NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF
BALAI NI FRUITAS INC.

Please take notice that the 2023 Annual Stockholders' Meeting ("ASM") of Balai Ni Fruitas Inc. (the "Company") will be held on 15 August 2023 (Tuesday) at 2:00 pm via remote communication. The virtual ASM is necessitated by the COVID-19 pandemic situation during which physical gatherings are highly discouraged.

The Agenda for the ASM shall be as follows:

1. Call to order
2. Certification of service of notice and presence of quorum
3. Reading and approval of the minutes of the last Annual Meeting of Stockholders held on 20 June 2022
4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting
5. Presentation of the President's Report
6. Management Report and Approval of Audited Financial Statements for the year 2022
7. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The Minutes of the 2022 ASM is available for examination on the website of the Company at www.Balainifruitas.com.

The record date shall be on 20 July 2023 for the purpose of determining the list of stockholders of the Corporation who are entitled to vote in the 2023 ASM. The Company will allow attendance by stockholders only by remote communication and voting *in absentia*, subject to validation procedures, though the directors will be in the principal office of the Company.

Stockholders who will participate in the 2023 ASM by remote communication should send an e-mail indicating their intent to participate to IPO.Compliance@balainifruitas.com. They will then be sent a link to a registration form requiring certain information and documentation. Upon their successful accomplishment of the registration form, they will receive an e-mail invitation with a complete guide on how to join the ASM and how to cast votes *in absentia*. Registration and voting must be accomplished by 11 August 2023. Proxies, in the form provided by the Company, however, must be scanned and emailed to the Company's Corporate Secretary at IPO.Compliance@balainifruitas.com not later than 08 August 2023. The proxies shall be validated by 10 August 2023. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised. **WE ARE NOT, HOWEVER, SOLICITING PROXIES.**

For any registration concerns, please contact IPO.Compliance@balainifruitas.com. Please refer to the *Definitive Information Statement* ("DIS") on the guidelines on attendance by remote communication and voting *in absentia*. The DIS is posted on the website of the Company at www.fruitasholdings.com. Only stockholders who have successfully registered within the prescribed period, together with the stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum.

Stockholders may send their questions about the ASM and the Company to IPO.Compliance@balainifruitas.com.

Pursuant to SEC Notice dated March 16, 2021, the Stockholders may examine the Definitive Information Statement, Management Report, and SEC Form 17A at the Company's website and through the PSE Edge Portal.

There will be an audio and video recording of the ASM. All votes cast shall be validated by the Stock and Transfer Agent, The Philippine National Bank Trust Banking Group.

Quezon City, Philippines, June 27, 2023.

For the Board of Directors,

MARVIN C. YU
Corporate Secretary

BALAI
NI FRUITAS INC.

2023 Annual Stockholders' Meeting

PROXY FORM

BALAI NI FRUITAS, INC.
2023 Annual Stockholders' Meeting

I/We hereby name and appoint ______________________________________ or in his /her absence, the CHAIRMAN of the meeting, as my/our proxy at the Annual Stockholders' Meeting of Balai Ni Fruitas, Inc. ("BALAI") to be held via remote communication using the Zoom Video Communications platform on 15 August 2023 at 2:00pm.

Place: ______________________________________ Date: ________________________

Witness: ______________________________________

Number of shares held: ______________________________

____
Signature of Stockholder/s over Printed Name/s

Please scan the completed and signed proxy form and e-mail the scanned copy to the Corporate Secretary at IPO.Compliance@balainifruitas.com not later than 11 August 2023.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [x] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **BALAI NI FRUITAS INC.**

3. Province, country or other jurisdiction of incorporation or organization: **Quezon City, Philippines**

4. SEC Identification Number: **CS200508386**

5. BIR Tax Identification Code: **238-383-045**

6. Address of principal office: **No. 68 Data St., Brgy. Don Manuel, Quezon City**
   1113
   Postal Code

7. Registrant's telephone number, including area code: **(632) 8243-1741**

8. Date, time and place of the meeting of security holders:
   15 August 2023, 02:00 p.m., virtual meeting via remote communication using the Zoom platform (with the presiding officer and executive directors physically present at the principal office of Fruitas Holdings Inc. at 60 Cordillera St., Brgy. Doña Josefa, Quezon City)

