COVER SHEET

C S 2 0 0 5 0 8 3 8 6

SEC Registration Number

B A L A I N I F R U I T A S , I N C .

(Company's Full Name)

6 8 D A T A S T . B R G Y . D O N M A N U E L ,

Q U E Z O N C I T Y

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

RALPH HECTOR ADRICULA

Contact Person

+(632) 8731-8886

Company Telephone Number

SEC FORM 17Q

1 2	3 1	***Quarter Report ending September 30, 2022***	0 6	2 0
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept Requiring this Doc Section

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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BALAI
NI FRUITAS INC.

November 12, 2022

THE SECURITIES AND EXCHANGE COMMISSION

Markets and Securities Regulation Department
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Securities and Exchange Commission

PHILIPPINE STOCK EXCHANGE
6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: Ms. Alexandra D. Tom Wong
Officer-in-Charge, Disclosure Department

Subject: **Balai Ni Fruitas Inc.: SEC Form 17Q-Quarter Report**

Dear Sir/Madam:

We hereby submit the SEC Form 17Q for the Quarter Report ending September 30, 2022 of Balai Ni Fruitas Inc. (BALAI).

Attached here is the Unaudited Financial Statement as of September 30, 2022.

Hope you find everything in order.

Thank you.

Very truly yours,

BALAI NI FRUITAS INC.

By:

Ralph Hector P. Adricula
Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended- **30 SEPTEMBER 2022**

2. SEC Identification Number- **CS200508386**

3. BIR Tax Identification No.- **237-383-045-000**

4. **BALAI NI FRUITAS, INC**
Exact name of issuer as specified in its charter

5. **PHILIPPINES**
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code

7. **68 DATA ST. BRGY. DON MANUEL QUEZON CITY** **1113**
Address of principal office Postal Code:

8. **(02)8243-1741**
Issuer's telephone number, including area code

9. **N/A**
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	**1,495,005,000**

11. Are any or all of the 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 EXHANGE/COMMON SECURITIES

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [ ] No [✓]

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.

BALAI NI FRUITAS, INC.

____
ROGELIO M. GUADALQUIVER
Chairman

____
LESTER C. YU
President and Chief Executive Officer

____
MA. TERESA B. TRUJILLO
Chief Finance Officer and Treasurer

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

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this SEC Form 17-Q as "Annex A". The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Results of Operations for Nine months ending Sept. 2022 vs Nine months ending Sept. 2021

Key Highlights

Revenues
The Company generated revenues of ₱234.1 million for the nine months ended September 30, 2022, a 164.3% or ₱145.5 million increase from the same period in 2021, which closed at ₱88.6 million. The increase was driven by the expansion of Balai Pandesal stores in the store network and the stronger performance of the stores.

Cost of Sales
Cost of sales for the nine months ended September 30, 2022 closed at ₱115.9 million, 169.9% or ₱72.9 million increase from the same period in 2021 which closed at ₱42.9 million. The increase is mainly attributable to the increase in revenues. The Company was also slightly affected by the continuous increase of raw materials prices due to inflation.

Operating Expenses
The Company's operating expenses settled at ₱89.8 million at the close of the nine months of 2022, a 101.5% or a ₱45.2 million increase from the same period in 2021 which settled at ₱44.6. The increase was mainly attributed to the increased business volume in 2022 and expansion undertaken by the Company.

Income Tax Expense/ Benefits
From ₱1.0 million current income tax last nine months of 2021 to ₱6.9 million income tax for the same period in 2022. Increase in Income tax for the period ending September 30, 2022 was primarily due to the increase in revenues.

Net income
Net income for the period ending September 30, 2022 closed at ₱23.2 million compared to the same period of the prior year of ₱2.3 million net income driven by the increase in revenue due to business expansion.

Financial Condition as of SEPTEMBER 30, 2022 versus DECEMBER 2021

BALAI had consolidated total assets of ₱424.8 million as of September 30, 2022, an increase of ₱223.9 million from the total assets of ₱200.9 million last December 2021.

Cash and cash equivalents

As of end September 2022, cash and cash equivalents totaled ₱276.9 million, increased from ₱48.3 million as of end-2021 primarily as a result of the recent listing on the SME board of the Philippine Stock Exchange. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables were at ₱1.1 million as of September 30, 2022 compared to ₱2.4 million as of end-2021, lower by 54.7% due to decreased third party trade receivables and improved collection.

Inventories

As of September 30, 2022, inventories increased to ₱2.9 million from ₱2.7 million as of end-2021. The increase was attributed to the Company's increase in business volume and store expansion.

Property and Equipment

Consolidated net property and equipment stood at ₱51.2 million as of September 30, 2022. Acquisition of property and equipment for the last nine months of the year reached ₱21.0 million, which was invested in the building of new stores, new store equipments and additional transportation equipment.

Intangible assets

Intangible assets stood at ₱3.0 million for the period ending September 30, 2022.

Trade and other payables

Trade and other payables decreased by 10.8% for the period ending September 2022 to ₱8.0 million driven by payment of trade payables for the purchase of inventories towards the end of September 2022.

Equity

As of September 30, 2022, the Company's consolidated equity increased to ₱395.3 million from ₱164.8 million as of end-2021 which was driven by the recognition of Additional Paid in Capital on the issued listed shares.

Cash Flow Summary

Net cash provided by operating activities amounted to ₱42.6 million for the nine months of 2022.

Net cash used investing activities was ₱13.5 million for the nine months of 2022, driven by CAPEX.

Net cash provided by financing activities was ₱199.4 million for the nine months of 2022, as the Company successfully issued primary shares from the Initial Public Offering on June 30, 2022.

	Interim Nine Months Ended September 30, 2021	**Interim Nine Months Ended September 30, 2022**
Revenue Growth	n/a	164.3%
Gross Profit Margin	51.5%	50.5%
Net Income (in million)	2.3	23.2
	As of December 31, 2021	**As of September 30, 2022**
Current Ratio	6.8x	18.0x
Debt to Equity Ratio	21.9%	7.5%

BALAI NI FRUITAS INC.

