,806,974	P10,892,123	P7,920,211

Professional fees consist of audit fees, legal fees, directors' fee and other consultancy fees.

Miscellaneous and other expenses are normal operating expenses which are immaterial in amount but significant in the operation.

24. Selling and Marketing

This account pertains to representation expense amounted to P86,721 and P55,717 for the nine months ended May 31, 2019 and 2018, respectively, and P23,325 and P14,189 for the three months ended May 31, 2019 and 2018, respectively.

25. Other Expenses

This account consists of:

	For nine months ended		For three months ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense:				
Advance rentals and security and utility deposits	P84,292	P29,834	P65,395	P9,945
Others	–	308	–	–
Share in cumulative equity loss in an associate – net (Note 9)	–	–	689,486	496,617
	P84,292	P30,142	P754,881	P506,562

The interest expense on advance rentals and security deposits pertain to the related interest expense on the discount recognized on the cash received from tenants as advance rentals and security deposits. The advance rentals and security deposits were discounted using the prevailing PHIBOR rate at transaction dates.

26. Income and Other Taxes

The current income tax expense pertains to regular corporate income tax (RCIT) for the nine months ended May 31, 2019 and 2018.

The reconciliation of pretax income computed at the statutory income tax rate vis-à-vis the provision for income tax as shown in the consolidated statements of comprehensive income is shown below:

	For nine months ended		For six months ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision for income tax computed at statutory income tax rate	P26,994,930	P20,856,467	P8,252,096	P7,554,198
Tax effects of:				
Interest expense on security deposits	24,085	8,418	18,771	2,806
Interest expense on advance rental	1,202	532	847	177
Rental income – discounted	(156,253)	–	(156,253)	–
Interest income subjected to final tax	(1,324,920)	(559,609)	(536,360)	(151,112)
	P25,539,044	P20,305,808	P7,579,101	P7,406,069

The components and movements thereon of the consolidated deferred tax assets and liabilities as of May 31, 2019 and August 31, 2018 are as follows:

	At August 31, 2016	Credit (charge) to profit or loss for the year	At August 31, 2017	Credit (charge) to profit or loss for the year	At August 31, 2018	Credit (charge) to profit or loss for the year	At May 31, 2019
Deferred tax assets							
Advance rental	P3,751,562	P442,365	P4,193,927	P203,182	P4,397,109	P68,340	P4,465,449
Allowance for decline in inventory	258,742	–	258,742	(43,177)	215,565	–	215,565
Accrued retirement benefits	2,416,182	330,315	2,746,497	(447,425)	2,299,072	251,686	2,550,758
Unamortized past service cost	42,974	(23,977)	18,997	(18,997)	–	–	–
	P6,469,460	P748,703	P7,218,163	(P306,417)	P6,911,746	P320,026	P7,231,772
Deferred tax liabilities							
Rental income adjustment per PAS 17	P610,147	(P298,100)	P312,047	(P65,066)	P246,981	(P36,537)	P210,444

The Group opted for the itemized deduction scheme for its income tax as of May 31, 2019 and August 31, 2018.

27. Dividends

The BOD, on their meeting on December 10, 2018, approved the Parent Company's declaration of cash dividend of P1.50 per share or a total of P52.5 million to the stockholders on record as of January 3, 2019. Dividends were paid on January 29, 2019.

Last year, the Group declared a cash dividend of P1 per share or a total of P35 million to the stockholders on record as of January 5, 2018. Dividends were paid on January 31, 2018.

The Audit Committee authorized the reversal of the unclaimed dividends to retained earnings amounted to P203,963 on July 13, 2018. However, P24,893 of the reversed dividends were claimed and paid in 2019.

Dividends payable as of May 31, 2019 and August 31, 2018 amounted to P2,926,627 and P2,529,250, respectively.

28. Earnings Per Share

Earnings per share is computed as follows:

Based on Net Income

	For nine months ended		For three months ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (a)	P65,045,052	P49,201,248	P19,059,057	P17,098,627
Number of shares outstanding during the year (b)	35,000,000	35,000,000	35,000,000	35,000,000
Earnings per share (a/b) (Note 3)	P1.86	P1.41	P0.54	P0.49

Based on Total Comprehensive Income

	For nine months ended		For three months ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total comprehensive income (a)	P65,045,052	P49,201,248	P19,059,057	P17,098,627
Number of shares outstanding during the year (b)	35,000,000	35,000,000	35,000,000	35,000,000
Earnings per share (a/b) (Note 3)	P1.86	P1.41	P0.54	P0.49

The Group has no dilutive shares as of May 31, 2019 and August 31, 2018 (see Note 18).

29. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash and cash equivalents and receivables. The main purpose of investing these financial instruments (assets) is to maximize interest yield and for capital appreciation. The Group has various other financial assets and liabilities such as trade receivables, refundable deposits, trade payables and accrued liabilities, which arise directly from operations. The Group's policies and guidelines cover credit risk, liquidity risk and market risks. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

The main risks arising from the use of financial instruments are credit risk and liquidity risk. The Group's BOD reviews and agrees with policies for managing each of these risks as summarized below:

Credit risk

Credit risk refers to the risk that a counter party will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The Group only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities such as those listed in the Philippine Stock Exchange. Moreover, the Group follows strict credit policies and procedures in granting of credit to customers, which are regularly reviewed and updated to reflect changing risk conditions, which includes credit evaluation, administration, monitoring and collection guidelines.

The Group monitors exposures through continuing assessment of creditworthiness of customers, and monitoring of the aged schedules of receivables. In addition, real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered.

Credit risk exposure

Generally, the maximum credit risk exposure of the financial assets is the carrying amounts of the Group's financial assets as summarized below:

	May 31, 2019 (Unaudited)	Aug 31, 2018 (Audited)
Cash in banks (Note 5)	P231,204,051	P219,031,379
Trade and other receivables (Note 6)*	5,124,516	6,111,611
Refundable and other deposits (under other noncurrent assets) (Note 12)	2,031,243	1,945,436
	P238,359,810	P227,088,426

*Excluding advances for liquidation amounting to P3,000 and P679,372 as of May 31, 2019 and August 31, 2018, respectively.

The Group's cash and cash equivalents have been invested with various creditworthy banks, thus limiting exposure to credit risk, in regard to its liquid assets. The Group's trade receivables consist of significant number and various tenants. Customers of the Group have been subjected to credit evaluation prior to approval of lease contracts.

With respect to credit risk arising from other financial assets, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying value of these instruments.

Credit quality

Below is the credit quality by class of financial assets as of May 31, 2019 and August 31, 2018, gross of allowance for impairment losses:

	May 31, 2019				Total
	(Unaudited)				
	Neither past due nor impaired		Past due but not impaired		
	High grade	Medium grade			
Cash in banks	P231,204,051	P-	P-	P231,204,051	
Trade and other receivables*	5,085,676	-	38,840	5,124,516	
Refundable and other deposits	-	2,031,243	-	2,031,243	
	P236,289,727	P2,031,243	P38,840	P238,359,810	

*Excluding advances for liquidation amounting to P3,000 as of May 31, 2019.

	August 31, 2018				Total
	(Audited)				
	Neither past due nor impaired		Past due but not impaired		
	High grade	Medium grade			
Cash in banks	P219,031,379	P-	P-	P219,031,379	
Trade and other receivables*	5,673,570	-	438,041	6,111,611	
Refundable and other deposits	-	1,945,436	-	1,945,436	
	P224,704,949	P1,945,436	P438,041	P227,088,426	

*Excluding advances for liquidation amounting to P679,372 as of August 31, 2018.

High grade cash in banks considered by management as high grade are fund placed, invested, or deposited in local banks belonging to the top 25 banks in the Philippines in terms of resources and profitability. Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

Below is the aging analysis of past due but are not impaired receivables:

May 31, 2019 (Unaudited)				
Age Analysis of Financial Assets				
	31 to 90 days	91 to 150 days	More than 150 days	Total
Trade and other receivables*	P5,085,676	P37,656	P1,184	P5,124,516

*Excluding advances for liquidation amounting to P3,000 as of May 31, 2019.