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   25 July 2023 or earlier

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock	**1,495,005,000 shares**

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [**x**]	No [ ]	
Name of Stock Exchange:		**Philippine Stock Exchange**
Class of securities listed:		**Common Shares**

WE ARE NOT ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

Date:	15 August 2023
Time:	02:00 pm
Place:	**Virtual meeting via remote communication using the Zoom platform** (with the presiding officer and executive directors physically present at the principal office of Fruitas Holdings Inc. at 60 Cordillera St., Brgy Doña Josefa, Quezon City)
Principal Office:	68 Data St., Brgy. Don Manuel, Quezon City

The presiding officer and executive directors will be physically present at 60 Cordillera St., Brgy. Doña Josefa, Quezon City for the 2023 Annual Stockholders' Meeting. Successfully registered stockholders of record as of 20 July 2023, the Record Date, may join the meeting through the Zoom platform. The Registrant will provide the necessary details of the meeting once the stockholder of record has successfully completed pre-registration requirements.

This Information Statement shall be sent with the Notice of the Annual Stockholders' Meeting and other related documents to the stockholders, in accordance with the Registrant's By-Laws, by or before 20 July 2023. This Information Statement may likewise be accessed by the Registrant's stockholders beginning 27 June 2023 at the Registrant's website, www.balainifruitas.com.

Item 2. Dissenters' Right of Appraisal

Pursuant to Section 80, Title X, of the Revised Corporation Code of the Philippines ("Corporation Code"), any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his/her shares only in the following instances:

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of

authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;

(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

(3) In case of merger or consolidation; and

(4) In case of investments in another corporation, business or purpose.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Registrant within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his/her shares, provided that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself/herself of the appraisal right. If the proposed corporate action is implemented or effected, the Registrant shall pay to such stockholder, upon surrender of his/her certificate/s of stock representing his/her shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Registrant cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the Registrant within thirty (30) days after such award is made, provided that no payment shall be made to any dissenting stockholder unless the Registrant has unrestricted retained earnings in its books to cover such payment and that upon payment by the Registrant of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Registrant.

No item in the agenda will trigger the exercise of appraisal rights by dissenting shareholders.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the following has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office:

(1) Each person who has been a director or officer of the Registrant at any time since the beginning of the last fiscal year;

(2) Each nominee for election as a director of the Registrant; and

(3) Each associate of any of the foregoing persons.

No director has informed the Registrant in writing that he/she intends to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding of the class/es entitled to vote and number of votes of said class/es of shares: Common shares: **1,495,005,000 shares**

(b) Record Date: **20 July 2023**

Under Section 7, Article II of the Registrant's By-Laws, each stockholder shall, at every meeting of the stockholders be entitled to one (1) vote, in person or by proxy, for each share, of capital stock held by such stockholder.

Section 3, Article III of the By-Laws further provides that at each meeting of the stockholders for the election of directors at which a quorum is present, the directors shall be elected by cumulative vote with each share having a number of votes equal to the number of the directors to be elected. The persons receiving the highest number of votes shall be the directors.

Section 8, Article II of the By-Laws, meanwhile, provides that the instrument appointing a proxy shall be in writing, signed under the hand of the appointer or his attorney-in-fact duly authorized in writing or, if the appointer is a corporation, either under the seal of the corporation or under the hand of an officer or attorney-in-fact duly authorized by the corporation. Any corporation that is a stockholder may also by resolution of its directors or other governing body authorize such person as it thinks fit to act as its attorney-in-fact at any and all meetings of stockholders, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporate stockholders that he represents as that which the corporation could have itself exercised if present. A proxy need not be a stockholder, unless otherwise provided in the proxy, and it shall be valid only for the meeting at which it has been presented to the Secretary or Assistant Secretary. All proxies must be in the hands of the Secretary or Assistant Secretary at least five (5) business days before the time set for the meeting. A stockholder shall not be allowed to designate two (2) or more proxies for any meeting unless the designation is in the alternative.