Unaudited Financial Statement as of September 30, 2022
and December 31, 2021 and for the
Quarter Ended September 30, 2021

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF FINANCIAL POSITION

	Note	**As of Sep-2022**	Dec-2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱276,877,813**	₱48,337,058
Trade and other receivables	6	**1,088,177**	2,404,774
Note receivable	18	**60,000,000**	60,000,000
Due from related parties	18	**-**	7,582,306
Merchandise inventories	7	**2,872,111**	2,664,326
Other current assets	8	**13,093,104**	13,073,715
Total Current Assets		**353,931,205**	134,062,179
Noncurrent Assets			
Property and equipment	9	**51,170,773**	40,072,680
Right-of-use (ROU) assets	19	**16,317,487**	23,434,970
Intangible assets	4	**3,000,000**	3,000,000
Deferred tax assets	20	**378,180**	378,180
Total Noncurrent Assets		**70,866,440**	66,885,830
		₱ 424,797,645	₱200,948,009
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**₱ 7,972,375**	₱8,935,649
Current portion of lease liabilities	19	**8,605,942**	8,470,849
Income tax payable		**3,111,916**	2,225,147
Total Current Liabilities		**19,690,232**	19,631,645
Noncurrent Liabilities			
Noncurrent portion of lease liabilities	19	**8,315,383**	15,215,949
Retirement benefits liability	11	**1,485,890**	1,260,890
Total Noncurrent Liabilities		**9,801,273**	16,476,839
Total Liabilities		**29,491,506**	36,108,484
Equity			
Capital stock	12	**74,750,250**	58,500,250
Additional paid-in capital (APIC)		**287,508,776**	96,532,500
Retained earnings		**33,422,679**	10,182,341
Other comprehensive loss		**(375,566)**	(375,566)
Total Equity		**395,306,139**	164,839,525
		₱429,797,645	₱200,948,009

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF COMPREHENSIVE INCOME

	Notes		For the Quarter Ended Sep 2022 (Unaudited)		For the Quarter Ended Sep 2021 (Audited)		For the nine months ended Sep 2022 (Unaudited)		For the nine months ended Sep 2021 (Audited)
REVENUE	13	₱	**89,000,572**	₱	32,665,168	₱	**234,111,572**	₱	88,583,610
DIRECT COST	14		**(43,504,394)**		(12,901,250)		**(115,878,950)**		(42,934,243)
GROSS PROFIT			**45,496,177**		19,763,918		**118,232,622**		45,649,367
SELLING AND DISTRIBUTION EXPENSES	15		**(29,331,447)**		(6,898,635)		**(75,207,236)**		(28,069,261)
GENERAL AND ADMINISTRATIVE EXPENSES	16		**(5,968,655)**		(9,760,638)		**(14,583,898)**		(16,492,357)
INTEREST EXPENSE			**(373,269)**		(863,415)		**(1,075,660)**		(1,228,146)
OTHER INCOME-net	17		**1,134,492**		48,685		**2,752,589**		3,440,275
INCOME/ (LOSS) BEFORE INCOME TAX			**10,957,298**		2,289,915		**30,118,417**		3,299,878
PROVISION FOR INCOME TAX-NET			**2,473,794**		769,737		**6,878,079**		1,021,780
			2,473,794		769,737		**6,878,079**		1,021,780
NET INCOME/ (LOSS)			**8,483,504**		1,520,178		**23,240,338**		2,278,098
OTHER COMPREHENSIVE LOSS									
Item not to be reclassified to profit or loss			**-**		-		**-**		-
Actuarial loss on retirement benefits liability (net of deferred income tax)									
TOTAL COMPREHENSIVE INCOME/ (LOSS)		₱	**8,483,504**	₱	1,520,178	₱	**23,240,338**	₱	2,278,098
Basic and Diluted Earnings (Loss) per share			**0.0057**		0.0014		**0.0155**		0.0021

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF CHANGES IN EQUITY

	Note	Sep-2022	Sep-2021
CAPITAL STOCK	12		
Balance at beginning of year		**₱ 58,500,250**	₱ 53,500,000
Issuances		**16,250,000**	–
Balance at end of year		**74,750,250**	53,500,000
APIC			
Balance at beginning of year		**96,532,500**	96,532,500
Additions	12	**190,976,276**	–
Balance at end of year		**287,508,776**	96,532,500
RETAINED EARNINGS			
Balance at beginning of year		**10,182,341**	9,665,775
Net income (loss)		**23,240,338**	2,278,098
Cash dividends	12	**-**	(8,025,000)
Balance at end of year		**33,422,679**	3,918,873
OTHER COMPREHENSIVE LOSS			
Not to be reclassified to profit or loss in subsequent periods			
Cumulative remeasurement loss on retirement benefits liability - net of deferred income tax			
Balance at beginning of year		**(375,566)**	(18,753)
Remeasurement loss on retirement benefits liability - net of deferred income tax		**–**	–
Effect of change in tax rate		**–**	–
Balance at beginning of year		**(375,566)**	(18,753)
		₱ 395,306,139	₱ 153,932,620

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF CASH FLOWS

	Note	**Sep-2022**	Sep-2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**₱ 30,118,417**	₱3,299,878
Adjustments for:			
Depreciation and amortization expense	9	**17,089,861**	5,925,054
Gain on:	17		
Sale of property and equipment			(3,285,484)
Interest expense	19	**1,075,660**	1,228,146
Interest income	17	**(2,752,589)**	(3,478)
Retirement benefits cost	11	**225,000**	227,431
Operating income before working capital changes		**45,756,349**	7,391,547
Decrease (increase) in:			
Trade and other receivables		**1,316,597**	(3,358,710)
Merchandise inventories		**(207,785)**	151,942
Other current assets		**(19,389)**	(3,507,701)
Security deposits		**-**	679,413
Increase (decrease) in trade and other payables		**(963,274)**	(1,448,913)
Net cash generated from operations		**45,882,497**	(92,422)
Interest received		**2,752,589**	3,478
Income tax paid		**(5,991,310)**	(258,492)
Interest paid		**–**	–
Net cash provided by (used in) operating activities		**42,643,777**	(347,436)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections from related parties		**–**	95,794,702
Acquisitions of property and equipment			
and intangible assets-net	4, 9	**(21,070,471)**	(21,656,448)
Advances to related parties	18	**7,582,306**	(35,820,861)
Net cash provided by (used in) investing activities		**13,488,165**	38,317,393
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash Dividends			(8,025,000)
Lease liabilities	22	**(7,841,113)**	(3,429,224)
Mortgage payable		**–**	–
Due to related parties	18	**–**	–
Deposit for stock subscription			5,000,000
Proceeds from issuance of shares	12	**207,226,256**	–
Advances from related parties		**–**	–
Net cash provided by (used in) financing activities		**199,385,143**	(6,454,224)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**228,540,754**	31,515,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**48,337,058**	13,299,921
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱276,877,812**	₱ 44,815,654

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

General Information
BALAI NI FRUITAS, INC. (the "Company" and formerly BUKO NI FRUITAS, INC.) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 17, 2005. The Company is primarily engaged in the trading of fresh fruit drinks, baked goods and other related products.

In September 30, 2022 and December 31, 2021, the Company was 74.92% and 100% owned by FRUITAS HOLDINGS, INC. (FHI or the "Parent Company"), a company incorporated and domiciled in the Philippines, whose shares of stock are listed and traded on the Philippine Stock Exchange (PSE). FHI is primarily engaged in investing, holding and owning real and personal properties of any kind. The ultimate parent of the Company is The Lush Properties, Inc., an entity incorporated in the Philippines and is engaged in leasing/real estate activities.

The Company's registered office address, which is also its principal place of business, is at 68 Data St. Brgy. Don Manuel, Quezon City, Philippines.