August 31, 2018 (Audited)				
Age Analysis of Financial Assets				
	31 to 90 days	91 to 150 days	More than 150 days	Total
Trade and other receivables*	P-	P-	P438,041	P438,041

*Excluding advances for liquidation amounting to P679,372 as of August 31, 2018.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. The Group's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The table below summarizes the maturity profile of the Group's nonderivative financial assets and liabilities based on contractual undiscounted payments, as of May 31, 2019 and August 31, 2018:

May 31, 2019 (Unaudited)				
	Due within 1 year	Due within 2 to 5 years	Over 5 years	Carrying amount
Cash and cash equivalents	P231,204,051	P-	P-	P231,204,051
Trade and other receivables*	5,124,516	-	-	5,124,516
Refundable and other deposits	-	2,031,243	-	2,031,243
Total financial assets	P236,328,567	P2,031,243	P-	P238,359,810
Trade and other payables	P4,570,981	P-	P-	P4,570,981
Security and utility deposits	31,180,096	1,733,912	-	32,914,008
Advances from clients and tenants**	111,673	-	-	111,673
Total financial liabilities	P35,862,750	P1,733,912	P-	P37,596,662

*Excluding advances for liquidation amounting to P3,000 as of May 31, 2019.

**Excluding advances from tenants amounting to P194,223 as of May 31, 2019.

	As of August 31, 2018			
	(Audited)			
	Due within 1 year	Due within 2 to 5 years	Over 5 years	Carrying amount
Cash and cash equivalents	P219,086,379	P–	P–	P219,086,379
Trade and other receivables*	6,111,611	–	–	6,111,611
Refundable and other deposits	433,109	1,512,327	–	1,945,436
Total financial assets	P225,631,099	P1,512,327	P–	P227,143,426
Trade and other payables	P6,559,913	P–	P–	P6,559,913
Security and utility deposits	27,340,722	4,579,917	51,119	31,971,758
Advances from clients and tenants**	111,723	–	–	111,723
Total financial liabilities	P34,012,358	P4,579,917	P51,119	P38,643,394

*Excluding advances for liquidation amounting to P679,372 as of August 31, 2018.

**Excluding advances from tenants amounting to P446,671 as of August 31, 2018.

30. Financial Instruments

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities as of May 31, 2019 and August 31, 2018 are presented below:

	May 31, 2019			
	(Unaudited)			
	Carrying amounts	Fair values	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	P231,259,051	P231,259,051	P231,259,051	P–
Trade and other receivables*	5,124,516	5,124,516	–	5,124,516
Refundable and other deposits	2,031,243	2,031,243	–	2,031,243
	P238,414,810	P238,414,810	P231,259,051	P7,155,759
Financial liabilities				
Trade and other payables	P4,570,981	P4,570,981	P–	P4,570,981
Security and utility deposits	32,470,795	32,470,795	32,470,795	–
Advances from clients and tenants**	111,673	111,673	–	111,673
	P37,153,449	P37,153,449	P32,470,795	P4,682,654

*Excluding advances for liquidation amounting to P3,000 as of May 31, 2019.

**Excluding advances from tenants amounting to P194,223 as of May 31, 2019.

	August 31, 2018			
	(Audited)			
	Carrying amounts	Fair values	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	P219,086,379	P219,086,379	P219,086,379	P–
Trade and other receivables*	6,111,611	6,111,611	–	6,111,611
Refundable and other deposits	1,945,436	1,945,436	–	1,945,436
	P227,143,426	P227,143,426	P219,086,379	P8,057,047
Financial liabilities				
Trade and other payables	P6,559,913	P6,559,913	P–	P6,559,913
Security and utility deposits	31,956,456	31,956,456	31,956,456	–
Advances from clients and tenants**	111,723	111,723	–	111,723
	P38,628,092	P38,628,092	P31,956,456	P6,671,636

*Excluding advances for liquidation amounting to P679,372 as of August 31, 2018.

**Excluding advances from tenants amounting to P446,671 as of August 31, 2018.

Methods and Assumptions Used to Estimate the Fair Value

The carrying value of cash in banks and short-term deposits, trade and other receivables and payables, other deposits and other current liabilities approximate their fair values due to the short-term nature of the transactions.

The future cash flows of refundable deposits under asset accounts cannot be readily determined and reasonably measured as the actual timing of receipt which is linked to the cessation of the service cannot be reasonably predicted. Accordingly, refundable deposits are carried at costs less any impairment. For cash in banks with fair values included in Level 2, management considers that the carrying amounts of these financial assets approximate their fair values due to their short duration.