(1) Security Ownership of Certain Record and Beneficial Owners (of more than 5% of the Registrant's voting securities) as of 31 May 2023

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of class
Common Shares	Fruitas Holdings, Inc. / 60 Cordillera St., Brgy. Doña Aurora, Quezon City / Stockholder of Record	Please see PNB Report as of May 31, 2023	Filipino	1,082,488,000	72.41%
Common Shares	PCD Nominee Corp. / The Enterprise Center, Ayala Avenue Corner Paseo de Roxas, Makati City / Stockholder of Record	Please see PNB Report as of May 31, 2023	Filipino	406,788,709	27.21%

Apart from the stockholders listed above, no other stockholders own at least 5% of the Registrants shares under PCD Nominee Corp.

(2) Security Ownership of Management as of 31 May 2023

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of class
Common Shares	Lester C. Yu – Director, President and Chief Executive Officer	4,004,00 – Direct	Filipino	0.27%
Common Shares	Rogelio M. Guadalquiver - Chairman	1,000 – Direct	Filipino	0.00%
Common Shares	Calvin F. Chua – Director and Chief Financial Adviser	1,330,000 – Direct	Filipino	0.09%
Common Shares	Madelene T. Sayson – Director and Chief Operating Officer	2,000 – Direct	Filipino	0.00%
Common Shares	Lee Ceasar S. Junia – Independent Director	10,000 – Direct	Filipino	0.00%
Common Shares	David Jonathan Y. Bayot – Independent Director	10,000 – Direct	Filipino	0.00%
Common Shares	Bernardino M. Ramos – Independent Director	10,000 – Direct	Filipino	0.00%
Common Shares	Roselyn A. Legaspi – Managing Director – Visayas and Mindanao	1,002,000 – Direct	Filipino	0.07%
Common Shares	Marvin C. Yu – Corporate Secretary	2,000 – Direct	Filipino	0.00%

Except as indicated in the above table, none of the above-listed officers and management indirectly own shares of the Registrant. Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

(3) Voting Trust Holders of 5% or more

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant.

(4) Description of Any Arrangement which may Result in a Change in Control of Registrant/Any Change of Control Since the Beginning of the Last Fiscal Year

No change in control of the Registrant has occurred since the beginning of its last fiscal year. The Registrant is likewise unaware of any arrangement which may result in a change of control.

Item 5. Directors and Executive Officers of the Registrant

The record of attendance of the directors at the meetings of the Board of Directors (the “Board”) held in 2022 is as follows:

Directors	No. of Meetings Attended/No. of Meetings as Director	Percent Present
Roger M. Guadalquiver	12/12	100%
Lester C. Yu	12/12	100%
Calvin F. Chua	12/12	100%
Madelene T. Sayson	12/12	100%
Lee Ceasar S. Junia	12/12	100%
David Jonathan Y. Bayot	12/12	100%
Bernardino M. Ramos	12/12	100%

The current Board of Directors was formed on 20 June 2022 during the 2022 Annual Stockholders’ Meeting. The meetings of the Board of Directors in 2022 discussed the following matters:

Date	Matters Discussed
March 11, 2022	2021 Audit Presentation to Audit Committee and Directors
March 15, 2022	Approval of Audited Financial Statement for the year ended December 31, 2022
May 15, 2022	1st Quarter Financial Report Presentation and Analysis
June 4, 2022	Approval of Escrow, Stock Transfer, and Receiving agent with PNB, authorization to open corporate investment management accounts
June 20, 2022	Annual Stockholders’ Meeting and Annual Organizational Meeting 2022 – Ratification of Board and Management Approvals for the year, Approval of Management Report, and appointment of external auditor
July 4, 2022	2nd Quarter operational update and 1st quarter financial comparison
July 15, 2022	2nd Quarter Disbursement of Proceeds and Progress Report presentation and disclosure
July 31, 2022	2nd Quarter financial results discussion and Quarter report presentation
August 13, 2022	2nd Quarter 2022 quarter report finalization and disclosure
August 17, 2022	Approval on the plans and targets for the year 2023-2025 in relation to strategic plans on expansion in Cebu and other parts of the Philippines
October 14, 2022	Disbursement of Proceeds and Progress Report for the quarter ending September 30, 2022 presentation and disclosure
November 5, 2022	3Q 2022 Financial results and quarter report presentation, analysis, and disclosure