In September 2021, the Board of Directors (BOD) and stockholders approved the following amendments to the Company's Articles of Incorporation:

- Change in the name from "Buko Ni Fruitas, Inc." to "Balai ni Fruitas, Inc.";

- Increase in the authorized capital stock from ₱55.0 million divided into 550,000 shares with par value of ₱100.00 a share to ₱75.0 million 750,000 shares with the same par value; and

- 1:2,000 stock split resulting to a decrease in par value from ₱100.00 to ₱0.05 a share, and an increase in the authorized capital stock from 750,000 shares to 1.5 billion shares. Out of the total increase, the Parent Company subscribed to 100 million common shares at par and paid ₱5.0 million.

On November 24, 2021, the SEC approved the change in the Company's name and the increase in the authorized capital stock. On December 21, 2021, the SEC approved the 1:2,000 stock split.

On June 30 2022, the Common Shares of the Company were listed and traded in the Philippines Stock Exchange (PSE) through an Initial Public Offering (IPO) under the trading name "BALAI".

Impact of the Novel Coronavirus (COVID-19) Pandemic

In March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a global pandemic resulting to a nationwide lockdown. There were stores that were temporarily and permanently closed during the community quarantine periods. Pursuant to the directives of the WHO, the Department of Health and the local government, the Company had to implement activities and programs to preserve the health of its employees and support the prevention of the contagion. The Company incurred a significant decline in revenue in 2021 and 2020.

It is not practicable to estimate the potential impact of the still prevailing COVID-19 pandemic on the Company's operations after the reporting date. The country's economic recovery is dependent on measures adopted by the national government such as quarantine and any economic stimulus that may be provided.

The Company has implemented initiatives to improve its cash position and liquidity, which include reducing discretionary spending, and also cost management measures and improving efficiencies across all areas of operations. It is projecting continued positive results in the coming years.

Accordingly, the financial statements were prepared on a going concern basis.

2. Summary of Significant Accounting and Reporting Policies

The significant accounting policies used in the presentation of the financial statements have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRSs, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company availed of the exemption from the mandatory adoption of PFRSs for Small and Medium-sized Entities (SMEs) because the Company is a subsidiary of FHI, an entity preparing its financial statements in accordance with PFRSs.

The 2019 statement of comprehensive income, statement of changes in equity and statement of cash flows were presented in compliance with the requirements of the Revised Securities Regulations Code Rule 68 in relation to the Company's planned listing of its common shares.

Bases of Measurement

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (Peso), the Company's functional currency. All amounts are rounded to the nearest Peso unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

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 Company uses observable market data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 22 to the financial statements.

Adoption of Amended PFRSs

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of an amended standard:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Company applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

Under prevailing circumstances, the adoption of this amended PFRSs did not have any material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

Amended PFRSs Issued But Not Yet Effective

Relevant amended PFRSs, which are not yet effective as at September 30, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRSs is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

<u>Business Combination</u>

Business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as the fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

The Company also considers whether the acquisition represents an acquisition of a business or a group of assets. The Company accounts for an acquisition as a business if it acquires an integrated set of business processes in addition to the group of assets acquired.

A gain from bargain purchase is generated when the fair value of the net assets acquired by the Company exceeds the acquisition price, and is recognized in the consolidated statement of comprehensive income in the year of acquisition.

Financial Assets and Liabilities

Recognition and Measurement

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial 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 and Measurement. Financial instruments 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 initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification

Classification of Financial Instruments. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost, and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at September 30, 2022 and December 31, 2021, the Company does not have financial assets at FVPL and FVOCI and financial liabilities at FVPL.

Classification of Financial Instrument Between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

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

If the Company 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.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectibility is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2022 and December 31, 2021, the Company's cash and cash equivalents, trade and other receivables, note receivable, due from related parties and construction bond (presented as part of "Other current assets" account in the statements of financial position) are classified under this category.

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 from dates of placement and which are subject to an insignificant risk of changes in value.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at September 30, 2022 and December 31, 2021, the Company's trade and other payables (except statutory payable) and lease liabilities are classified under this category.

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

Impairment
The Company records an allowance for expected credit losses (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, the Company has applied the general approach and ECL computation is based on the 12-month ECL, which pertains to the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition

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

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

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

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

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is 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 statement of financial position.

Merchandise Inventories
Merchandise inventories are carried at the lower of cost and net realizable value (NRV). The NRV of merchandise inventories is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. Cost includes the purchase price of the direct materials and is determined using first-in, first-out method.

At each reporting date, merchandise inventories are assessed for impairment. If merchandise inventories are impaired, the carrying amount is reduced to its NRV. Impairment loss is recognized immediately in profit or loss. The amount of any reversal of any write-down of merchandise inventories, arising from an increase in NRV, is recognized as part of other income or charges in profit or loss.

When merchandise inventories are sold, the carrying amount of those merchandise inventories is recognized to profit or loss in the year when the related revenue is recognized.

Security Deposits, Advance Rentals and Prepayments
Security deposits, advance rentals and prepayments, presented under "Other current assets", are carried at transaction amounts, less any impairment in value. These are charged to profit or loss in the period when these are utilized. Security deposits, advance rentals and prepayments that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Property and Equipment
Property and equipment, except for construction-in-progress (CIP), are stated at cost less accumulated depreciation and amortization and any accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

CIP represents a warehouse under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. CIP is not depreciated until such time that the relevant assets are ready for use. This will be recognized as leasehold improvements upon completion of the construction.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in 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 and amortization are calculated on a straight-line basis over the following estimated useful life of the property and equipment:

Asset Type	Number of Years
Leasehold improvements	5 to 10 years or lease term, whichever is shorter
Transportation equipment	5 to 10
Furniture and fixtures	3
Store equipment	3
Office equipment	3

The estimated useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits for the use of property and equipment.

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

When property and equipment are sold or retired, their cost, accumulated depreciation and amortization and any allowance for impairment in value are eliminated, and any resulting gain or loss is included in profit or loss.

Intangible Assets

Intangible assets are identifiable non-monetary assets of the Company without physical substance held for use in operations, the production of goods or services. These pertain to intellectual property rights over the Balai Pandesal brand, practices, recipes, and supply chain. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated impairment losses.

The Company assessed the useful life of the brand name to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Company.

Brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an orderly transaction between market participants less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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 inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization (for property and equipment), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Operating Segments

The Company operates using different brand names on which operating results are regularly monitored by the chief operating decision-maker (CODM) for the purpose of making decisions regarding resource allocation and performance assessment. The CODM has been identified as the Chief Executive Officer of the Company. However, as permitted by PFRS 8, *Operating Segments*, the Company has aggregated these segments into a single operating segment to which it derives its revenue and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

- the nature of products and services;
- the nature of production processes;
- the type or class of customer for the products and services; and
- the methods used to distribute their products and services.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

APIC. APIC represents the excess of proceeds or fair value of consideration received over par value.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's results of operations, net of any dividend declaration.