The fair values of trade and other receivables and payables and other financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

Advance rental and security and utility deposits are carried at amortized costs.

The rollforward analysis of the Level 3 accounts follow:

	May 31, 2019 (Unaudited)			
	Trade and other receivables	Refundable and other deposits	Trade and other payables	Advances from clients and tenants
Balance at the beginning of the year	P6,790,984	P1,945,437	P6,559,913	P111,723
Additional (collection) during the year	(1,666,468)	85,806	(1,988,932)	(50)
	P5,124,516	P2,031,243	P4,570,981	P111,673

	August 31, 2018 (Unaudited)			
	Trade and other receivables	Refundable and other deposits	Trade and other payables	Advances from clients and tenants
Balance at the beginning of the year	P4,773,655	P1,987,077	P7,292,003	P112,723
Additional (collection) during the year	2,017,329	(41,640)	(732,090)	(1,000)
	P6,790,984	P1,945,437	P6,559,913	P111,723

The Group has no financial instruments that are carried at FVPL and there has been no reclassification from the Level categories during 2018.

Investment Property

The fair value of investment properties included in Level 2 is determined by SEC accredited independent appraisers wherein the depreciated replacement cost were determined. The increase in fair market value of the investment property were not recognized in the books amounting to P2.56 billion in 2018.

31. Capital Management

The Group monitors the adequacy of its capital to ensure that the financial resources of the Group are available to absorb unforeseen or unanticipated losses. The Group's capital is its buffer against insolvency.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares. The Group defines capital as paid-in capital stock, additional paid-in capital, retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and translation are excluded from capital for purposes of capital management.

The Board of Directors has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group considers the following as its capital:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Share capital (Note 18)	P35,000,000	P35,000,000
Additional paid-in capital	182,922,688	182,922,688
Retained earnings	149,753,548	137,233,389
	P367,676,236	P355,156,077

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity.

The table below shows how the Group computes its debt-to-equity ratio as of May 31, 2019 and August 31, 2018:

	May 31, 2019	Aug 31, 2018
	(Unaudited)	(Audited)
Total debt	P70,663,332	P69,539,933
Total equity	367,719,092	355,198,933
	0.19:1.00	0.20:1.00

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirement.

32. Contingent Liabilities

The Parent Company has the following cases:

CTA Case No. 7991

The Parent Company was assessed by the Bureau of Internal Revenue (BIR) for deficiency taxes in the amount of P10,842,529 including surcharges, compromise penalties and interests for the for the fiscal year ended August 31, 2005. The Parent Company filed a Petition For Review for the cancellation and withdrawal of the assessment of deficiency tax. The Parent Company filed an offer of compromise and paid forty percent (40%) of the basic deficiency tax or P4,337,011.50 on March 22, 2010 with the BIR. However, the compromise offer was not accepted by the BIR.

On August 28, 2014, 1st Division of the CTA sustained the assessment of the BIR but it substantially reduced the deficiency taxes to P2,107,078, from the original assessment of P6 million. It, however, imposed surcharges, interest on basic deficiency tax, as well as delinquency interest.

On October 3, 2014, the Parent Company paid deficiency taxes with related interest expense amounting to P4.1 million.

On June 16, 2015, the Parent Company and BIR filed their respective appeals from the Decision to the CTA *En Banc*. The Parent Company and BIR have likewise filed their comments/oppositions to the other's appeal. The parties' Memoranda having been filed, the case is now submitted for decision.

On April 11, 2016, both the appeals of the Parent Company and BIR were denied. CTA *En Banc* sustained the ruling of the BIR assessment as well as the reduced deficiency tax of P2.1 million. The CTA *En Banc* also sustained the ruling of the First Division when it credited in favor of the Parent Company tax credit amounted to P4 million.

Both the Parent Company and BIR filed their Motion for Reconsideration. On August 15, 2016, the CTA *En Banc* issued a resolution denying both the Parent Company and BIR's Motion for Reconsideration for lack of merit.

The Parent Company has filed an appeal with the Supreme Court, while BIR has filed a motion asking for additional time to file its appeals.