The Management Committee members and other officers, unless removed by the Board, shall serve as such until their successors are elected or appointed.

The Board of Directors fulfilled its responsibilities by providing ample guidance to the Group through the pandemic. Currently, the Registrant is completing the metrics for performance appraisal of its Directors; this will also include attendance.

(A)(1) Information on directors, executive officers and nominees

The following are the names, ages and citizenship of all directors, including independent directors, executive officers and all persons nominated or chosen to become such:

Directors

Name	Age	Position	Citizenship	Directorship
Rogelio M. Guadalquiver	80	Chairman	Filipino	Nominee
Lester C. Yu	48	Director, President, and Chief Executive Officer	Filipino	Nominee
Calvin F. Chua	43	Director and Chief Financial Adviser	Filipino	Nominee
Madelene T. Sayson	34	Director and Chief Operating Officer	Filipino	Nominee
Lee Ceasar S. Junia	57	Independent Director	Filipino	Nominee
David Jonathan Y. Bayot	52	Independent Director	Filipino	Nominee
Bernardino M. Ramos	78	Independent Director	Filipino	Nominee

Executive Officers

Roselyn A. Legaspi	44	Managing Director	Filipino	Non-nominee
Ma. Teresa B. Trujillo	60	Chief Financial Officer and Treasurer	Filipino	Non-nominee
Juneil Dominic P. Torio	31	Investor Relations Officer	Filipino	Non-nominee
Lerma C. Fajardo	36	Comptroller	Filipino	Non-nominee
Ralph Hector P. Adricula	28	Compliance Officer	Filipino	Non-nominee
Marvin C. Yu	43	Corporate Secretary	Filipino	Non-nominee
William V. Capuno	36	Head of Operations	Filipino	Non-nominee

The following states the positions and offices held or to be held by the directors and executive officers, the period which said director has served of his 1-year term under the By-Laws of the Registrant, the directors' and executive officers' business experience for the last 5 years and their other directorship/s in reporting companies:

***Rogelio M. Guadalquiver*, *80*,** was appointed as the Chairman of FHI in August 24, 2019 and was also appointed as the Chairman of Balai ni Fruitas Inc. in December 21, 2021. He is also currently a Director of Philippine Deposit Insurance Corporation. Rogelio was the Chairman and Chief Executive Officer of CG & Co. from 2000 to 2018. Prior to joining CG & Co., he was a senior partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in both domestic and global audit practices. He also specialized in initial public offerings, industry research studies, corporate restructuring, business process re-engineering, business risk management, and financial and tax management consulting. Mr. Guadalquiver is a Certified Public Accountant and holds a Master's in Management degree from the Asian Institute of Management and a Bachelor of Science in Commerce degree from University of San Jose-Recoletos.

Lester C. Yu, 48, has been our President and Chief Executive Officer since its incorporation and served as the FHI's Chairman from Feb. 2015 to Aug. 2019. He has also been appointed as President and CEO of Balai ni Fruitas Inc. in 2021. Mr. Lester Yu started his career with their family business, Janette Jewelry in 1989. Before founding the Group, he entered the banking industry and served as the youngest Branch Manager for Westmont Bank. He is responsible for the growth of the Group from a single store to more than 900 stores nationwide.