Other Comprehensive Loss. Other comprehensive loss pertains to the accumulated remeasurement gains or losses on the Company's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement benefits liability, and the corresponding deferred tax component, are recognized immediately in other comprehensive income and are included in equity. These are not reclassified to profit or loss in subsequent periods.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Company has no dilutive potential common shares.

Revenue Recognition

Revenue

Revenue from Contracts with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

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

- *Sale of Goods.* Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the customer, which is normally upon delivery to and acceptance of the goods by the customers.

- *Franchise Revenue.* Franchise revenue includes continuing royalty and initial franchise fees. Royalty fees are recognized in the period earned. Initial franchise fees are recognized upon opening of a store when the Company has performed substantially all of the services required under the franchise agreement.

Other Income

Income from other sources includes:

Interest Income. Interest income is recognized as it accrues, net of final tax, on a time proportion basis using the effective interest method.

Other Income. Income from other sources is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of Sales. Cost of sales includes expenses directly related to the production and sale of food products. Cost of sales is recognized at the time the related merchandise inventories are sold to customers.

Selling and Distribution Expenses. Selling and distribution expenses constitute costs of selling and distributing the goods to customers that do not qualify as cost of sales. These are recognized in profit or loss in the period when these are incurred.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are recognized in profit or loss in the period when these are incurred.

Interest Expense. Interest expense consists of interest incurred in connection with the borrowing of funds and interest on lease liabilities. Interest expense is recognized in profit or loss as it accrues on a time proportion basis using the effective interest method.

Employee Benefits

Short-term Benefits. Short-term employee benefits include salaries and wages, social security contributions, short-term compensated absences, and bonuses and non-monetary benefits. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed regularly by a qualified actuary.

The Company recognizes current service costs and interest expense on the retirement benefits liability in profit or loss.

The Company determines the interest expense on retirement benefits liability by applying the discount rate to the retirement benefits liability at the beginning of the year, taking into account any changes in the liability during the period as a result of benefit payments.

Remeasurements of the retirement benefits liability, which consist of actuarial gains and losses are recognized immediately in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

The retirement benefits liability recognized by the Company is the present value of the defined benefit obligation. This is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and

ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

At the commencement date, the Company recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Company measures ROU assets at cost. The cost comprises:

i. the amount of the initial measurement of lease liabilities;

ii. any lease payments made at or before the commencement date less any lease incentives received;

iii. any initial direct costs; and,

iv. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liabilities at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from three to ten years.

Lease Liabilities. At commencement date, the Company measures the lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

i. fixed payments, including in-substance fixed payments;

ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii. amounts expected to be payable by the lessee under residual value guarantees; and,

iv. the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liabilities are remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from and payable to the taxation authority is presented as “Input VAT” under “Other current assets” account and as part of “Statutory payable” under “Trade and other payables” account, respectively, in the statements of financial position.

Related Party Transactions
Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities. Transactions between related parties are accounted for at arm’s-length prices or on terms similar to those offered to non-related parties in an economically comparable market. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events after the Reporting Date
Post year-end events that provide additional information about the Company’s financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the Company’s financial statements requires management to make judgments and estimates that affect the amounts reported in the financial statements and accompanying notes. The judgments and estimates used in the financial statements are based on management’s evaluation of relevant facts and circumstances as at the reporting date.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. In particular, the COVID-19 pandemic and the resulting adverse effects to the global economic conditions, as well as to the Company’s operations, may impact future estimates including, but not limited to, the allowance for

ECL, NRV of merchandise inventories, fair value measurements, impairment of nonfinancial assets, recognition of deferred tax assets, actuarial losses on retirement benefit plans and discount rate assumptions.

The estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments and estimates made by the Company:

Accounting for Business Acquisition. At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets. The Company accounted for the acquisition of the assets of Balai Pandesal, Inc. (Balai) as an acquisition of a business since it has acquired an integrated set of business processes in addition to the group of assets acquired (see Note 4).

The Company accounts for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and the liabilities assumed be recognized at their respective fair values at the date of acquisition.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets, property and equipment and security deposit, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. The valuations are based on information available at the acquisition date. The Company's acquisitions have resulted in the recognition of intangible assets with indefinite life.

Information on the Company's business combination transactions is disclosed in Note 4.

Classifying Operating Segments. The Company is organized into operating segments based on brand names but the Company has aggregated the brand names into a single operating segment as allowed under PFRS 8 due to their similar characteristics. This is evidenced by a consistent range of gross margin across all brand outlets as well as uniformity in sales increase and trending for all outlets, regardless of the brand name. Moreover, all brands have the following business characteristics:

(a) Similar nature of products/services offered and methods to distribute products and provide services;

(b) Similar class of target customers; and

(c) Primary place of operations is in the Philippines.

Identifying the Performance Obligations and Timing of Satisfaction of Revenue. The Company enters into contracts with its customers to sell goods where revenue from company-owned outlets and sale of goods are recognized. The Company determined that all the goods prior to transfer to its respective customers are in its full ownership. The Company concluded that it transfers control over its goods and services, at a point in time, upon receipt of the goods and services by the customer.

For franchise revenue, the performance obligation under the franchise agreement is the delivery of materials and store equipment necessary to operate the franchise store, as this is deemed to be the time that the franchisee obtains control of the promised goods as well as the benefits of unimpeded access.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into lease agreements with various lessors for its outlet spaces. The Company has determined that the arrangements are operating leases as the risks and rewards of ownership are retained by the lessor.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into commercial property leases for its store spaces and a warehouse. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company availed exemption for the short-term lease with term of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

The carrying amounts of ROU assets and lease liabilities are disclosed in Note 19.

Assessing Extension Options of Lease Commitments. The Company's lease commitments contain extension options exercisable by the Company prior to the end of the non-cancelable contract period. Where practicable, the Company seeks to include the extension options to provide operational flexibility. The Company assessed at lease commencement that it is not reasonably certain that the Company will exercise the extension options. A reassessment is made whether it is reasonably certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

Assessing the ECL of Trade Receivables. The Company estimates ECL using a provision matrix. Depending on the diversity of its debtor's base, the Company uses its historical credit loss experience adjusted for forward-looking factors, as appropriate. The information about the ECL assessment on the Company's trade receivables is disclosed in Note 21 to the financial statements.

The carrying amount of the Company's trade receivables is disclosed in Note 6.

Assessing ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL using the general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can be demonstrated that this does not represent a significant increase in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. No provision for ECL on other financial assets at amortized cost was recognized in 2021, 2020 and 2019. The carrying amounts of cash and cash equivalents, other receivables, due from related parties and construction bond (presented as part of "Other current assets" account in the statements of financial position are disclosed in Notes 5, 6, 8 and 18.