On August 9, 2017 the Parent Company settled all its tax obligations with the Large Taxpayers' Division, in the amount of P4,405,610. The Parent Company will move for the dismissal of the petition filed with the Supreme Court.

33. Other Matters

- There were no significant events or transactions for the quarter that had a major impact on the Group's financial condition and performance that were not disclosed in the financial statements.
- There were no significant changes in estimates.
- There were no material events subsequent to the interim period, which have not been reflected in the interim consolidated financial statements.
- There were no changes in the composition of the Parent Company and its subsidiary for this quarter.
- There were no changes in contingent liabilities or contingent assets.
- Except as disclosed in Note 32, there are no material contingencies and any events or transactions that are material to the Group.
- The Group has revenue and income from three segments as disclosed in Note 20.

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY

Aging of Accounts Receivable

AS OF MAY 31, 2019

(Amounts in Philippine Pesos)

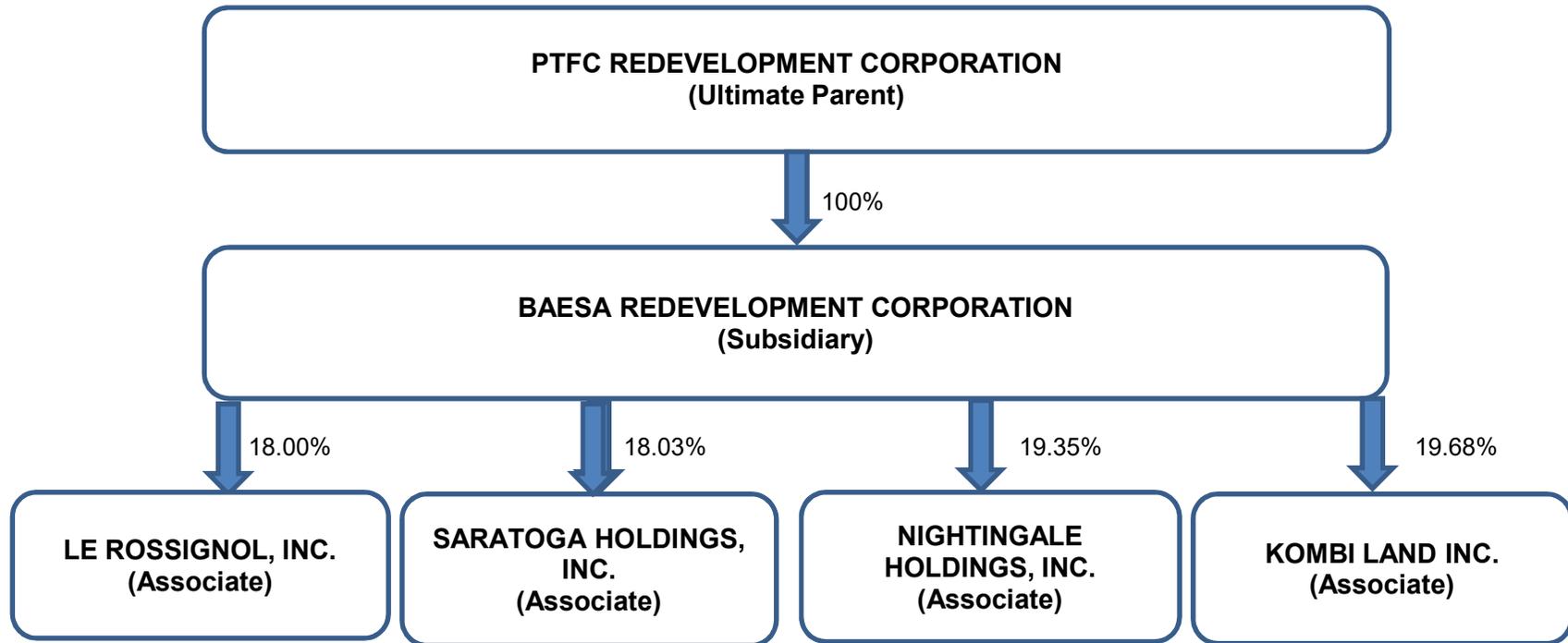
	TOTAL	1 Month	2-3 Mos.	4-6 Mos.	7mos. To 1 Year	1 - 2 Years	3-5 Years	5 Years and Above	Nature/ Description	Collection Period
A.) RENT RECEIVABLES										
Parent:										
Balintawak/Baesa compound	2,529,105	2,495,843	33,246	16	-	-	-	-	Warehouse Rental, partial collection June 2019.	Monthly
Various tenants (PAS 17)	419,021	419,021	-	-	-	-	-	-	Rental income adjustments in compliance with PAS 17 (straight-line basis recognition of lease income)	
Subtotal	<u>2,948,126</u>	<u>2,914,864</u>	<u>33,246</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Subsidiary										
Various tenants	68,963	63,385	4,410	1,168	-	-	-	-	Warehouse Rental, partial collection June 2019.	Monthly
Various tenants (PAS 17)	282,459	282,459	-	-	-	-	-	-	Rental income adjustments in compliance with PAS 17 (straight-line basis recognition of lease income)	
	<u>351,422</u>	<u>345,844</u>	<u>4,410</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
TOTAL - RENT RECEIVABLES	<u>3,299,548</u>	<u>3,260,708</u>	<u>37,656</u>	<u>1,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
B.) OTHER RECEIVABLES										
1. Tenant's Utilities/Advances	1,827,968	1,827,968	-	-	-	-	-	-	Tenant's utilities/advances to officers/advances subject to liquidation	Monthly
NET RECEIVABLES	<u>5,127,516</u>	<u>5,088,676</u>	<u>37,656</u>	<u>1,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY
Schedule of Financial Soundness Indicators
MAY 31, 2019