Under his leadership, the Group has successfully introduced several well-known brands and has made strategic acquisitions such as Negril Trading, which houses the De Original Jamaican Pattie Shop and Juice Bar brand and Sabroso Lechon. Mr. Yu is also the Chairman and President of Ralproperties, Inc., One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Themangofarm Corp., Fruitasgroup Incorporated, Lush Enterprises Corp., Bamazeh Incorporated, Lush Coolers, Inc., La Petite Parisienne, Inc., Dough Matters, Inc., Lush Harvest Manufacturing Inc., Toyoda Technik Corporation, and Cocodelivery Incorporated. He holds a Master's of Business Administration degree from the University of the Philippines and a degree in Industrial Management Engineering from De La Salle University.

Calvin F. Chua, 43, was elected as Director and Chief Financial Adviser on Aug. 24, 2019. He has served as a consultant of the Fruitas Group since May 2017. He is also currently an Executive Director and Treasurer of AlphaPrimus Advisors Inc. He was part of the Corporate Finance team of ING Bank N.V., Manila Branch, most recently as Consultant up to June 2019 and Director up to July 2015. During his stint at ING Bank, he advised on mergers and acquisitions and capital-raising activities of various Philippine clients across several sectors. He holds a Bachelor of Science degree in Management Engineering and a Bachelor of Arts degree in Economics (Honors Program) from Ateneo de Manila University.

Madelene T. Sayson, ***34***, was elected as our Chief Operating Officer on Jan. 2018 and has been with the Group since 2009. She also served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Sayson is also the Chairman and President of Gyuma Fragrance Inc. She is the Corporate Secretary and Director of One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Bamazeh Incorporated, Dough Matters, Inc., Sure Jobs Academy, Inc., and Toyoda Technik Corporation Ms. Sayson is also the Vice President and Director of Themangofarm Corp. and La Petite Parisienne, Inc. She is a Director in Balai ni Fruitas Inc. and the Treasurer and Director of Lush Coolers, Inc. She holds a Bachelor of Science degree in Accountancy from Garcia College of Technology.

Lee Ceasar S. Junia, 57, was elected as our Independent Director on December 21, 2021. Mr. Junia is currently the Executive Vice President and General Manager for Toyota Makati, Inc. since 2014 prior to working with Toyota Makati, he worked with Nissan Philippines, Inc. as the General Manager – Sales in 2014. From 2012 to 2014, Mr. Junia worked with Nissan Motor Philippines as the Vice President - Marketing Division. While he was in Knight Transportation Corp. as a Fleet Manager from 2001 to 2011, and Toyota Motor Philippines, Inc. as Assistant Vice President – After Sales Parts from 1991 to 2001. Mr. Junia holds a Bachelor of Science in Management from Ateneo de Manila University.

David Jonathan Y. Bayot, 52, was elected as our Independent Director on December 21, 2021. Dr. David Bayot is a critic and academic publisher, he teaches literature and literary criticism at De La Salle University - Manila, Philippines, where he is the Executive Publisher of its university press, the De La Salle University Publishing House (DLSUPH) since 2005 until present. In 2020, he was the general editor of the Critics in Conversation series published by DLSUPH and the general editor of the Critical Voices series published by Sussex Academic Press (SAP). He was also a General Editor in the DLSU Leadership Chronicle Series in DLSUHPH in 2019. In the same year, he held the position of Professional Chair Holder in Chinese Literature and Liberal Arts in De La Salle University. In 2018, he was the Go Kim Pah Professional Chair Holder in Chinese Literature and Liberal Arts in De La Salle University. Dr. David Bayot holds a PhD in Literature from De La Salle University – Manila.

Bernardino M. Ramos, 78, was elected as our Independent Director on December 21, 2021. He is currently the Chairman of GB Distributors, Inc. He is also a member of the board for Cirtek Holdings Philippines Corporation, State Investment House, Inc., State Properties, Inc., PILAC, Inc., Bunsuran Pawnshop Inc., Prince Plaza Condominium Corporation, Alabang Country Club, Inc. He was a partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in audit and business advisory services with 39 years of service with the firm, including almost 7 as Partner/Advisor of Drs Utomo & Co., SGV Group affiliated firm in Indonesia. He also specialized in power (IPPs) and infrastructure, real estate, and hospitality, financial services, mining, educational institutions and pharmaceutical industries. Mr. Ramos is a Certified Public Accountant and holds a Master's in Management Development Program from the Asian Institute of Management and a Bachelor of Science in Business Administration from Far Eastern University, Manila.