Estimating the NRV of Merchandise Inventories. The Company assesses at the end of each reporting period whether its merchandise inventories are impaired. Whenever the NRV becomes lower than cost due to damage, physical deterioration, spoilage, changes in price levels or other causes, the Company recognizes an impairment loss. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused the inventories to be impaired no longer exist or when there is clear evidence of an increase in the NRV because of changed economic circumstances, the amount of the impairment loss is reversed (i.e., the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the NRV.

The cost of merchandise inventories is lower than its NRV. No impairment loss was recognized in September 30, 2022 and year end 2021. The carrying amount of merchandise inventories is disclosed in Note 7.

Estimating the Useful Lives of Property and Equipment (Except CIP) and ROU Assets. The useful lives of the Company's property and equipment (except CIP) and ROU assets are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives would increase the recorded operating expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Company's property and equipment and ROU assets in September 30, 2022 and year end 2021. The carrying amounts of property and equipment and ROU assets are disclosed in Notes 9 and 19, respectively.

Estimating the ROU Assets and Lease Liabilities. The Company's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Company considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Company determined that the implicit rate in the lease agreements is readily available and presents the appropriate financing cost in leasing the underlying assets. The rate implicit in the lease is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

The carrying amounts of ROU assets and lease liabilities, and the rental expense incurred on short-term leases are disclosed in Note 19.

Assessing the Impairment of Nonfinancial Assets. The Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of the assets or group of assets may not be recoverable.

The relevant factors that the Company considers in deciding whether to perform an asset impairment review include, among others, the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the greater of the fair value less cost to sell and the value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

Intangible assets are tested for impairment annually and more frequently, when circumstances indicate that the carrying amount may be impaired.

No impairment losses on nonfinancial assets were recognized in September 30, 2022 and December 31, 2021.

The carrying amounts of the Company's other current assets (except construction bond), property and equipment, ROU assets and intangible assets are disclosed in Notes 4, 8, 9 and 19.

Estimating the Retirement Benefits Liability. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 11 and include, among others, discount rates and salary increase rates. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

The carrying amount of retirement benefits liability and details of remeasurement loss on retirement benefits liability are disclosed in Note 11.

Assessing the Recognition of Deferred Tax Asset. The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Recognition of deferred tax asset is determined based on forecasted taxable income of the Company. This forecast is based on the Company's past results and future expectations on revenue and expenses.

The Company's deferred tax assets are disclosed in Note 20.

4. **Accounting for Business Acquisition**

In June 2021, the Company acquired the assets and the brand name *Balai Pandesal* from Balai. The acquisition was completed following the execution of the Deed of Absolute Sale and the Deed of Assignment of the registered trademark and the payment of the related consideration amounting to ₱11.2 million. The Company accounted for the acquisition of the assets of Balai as an acquisition of a business since it has acquired an integrated set of business processes in addition to the group of assets acquired.

The acquisition resulted in the recognition of the following assets:

	Amount
Merchandise inventories	₱801,000
Intangible assets	3,000,000
Store equipment	6,449,000
Transportation equipment	970,000
	₱11,220,000

The identifiable assets acquired as at acquisition date are based on their provisional fair values. The purchase price allocation has been prepared on a preliminary basis. The Company is still in the process of completing its accounting of the transaction and reasonable changes are expected as additional information becomes available. This will be finalized within one year as allowed by PFRS.

5. **Cash and Cash Equivalents**

This account consists of:

	Sep-2022	Dec-2021
Cash on hand	**₱ 124,604**	₱122,590
Cash in banks	**130,253,209**	31,714,468
Cash equivalents	**146,500,000**	16,500,000
	₱276,877,813	₱ 48,337,058

Cash in banks are stated at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are made for three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term placement rates.

Interest income earned is as follows:

	Note	Sep-2022	Sep-2021
Cash in banks	5	**₱ 425,316**	₱ 3,478
Note receivable	18	**2,250,000**	-
		₱2,675,316	₱ 3,478

6. **Trade and Other Receivables**

This account consists of:

	Sep-2022	Dec-2021
Trade receivables	**₱ 851,439**	₱1,839,163
Advances to officers and employees	**236,738**	565,611
	₱1,088,177	₱2,404,774

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

Advances to officers and employees are noninterest-bearing and are generally collected through salary deductions.

Below is the aging of receivables:

	As at Sept 30, 2022				
	Total	**Neither past Due of impaired**	**Less than one year**	**One year and over**	**Past Due and Impaired**
Trade receivables	**851,439**	**851,439**			-
Advances to officers and employees	**236,738**	**236,738**	-		-
	1,088,177	**1,088,177**	-	-	-

	As at December 31, 2021				
	Total	Neither past Due of impaired	Less than one year	One year and over	Past Due and Impaired
Trade receivables	1,839,163	1,839,163			-
Advances to officers and employees	565,611	565,611	-		-
	2,404,774	2,404,774	-	-	-

7. **Merchandise Inventories**

This account consists of:

	Sep-2022	Dec-2021
At cost:		
Food and beverages	**₱ 1,061,654**	₱1,430,033
Store supplies and others	**1,810,457**	1,234,293
	₱ 2,872,111	₱2,664,326

Cost of inventories charged to cost of sales is disclosed in Note 14.

8. **Other Current Assets**

This account consists of:

	Sep-2022	Dec-2021
Security deposits	**₱10,415,628**	₱10,214,995
Advance rentals	**990,492**	1,190,659
Input VAT	**589,138**	730,750
Prepayments	**481,583**	519,111
Other current assets	**232,256**	-
Construction bond	**384,006**	418,200
	₱13,093,104	₱13,073,715

Security deposits pertain to amounts paid by the Company to the lessors. These will be applied against unpaid rentals and any unpaid utilities upon the expiration of the lease term.

Advance rentals pertain to one to three months advance rental, which will be applied toward the end of the lease term.

Prepayments pertain to business taxes and permits.

9. Property and Equipment

The composition of and movements in this account are as follows:

	Sep-2022						
	Leasehold Improvements	**Transportation Equipment**	**Furniture and Fixtures**	**Store Equipment**	**Office Equipment**	**CIP**	**Total**
Cost							
Balance at beginning of year	**₱2,674,274**	**₱3,632,336**	**₱38,640,844**	**₱10,398,855**	**₱194,102**	**₱–**	**₱55,540,411**
Additions	**257,528**	**4,124,018**	**11,981,912**	**4,558,169**	**148,844**	**–**	**21,070,471**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**2,931,802**	**7,756,354**	**50,622,756**	**14,957,024**	**342,946**	**–**	**76,610,882**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**2,626,418**	**2,122,962**	**4,625,981**	**5,898,268**	**194,102**	**–**	**15,467,731**
Depreciation and amortization	**118,464**	**394,619**	**7,493,829**	**1,949,884**	**15,582**	**–**	**9,972,378**
Disposals	**-**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**2,744,882**	**2,517,581**	**12,119,810**	**7,848,152**	**209,684**	**–**	**25,440,109**
Carrying Amount	**₱ 186,920**	**₱5,238,773**	**₱ 38,502,946**	**₱7,108,872**	**₱133,262**	**₱–**	**₱51,170,773**