	May 31, 2019	Aug 31, 2018	May 31, 2018
A. Liquidity			
Current asset	248,926,603	239,714,199	
Current liabilities	16,707,607	17,274,456	
	<u>14.90</u>	<u>13.88</u>	
B. Debt-to-equity-ratios			
Total liabilities	70,663,332	69,539,933	
Total equity	367,719,092	355,198,933	
	<u>0.192</u>	<u>0.196</u>	
C. Asset to equity ratio			
Total assets	438,382,424	424,738,866	
Total equity (including non-controlling interest)	367,719,092	355,198,933	
	<u>1.192</u>	<u>1.196</u>	
D. Interest rate coverage ratio			
Earnings before interest expense and taxes			
Interest expense	<u>NA</u>		<u>NA</u>
E. Profitability ratios			
1. Gross profit ratios			
Gross profit	103,067,473	89,412,106	
Gross revenues	149,900,181	139,636,662	
	<u>0.688</u>	<u>0.640</u>	
2. Net income from operations to profit margin ratios			
Gross profit	103,067,473	89,412,106	
Less:			
General and administrative	28,842,160	23,806,974	
Selling and marketing	86,721	55,717	
Income from operations	74,138,592	65,549,415	
Divided by gross profit	103,067,473	89,412,106	
	<u>0.719</u>	<u>0.733</u>	
3. Return on assets ratios			
Net income	65,045,052	49,201,248	
Total assets	438,382,424	403,798,842	
	<u>0.148</u>	<u>0.122</u>	
F. Other relevant ratio			
	<u>none</u>		<u>none</u>

PTFC REDEVELOPMENT CORPORATION AND SUBSIDIARY

Mapping of Relationships Between and Among the Company and
Its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries, and
Associates
As of May 31, 2019



PTFC REDEVELOPMENT CORPORATION AND A SUBSIDIARY
SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER
PHILIPPINE FINANCIAL REPORTING STANDARDS
MAY 31, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for Firsttime adopters*		✓	
PFRS 2	Share-based Payment			✓**
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓**
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓**
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓**
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			✓**
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓**
	Annual Improvements (2012-2014 Cycle): Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal			✓**
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2012-2014 Cycle): Financial Instruments: Disclosure – Servicing Contracts			✓**
	Annual Improvements (2012-2014 Cycle): Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓**
PFRS 8	Operating Segments			✓
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of			✓**

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	PFRS 9 and Transition Disclosures			
	Amendments to PFRS 9: Financial Instruments – Classification and Measurement*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments for Investment Entities			✓**
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate and Joint Venture			✓
PFRS 11	Joint Arrangements			✓**
	Amendments to PFRS 11: Accounting for Acquisitions of Interest in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments for Investment Entities			✓**
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PFRS 12 – Clarification of the Scope of the Standard*		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables	✓		
	Annual Improvements (2011-2013 Cycle): Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓**
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓*	