Roselyn A. Legaspi, 44*,* was appointed as our Managing Director – Visayas & Mindanao on Aug. 2019 and is responsible for the overall operations of FHI for the said regions. She has been with the Fruitas Group since 2002 and has served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Legaspi is also the Vice President and Director of Negril Trading, Inc., Bamazeh Inc., Lush Properties Incorporated, Ralproperties Inc., and Sure Jobs Academy Inc. She is also a Director for Gyuma Fragrance Inc., Lush Harvest Manufacturing Inc., Themangofarm Corp., La Petite Parisienne, Inc., and Lush Enterprises Corp. Also, Ms. Legaspi is the Treasurer of Fruitasgroup Incorporated and Buko ni Fruitas, Inc. She obtained her Bachelor of Science degree in Accountancy in 1999 and also passed her Civil Service Exams in 1997. She is currently taking up her Master's in Business Administration degree at the University of San Carlos, Cebu City.

Ma. Teresa B. Trujillo, ***60***, was appointed as our Chief Financial Officer and Treasurer on December 21, 2021. She has been the Human Resources Department Head of FGI since Feb. 2018. She is responsible for overseeing activities within human resources management such as recruitment, compensation and benefits, and organizational development. She was the Officer-in-Charge of the Business Permits Department when she joined the Group. She completed 18 units for Ateneo Graduate School of Business' Master's degree in Business Administration for Middle Managers and holds a bachelor's degree in Commerce major in Accounting from Universidad De Sta. Isabel.

Juneil P. Torio, 31, has been the Investor Relations Officer since July 2019 and was appointed as the Chief Financial Officer and Treasurer on August 2020. He is responsible for the financial health of the Registrant and all interactions with investors and financial institutions through creating programs which strengthens relationship of FHI to the various investment groups and individuals. On December 2021, he was appointed as the Investor Relations Officer of Balai ni Fruitas Inc. Prior to joining FHI, he was a Manager in EXL Services Philippines where he started as a Management Trainee post his graduate studies. In 2013, he started his career as Management Trainee/Special Projects Officer in the Commercial Centers Division of Robinsons Land Corporation. He holds a Master's degree in Business Administration from the Asian Institute of Management and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University.

Lerma C. Fajardo, ***36***, has been the Group's Deputy Chief Financial Officer and Comptroller since 2018. She has over 10 years of experience in accounting and finance, previously working as an Assistant Manager for Extramind Global Outsourcing Group, Inc. Ms. Fajardo also serves as the Comptroller of FHI's subsidiary, Balai ni Fruitas Inc. since December 2021. She holds a Bachelor of Science degree in Accountancy from Polytechnic University of the Philippines and is a Certified Public Accountant.

Ralph Hector P. Adricula*, *28, has been the Compliance Officer of BALAI since December 21, 2021. He has been with the Group for 6 years, where he started as an Accounting Staff in November 2015, and last held the position of an Assistant Accounting Manager. He holds a Bachelor of Science degree in Applied Mathematics from University of the Philippines Visayas.

Marvin C. Yu, 43, has been FHI's Corporate Secretary since Aug. 24, 2019. On December 2021, he was appointed as the Corporate Secretary of Buko ni Fruitas Inc. He has more than 15 years of experience in the technical and engineering field. He was a Consultant in the SMC Telco Project, Master Planning Network Coverage Senior Manager for the Sun Cellular 2G and 3G Project, and RF Network Planning, Design and Optimization Engineer for Smart Communications Inc. Mr. Marvin Yu holds a Bachelor of Science degree in Electronics and Communications Engineering from De La Salle University and an Electronics and Communications Engineering Board Passer.