	Dec-2021						
	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Store Equipment	Office Equipment	CIP	Total
Cost							
Balance at beginning of year	₱4,942,761	₱2,607,000	₱3,598,141	₱5,778,615	₱194,102	₱4,640,141	₱21,760,760
Additions	–	1,025,336	37,389,178	4,620,240	–	–	43,034,754
Disposals	(2,268,487)	–	(2,346,475)	–	–	(4,640,141)	(9,255,103)
Balance at end of year	2,674,274	3,632,336	38,640,844	10,398,855	194,102	–	55,540,411
Accumulated Depreciation and Amortization							
Balance at beginning of year	4,161,470	1,898,500	2,000,712	4,597,672	194,102	–	12,852,456
Depreciation and amortization	527,439	224,462	4,251,085	1,300,596	–	–	6,303,582
Disposals	(2,062,491)	–	(1,625,816)	–	–	–	(3,688,307)
Balance at end of year	2,626,418	2,122,962	4,625,981	5,898,268	194,102	–	15,467,731
Carrying Amount	₱47,856	₱1,509,374	₱34,014,863	₱4,500,587	₱–	₱–	₱40,072,680

Depreciation and amortization are summarized as follows:

	Note	**Sep-2022**	Sep-2021
Property and equipment		**₱ 9,972,378**	₱3,010,648
ROU assets	19	**7,117,483**	2,914,406
		₱ 17,089,861	₱5,925,054

Depreciation and amortization are charged to operations as follows:

	Note	**Sep-2022**	Sep-2021
Selling and distribution expenses	15	**₱17,080,322**	₱3,673,006
General and administrative expenses	16	**9,539**	2,252,048
		₱ 17,089,861	₱5,925,054

10. **Trade and Other Payables**

This account consists of:

	Sep-2022	Dec-2021
Trade payables	**₱2,508,550**	₱2,896,610
Nontrade payable	**2,427,818**	2,805,000
Accrued expenses	**1,478,539**	2,702,848
Statutory payable	**1,557,468**	531,191
	₱ 7,972,375	₱8,935,649

11. **Retirement Benefits Liability**

The Company has an unfunded, non-contributory defined benefit plan with a single lump sum payment covering retirement based on Republic Act (R.A.) No. 7641 (Retirement Law). The retirement benefits are based on years of service and compensation on the last year of employment as determined by an external actuary using the projected credit unit method.

The most recent actuarial valuation was made in 2021 by an independent actuary.

The table below summarizes the components of retirement benefits cost recognized in the statements of comprehensive income:

	Sep-2022	Sep -2021
Current service cost	**₱225,000**	₱199,286
Interest cost	**-**	28,145
	₱125,000	₱ 227,431

Movements in the retirement benefits liability as shown in the statements of financial position:

	Sep-2022	Dec-2021
Balance at beginning of year	**₱1,260,890**	₱542,290
Current service cost	**225,000**	216,490
Interest cost	**-**	28,145
Actuarial loss	**-**	473,965
Balance at end of year	**₱ 1,485,890**	₱1,260,890

The principal assumptions used in determining the retirement benefits liability for the Company's retirement plan as at September 30, 2022 and December 31, 2021 follow:

	2022	2021
Discount rate	**5.20%**	5.20%
Future salary increases	**3%**	3%

The projected unit credit method was applied to all the benefits without using one-year term cost.

12. **Equity**

Capital Stock and APIC

Details of the Company's common shares are as follows:

	Number of Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Authorized Capital Stock						
Balance at beginning of year	**1,500,000,000**	**550,000**	550,000	**₱55,000,000**	₱55,000,000	₱55,000,000
Increase	–	**200,000**	–	**20,000,000**	20,000,000	–
Effect of stock split	–	**1,499,250,000**	–	**–**	–	–
	1,500,000,000	**1,500,000,000**	550,000	**₱75,000,000**	₱75,000,000	₱55,000,000
Issued and Outstanding						
Balance at beginning of year	**1,170,005,000**	**535,000**	535,000	**₱53,500,000**	₱53,500,000	₱53,500,000
Effect of stock split	–	**1,069,465,000**	–	–	–	–
Issuances	**325,000,000**	**100,005,000**	–	**5,000,250**	5,000,250	–
	1,495,005,000	**1,170,005,000**	535,000	**₱58,500,250**	₱58,500,250	₱53,500,000

In December 2019, the Company issued additional 60,000 shares to FHI for a total consideration of ₱18.0 million. The excess of the amount received over the par value of the shares amounting to ₱12.0 million was recognized as APIC.

In September 2021, the BOD and stockholders approved the increase in the Company's authorized capital stock from ₱55.0 million divided into 550,000 shares with par value of ₱100.00 a share to ₱75.0 million divided into 750,000 shares with the same par value. On the same date, the same BOD and stockholders approved the 1:2,000 stock split resulting in a decrease in par value from ₱100.00 a share to ₱0.05 a share and an increase in the authorized capital stock from 750,000 shares to 1,500,000,000 shares. Out of the total increase, the Parent Company subscribed to 100,000,000 common shares at par and paid ₱5.0 million. On November 24, 2021 and December 21, 2021, the SEC approved the increase in the Company's authorized capital stock and the 1:2,000 stock split, respectively (see Note 1).

Retained Earnings
The Company's BOD declared the following cash dividends:

		Amount Declared	
Date of Declaration	Stockholders of Record	Per Share	Total
September 11, 2021	**August 27, 2021**	**₱15.00**	**₱8,025,000**
June 27, 2019	June 27, 2019	₱8.42	₱4,000,000

Cash dividends were paid on the same year of declaration.

Capital Management
The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders, and

- To provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it when there are changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return capital to stockholders, issue new shares, or sell assets to reduce debt.

There were no changes in the objectives, policies or processes from previous year.

The Company considers the capital stock and APIC presented in the statement of financial position as its core capital and it is not subject to any externally-imposed capital requirements.

13. Revenue

This account consists of:

	Sep-2022	Sep-2021
Sale of goods	**₱233,661,572**	₱86,175,476
Franchise revenue	**450,000**	2,408,134
	₱234,111,572	₱88,583,610

The Company derives sales upon delivery to customers or at a point in time when the Company has no more obligations that could affect the acceptance of goods by the customers.