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓**
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions			✓**
	Annual Improvements (2012-2014 Cycle): Employee Benefits – Regional Market Issue Regarding Discount Rate			✓**
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓**
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓**
	Amendment: Net Investment in a Foreign Operation			✓**
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓**
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments in Investment Entities			✓**
	Amendments to PAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements			✓**
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PAS 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓**

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendment to PAS 32: Classification of Rights Issues			✓**
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Interim Financial Reporting – Disclosure of information 'elsewhere in the Interim Financial Report'*		✓	
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets			✓**
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓**
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓**
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓**
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓**
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting			✓**
PAS 40	Investment Property	✓		
	Annual Improvements (2011-2013 Cycle): Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓**
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓**
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓**
IFRIC 12	Service Concession Arrangements			✓**

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✓**
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓**
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓**
IFRIC 15	Amendments to Philippine Interpretations IFRIC- 15, Agreements for Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓**
IFRIC 18	Transfers of Assets from Customers			✓**
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓**
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over income tax treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓**
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓**
SIC-29	Service Concession Arrangements: Disclosures.			✓**
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓**
SIC-32	Intangible Assets - Web Site Costs			✓**

*These are effective subsequent to May 31, 2019.

**Adopted but no significant impact.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Third Quarter ended May 31, 2019.

Discussion of Financial Condition and Results of Operation

**Consolidated Statements of Financial Position
May 31, 2019 and August 31, 2018**

1. The increase in cash and cash equivalents was primarily due to the profitable operations of the Company and sale of two parcels of lot in Candon.
2. The decrease in trade and other receivables pertains to the timely payment of rent from the tenants of the warehouses.
3. The decrease in creditable withholding tax was due to this period's application of the creditable withholding tax against income tax payable of the Subsidiary Company.
4. Prepayments and other current assets increased due to the payment of real estate taxes.
5. The decrease in property and equipment was primarily due to the depreciation.
6. The decrease in trade and other payables represents payment of the year end accruals of employees' benefits.
7. Last December 10, 2018, the Company declared a cash dividend of P1.50 per share or a total of P52.5 million to the stockholders on record as of January 3, 2019. The increase in dividends payable represents the unpaid balance from the said declaration to inaccessible stockholders due to erroneous addresses in the Company's records.
8. Income tax payable increased due to the Parent Company's taxable income from March 2019 to May 31, 2019.
9. The increase in retirement benefit obligation pertains to the accrual of retirement expense for nine months.
10. Deferred tax liability decreased due to the tax effect of recording the rental income on a straight line basis in compliance with Philippine Accounting Standards (PAS) 17.

**Consolidated Statements of Comprehensive Income
For the Nine Months Ended May 31, 2019 and 2018**

1. Revenues increased by 7.35% or P10.3 million, from P139.6 million last year to P149.9 million this year compared to the same period last year. Bulk of the increase was primarily due to the higher average lease rate.
2. Cost of services decreased mainly due to the lower depreciation expense and real estate tax.

3. Gross profit increased from P89.4 million to P103.1 million due to the increase in revenue but decreased in cost of services as previously stated.
4. Other income this year is higher due to the sale of two parcels of lot in Candon and various scrap materials.
5. General and administrative expenses increased due to higher donation and professional fees.
6. This year, selling and marketing expenses increased due to higher representation expense.
7. The increase in other expenses pertains to the interest expense on advance rentals and security and utility deposits.
8. The Company's net income increased to P65.1 million in 2019 from the P49.2 million in 2018. This year's net income was higher due to higher average lease rate, sale of two parcels of lot in Candon, and other income as previously stated.

Discussion of Top Five (5) Key Performance Indicators

Discussed below are the key performance indicators of the Group:

i) Current/Liquidity

The strong liquidity position of the Group allowed it to meet its operating expenses and currently maturing obligations. The Group's working capital ratios were 14.9 and 13.88 as of 31 May 2019 and 31 August 2018, respectively.