14. **Cost of Sales**

This account consists of:

	Note	**Sep-2022**	Sep-2021
Merchandise inventories at beginning of year		**₱ 2,664,326**	₱ 1,551,155
Purchases		**116,086,735**	42,782,301
Cost of goods available for sale		**118,751,061**	44,333,456
Merchandise inventories at end of year	7	**(2,872,111)**	(1,399,213)
		₱ 115,878,950	₱ 42,934,243

15. **Selling and Distribution Expenses**

This account consists of:

	Note	**Sep-2022**	Sep-2021
Salaries, wages and other employees' benefits		**₱17,557,224**	₱ 10,953,352
Rental		**19,105,749**	6,275,100
Depreciation and amortization	9,19	**17,080,322**	3,673,006
Utilities		**11,099,291**	3,697,187
Outside services		**-**	1,560,776
Transportation and travel		**1,516,872**	163,779
Advertisement		**1,312, 715**	466,454
Repairs and maintenance		**694,946**	640,923
Spoilage and damages		**-**	203,676
Insurance		**101,659**	98,756
Service fees		**2,975,840**	-
Others		**3,762,618**	336,252
		₱ 75,207,236	₱28,069,261

Salaries, wages and other employees' benefits include government contributions and other allowances.

Outside services pertain to payments to agencies for the salaries of service crews.

16. **General and Administrative Expenses**

This account consists of:

	Note	**Sep-2022**	Sep-2021
Management fees	18	**₱4,017,857**	₱4,732,877
Depreciation and amortization	9	**9,539**	2,252,048
Salaries, wages and other employees' benefits		**6,051,258**	3,525,944
Professional fees		**144,000**	1,446,351
Taxes and licenses		**2,343,953**	1,456,910
Penalties		**-**	1,602,413
Office supplies		**-**	1,109,008
Retirement benefits	11	**225,000**	227,431
Representation expense		**325,514**	-
Miscellaneous		**1,466,778**	139,375
		₱ 14,583,899	₱ 16,492,357

17. **Other Income**

	Note	**Sep-2022**	Sep-2021
Gain on Sale of property and equipment		**₱–**	₱ 3,285,484
Interest income	5	**2,675,316**	3,478
Miscellaneous income		**77,273**	151,313
		₱ 2,752,589	₱3,440,275

Miscellaneous income pertains mainly to cash overages from outlets.

18. **Related Party Transactions**

In the normal course of business, the Company has transactions with related parties amounting to ₱60 million and ₱67.58 million as at September 30, 2022 and December 31, 2021, respectively.

Terms and Conditions
Outstanding balances, except for trade payables that are generally settled in on a 15 to 30-day term, are unsecured, noninterest-bearing and are collectible/payable in cash upon demand. There have been no guarantees provided for any of the aforementioned related party receivables and payables. An assessment of the collectability of the account is undertaken each financial year through examining financial position of the related party and the market in which the related party operates. On October 3, 2021, due from related parties amounting to ₱60.0 million was issued with a promissory note which resulted in the reclassification to note receivable. The note receivable is unsecured, collectible within one year and bears a 5% fixed annual interest. Interest is collectible monthly.

Management Agreement
The Parent Company has a management agreement with the Company for the Parent Company to provide administrative services for a fixed monthly fee. Management fees amounted to ₱2.0 and ₱2.7 million in September 2022 and June 30, 2021, respectively.

19. **Lease Agreements**

Company as Lessee - Short-term Lease
The Company entered into several lease agreements with third parties for its store spaces for one year. The lease contracts for the stores provide for a monthly rental based on certain percentage of gross sales and a monthly fixed rental or an agreed minimum rent, whichever is higher. Lease agreements are generally renewable annually through a notice of lease renewal and upon mutual agreement with the lessors.

Security deposits paid to the lessors are classified as follows:

	Note	**Sep-2022**	Dec-2021
Current	8	**₱10,415,628**	₱10,214,995
Noncurrent		**–**	–
		₱10,415,628	₱10,214,995

The amount of advance rentals is disclosed in Note 8.

Company as Lessee - Long-term Lease

In September 2019, the Company entered into a ten-year non-cancellable lease agreement with a third party for the lease of a parcel of land on which a warehouse will be constructed. The lease is renewable upon mutual agreement of both parties. In October 2021, the parties mutually agreed to amend the lease agreement to transfer the lease to FGI effective October 30, 2021.

In 2021, the Company entered into several non-cancellable lease agreements with third parties for its outlet spaces for a period of three years subject to renewal.

The balance of and movements in ROU assets and lease liabilities are as follows:

ROU Assets

		Sep-2022		
	Note	**Outlet Spaces**	**Land**	**Total**
Cost				
Balance at beginning of year		**₱30,429,457**	**₱–**	**₱30,429,457**
Additions		**–**	**–**	**–**
Balance at end of year		**30,429,457**	**–**	**30,429,457**
Accumulated Amortization				
Balance at beginning of year		**6,994,487**	**–**	**6,994,487**
Amortization	9	**7,117,483**	**–**	**7,117,483**
Balance at end of year		**14,111,970**	**–**	**14,111,970**
Carrying Amount		**₱16,317,487**	**₱–**	**₱16,317,487**

		Dec-2021		
	Note	Outlet Spaces	Land	Total
Cost				
Balance at beginning of year		₱3,904,675	₱12,943,700	₱16,848,375
Additions		26,524,782	–	26,524,782
Termination of lease		–	(12,943,700)	(12,943,700)
Balance at end of year		30,429,457	–	30,429,457
Accumulated Amortization				
Balance at beginning of year		2,603,118	1,725,825	4,328,943
Amortization	9	4,391,369	1,078,642	5,470,011
Termination of lease		–	(2,804,467)	(2,804,467)
Balance at end of year		6,994,487	–	6,994,487
Carrying Amount		₱23,434,970	₱–	₱23,434,970

Lease Liabilities

	Note	Sep-2022		
		Outlets Spaces	**Land**	**Total**
Balance at beginning of year		**₱23,686,798**	**₱–**	**₱23,686,798**
Additions		**–**	**–**	**–**
Rental payments		**(7,841,133)**	**–**	**(7,841,133)**
Interest		**1,075,660**	**–**	**1,075,660**
Balance at end of year		**16,921,325**	**–**	**16,921,325**
Less current portion		**8,605,942**	**–**	**8,605,942**
Noncurrent portion		**₱ 8,315,383**	**₱–**	**₱ 8,315,383**

	Note	Dec-2021		
		Outlets Spaces	Land	Total
Balance at beginning of year		₱1,444,701	₱11,879,986	₱13,324,687
Additions		26,524,782	–	26,524,782
Rental payments		(4,935,155)	(1,350,000)	(6,285,155)
Interest		652,470	1,072,176	1,724,646
Termination of lease		–	(11,602,162)	(11,602,162)
Balance at end of year		23,686,798	–	23,686,798
Less current portion		8,470,849	–	8,470,849
Noncurrent portion		₱15,215,949	₱–	₱15,215,949

The incremental borrowing rate applied to the lease liabilities ranges from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

COVID-19-Related Rent Concessions - amendment to PFRS 16 Leases

In 2020, many lessors provided rent concessions to the Company as a result of the COVID-19 pandemic. Rent concessions include rent holidays or rent reductions for a certain period of time. The Company elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification but has applied the practical expedient to all rent concessions that meet the conditions for the practical expedient.