The Group's liquid assets consist of cash in banks and peso placements in the money market.

ii) Solvency/Debt-to-equity ratios

The Group showed debt-to-equity ratios of 19.2% and 19.6% as of 31 May 2019 and 31 August 2018, respectively. These low ratios reflect the strengths in the basic operations of the Group.

iii) Net debt-to-equity ratio

The Company showed negative net debt-to-equity ratios of 43.7% and 42.1% as of 31 May 2019 and 31 August 2018, respectively. These low ratios reflect the strengths in the basic financial operations of the Company.

iv) Gross profit ratios

The Group continues to enjoy high gross profit margins as a result of competitive lease rates. Gross profit ratio for the period ended 31 May 2019 of 68.8% was higher compared to 64% for the same period last year due to increase in revenues.

v). Net income from operations to profit margin ratios

The ratio of net income from operations to profit margin decreased to 71.9% as of 31 May 2019 compared to 73.3% for the same period last year due to the increase in general and administrative expenses as well as selling and marketing expenses.

vi) Asset to equity ratio

The Group has 119.2% asset to equity ratio as of 31 May 2019 compared to 119.6% as of 31 August 2018.

vii) Profitability ratios

Return on assets ratio

Net income from operations as of 31 May 2019 is P65 million. The Group's earnings are more than sufficient to support its operations. Due to increase in revenues and other income, return on assets ratio increased to 14.8% as of 31 May 2019 compared to 12.2% last year

Return on equity ratio

Net income from operations as of 31 May 2019 is P65 million. The Group's earnings are more than sufficient to support its operations. Due to increase in revenues and other income, return on equity ratio increased to 18% as of 31 May 2019 compared to 14.9% last year.

The manner by which the Group calculates the key performance indicators is as follows:

	<u>May 31, 2019</u>	<u>Aug 31, 2018</u>	<u>May 31, 2018</u>
A. Current/liquidity ratio			
Current asset	248,926,603	239,714,199	
Current liabilities	16,707,607	17,274,456	
	<u>14.90</u>	<u>13.88</u>	
B. Solvency/debt-to-equity ratio			
Total liabilities	70,663,332	69,539,933	
Total equity	367,719,092	355,198,933	
	<u>0.192</u>	<u>0.196</u>	
C. Net debt-to-equity ratio			
Total liabilities less cash and cash equivalents	-160,595,719	-149,546,446	
Total equity	367,719,092	355,198,933	
	<u>-0.437</u>	<u>-0.421</u>	
D. Gross profit ratio			
Gross profit	103,067,473		89,412,106
Gross revenues	149,900,181		139,636,662
	<u>0.688</u>		<u>0.640</u>

E. Net income from operations to profit margin ratio

Gross profit	<u>103,067,473</u>	<u>89,412,106</u>
Less:		
General and administrative	<u>28,842,160</u>	23,806,974
Selling and marketing	<u>86,721</u>	55,717
Income from operations	<u>74,138,592</u>	65,549,415
Divided by gross profit	<u>103,067,473</u>	<u>89,412,106</u>
	<u><u>0.719</u></u>	<u><u>0.733</u></u>

F. Asset to equity ratio

Total assets	<u>438,382,424</u>	424,738,866
Total equity	<u>367,719,092</u>	355,198,933
	<u><u>1.192</u></u>	<u><u>1.196</u></u>

G. Profitability ratios

a. Return on assets

Net income	<u>65,045,052</u>	49,201,248
Total assets	<u>438,382,424</u>	403,798,842
	<u><u>0.148</u></u>	<u><u>0.122</u></u>

b. Return on equity

Net income	<u>65,045,052</u>	49,201,248
Total average equity	<u>361,459,013</u>	330,146,018
	<u><u>0.180</u></u>	<u><u>0.149</u></u>

Discussion and Analysis of Material Events and Uncertainties

1. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group's operations are funded internally, particularly from rentals of its warehouses. Management believes that its rental business will provide the Group a steady source of income and cash flow in the foreseeable future.
2. There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
3. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
4. There are no known trends, events or uncertainties that have had, or that are reasonably expected to cause a material favorable or unfavorable impact on income from continuing operations.

5. There were no material commitments for capital expenditures during the quarter.
6. Except as disclosed in Note 32, there were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the income from continuing operations.
7. There were no significant elements of income or loss that did not arise from the Group's continuing operations.
8. There were no seasonal aspects that had any material effect on the financial condition or results of operations of the Group.