20. Income Taxes

The Company's provision for current income tax represents RCIT in September 2022 and 2021.

On March 26, 2021, RA No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act" (the "Act") was signed into law by the President of the Philippines. Under the Act, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The income tax rates used, however, in preparing the financial statements as at and for the year ended December 31, 2020 were still 30% and 2% for RCIT and MCIT, respectively. The effect of the reduction in tax rates was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Tax*es. Details of the adjusted amounts are as follows:

	Current	Deferred	Total
Income tax expense	₱3,362,195	₱77,198	₱3,439,393
Effect of change in tax rates	(270,301)	66,038	(204,263)
Adjusted income tax expense	₱3,091,894	₱143,236	₱3,235,130

Details of the Company's deferred tax assets are as follows:

	2022	2021
Deferred Tax Assets:		
Retirement benefits liability	**₱315,223**	₱315,223
Lease liabilities, net of ROU assets	**62,957**	62,957
Excess MCIT over RCIT	**–**	–
	₱378,180	₱ 378,180

21. Financial Risk Management Policies and Objectives

The Company's financial assets comprise cash and cash equivalents, trade and other receivables, note receivable, due from related parties and construction bond (presented as part of "Other current assets" account in the statements of financial position). The Company's financial liabilities include trade and other payables (excluding statutory payable), lease liabilities, mortgage payable and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations.

The Company is exposed to credit risk, interest rate risk and liquidity risk. The Company's management oversees the management of these risks. The Company's BOD and management review and approve the policies for managing each of the risks, which are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Counterparty such as banks and customer who pay on or before due date have minimum risk exposure because default in settling its obligations is remote.

The table below shows the gross maximum exposure of the Company to credit risk for the components of the Company's financial position:

	Sep-2022	Dec-2021
Cash and cash equivalents	**₱276,877,813**	₱48,214,468
Trade and other receivables	**1,088,177**	2,404,774
Note receivable	**60,000,000**	60,000,000
Due from related parties	**-**	7,582,306
Construction bond	**384,006**	418,200
	₱338,349,996	₱118,619,748

Risk Management. The Company deals only with reputable banks and customer to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

The tables below show the credit quality of financial assets as at December 31, 2021 and 2020:

	Sep-2022				
	Neither Past Due Nor Impaired				
	High Grade	**Standard Grade**	**Past Due but Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	**₱276,877,813**	**₱–**	**₱–**	**₱–**	**₱276,877,813**
Trade and other receivables	**–**	**1,088,177**	**–**	**–**	**1,088,177**
Note receivable	**–**	**60,000,000**	**–**	**–**	**60,000,000**
Due from related parties	**–**	**–**	**–**	**–**	**–**
Construction bond	**–**	**384,006**	**–**	**–**	**384,006**
	₱276,877,813	**₱61,472,183**	**₱–**	**₱–**	**₱ 338,349,996**

	Dec-2021				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Cash and cash equivalents	₱48,214,468	₱–	₱–	₱–	₱48,214,468
Trade and other receivables	–	2,404,774	–	–	2,404,774
Note receivable	–	60,000,000	–	–	60,000,000
Due from related parties	–	7,582,306	–	–	7,582,306
Construction bond	–	418,200	–	–	418,200
	₱48,214,468	₱70,405,280	₱–	₱–	₱118,619,748

The credit quality of such financial assets at amortized cost is managed by the Company using internal credit quality ratings as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies, government agencies and individual buyers. Credit quality was determined based on the credit standing of the counterparty.
- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

Security. The Company does not have financial assets held as collaterals.

Impairment. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Trade receivables arise mainly from transactions with store outlets. Store outlets are subject to stringent financial, credit, and legal verification process. In addition, trade receivable balances are monitored on an on-going basis to ensure timely collections. The Company has assessed that the ECL on trade and other receivables is not material because these are substantially collected within the Company's credit terms.

For other financial assets at amortized cost which comprise cash and cash equivalents, other receivables, note receivable, due from related parties and construction bond, the PFRS 9 impairment requirements do not result in significant ECL. The following are considered in the assessment:

- Cash being deposited with reputable counterparty banks that possess good credit ratings

- Available liquid assets of the related parties

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Company's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

a. To ensure that adequate funding is available at all times;
b. To meet commitments as they arise without incurring unnecessary costs; and
c. To be able to assess funding when needed at the least possible cost.

22. Fair Value Measurement

The table below presents the carrying amounts and fair values of the Company's financial instruments as follows:

	Sep-2022		Dec-2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at Amortized Cost:				
Cash and cash equivalents	**₱276,877,813**	**₱276,877,813**	₱48,337,058	₱48,337,058
Trade and other receivables	**1,088,177**	**1,088,177**	2,404,774	2,404,774
Note receivable	**60,000,000**	**60,000,000**	60,000,000	60,000,000
Due from related parties	**-**	**-**	7,582,306	7,582,306
Construction bond	**384,006**	**384,006**	418,200	418,200
	₱338,349,996	**₱338,349,996**	₱118,742,338	₱118,742,338
Financial Liabilities at Amortized Cost:				
Trade and other payables*	**₱ 7,972,375**	**₱ 7,972,375**	₱8,404,458	₱8,404,458
Lease liabilities	**16,921,325**	**16,921,325**	23,686,798	23,686,798
	₱ 24,893,700	**₱ 24,893,700**	₱32,091,256	₱32,091,256

**Excluding statutory payable.*

Cash and Cash Equivalents, Trade and Other Receivables, Note Receivable, Due from Related Parties, Construction Bond and Trade and Other Payables (Excluding Statutory Payable). The carrying amounts of these financial instruments approximate fair values due to the relatively short-term maturity of these financial instruments.

Lease Liabilities. The fair value of lease liabilities are determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. There were no significant unobservable inputs identified and no relationship was established between the unobservable inputs and the fair value of lease liabilities. These financial liabilities are classified under Level 3 of the fair value hierarchy. The rates applied to lease liabilities range from 10.87% to 11.00%.

Generally, an increase or decrease in the incremental after-tax cash flows will result in an increase or decrease in the fair value of these financial assets and liabilities. An increase or decrease in discount rate will result in a decrease or increase in the fair value of these financial asset and liabilities.

There are no significant transfers between levels in the fair value hierarchy in 2022 and 2021.

23. **Operating Segment Information**

For management purposes, the Company is organized into operating segments based on brand names. However, due to the similarity in the economic characteristics, such segments have been aggregated into a single operating segment for external reporting purposes.

Outlet stores sales reflected in the statements of comprehensive income are all from external customers and within the Philippines, which is the Company's domicile and primary place of operations. Additionally, the Company's noncurrent assets are also primarily acquired, located and used within the Philippines.

Outlet stores sales are attributable to revenue from the general public, which are generated through the Company's store outlets. Consequently, the Company has no concentrations of revenue from a single customer in 2022 and 2021.