William V. Capuno, 36, has been the Head of Operations of BALAI since December 21, 2021. Prior to joining the Group, he was the Operations Head of Zagu Foods Corporation where he started his career. After working for 8 years in the company, he shifted his career to sales. He worked as a Sales Operations Manager in Marina Sales Incorporated, one of the well-known distributors of Del Monte, CDO and Sunquick products. Mr. William holds a Bachelor of Science degree in Computer Science in Polytechnic University of the Philippines - Sto. Tomas Batangas.

All the incumbent Directors above have one (1) year term of office. All the current directors have been nominated for re-election to the Board of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' because of a disagreement with the registrant on any matter relating to the Registrant's operations, policies or practices.

The Registrant does not believe that any of the descriptions provided for or by the directors is incorrect or incomplete.

(A)(2) Significant Employees

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

(A)(3) Family Relationships

Mr. Lester C. Yu and Mr. Marvin C. Yu are brothers. Except for said relationship, none of the aforementioned Directors or Executive Officers are related to the others by consanguinity or affinity within the fourth civil degree.

(A)(4) Involvement in Certain Legal Proceedings

None of the directors, executive officers or nominees for election have been involved in any bankruptcy proceeding, nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment, or decree of a court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in action by any court or administrative bodies to have violated a securities of commodities law, for the past five (5) years up to the latest date.

As of the date of this report, the Registrant is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Registrant or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Registrant or any of its properties.

Certain Relationships and Related Transactions

Due from Related Parties

The Company has due from related parties amounting to ₱9.1 million as of December 31, 2022. On October 3, 2021, due from related parties amounting to ₱60.0 million was reclassified to unsecured notes receivable. The notes receivable has a term of one year and bears 5% fixed interest and is payable in lump sum at maturity date while interest is payable monthly.

Administrative Consulting Agreement

FHI, the parent Company, has an Administrative Consulting Agreement with BALAI for the parent company to provide administrative services for a fixed monthly fee. FHI and its management shall provide strategic direction and assistance in managing BALAI's overall corporate and store level operations. Management fees amounted to P7.5 million or P0.6 million per month in 2022 and P6.0 million or P0.5 million in 2021. The term of the agreement is valid for twelve (12) months. The Company was under an administrative consulting agreement from January 1, 2022 until December 31, 2022. The administrative consulting agreement is renewed on an annual basis.

Transfer of Assets and Assignment of Lease

In May 2021, the Board of Directors of the Company approved certain reorganization activities wherein certain assets and rights to the lease of various outlets previously owned and operated by the Company were transferred to Fruitasgroup Inc. The outlets transferred to Fruitasgroup Inc. included outlets for products under the following brands: *Buko ni Fruitas, House of Desserts, Fruitas and Buko Loco (which is an Fruitasgroup Inc.-owned brand).* The primary purpose of the reorganization activities is for the Company and Fruitasgroup Inc. to capitalize on the economies of scale and efficiency of operations and more productive use of the assets. Fruitasgroup Inc. continued to operate the outlets until the end of its respective lease terms. The outlets' leases were renewed based on its sales performance. The obligations for rental deposits on leases were transferred to Fruitasgroup Inc. through an assignment of lease agreement.

Summary of Related Party Transactions

(a) Supplier Agreements

Date	Title of Document	Parties	Particulars	Term / Maturity
January 15, 2021	Supplier Agreement	Company and Fruitasgroup Inc.*	Supply of bottled juices, raw and packaging materials to the Company	January 1, 2021 to December 31, 2023
January 15, 2021	Supplier Agreement	Company and Negril Trading, Inc.*	Supply of soy products, raw and packaging material to the Company	January 1, 2021 to December 31, 2023

*Affiliates of the Company

For the year ended 31 December 2022, 88% of total purchases of the Company are from its related parties.

(b) Administrative Consulting Agreement

Date	Title of Document	Parties	Particulars	Term / Maturity
1 January 2022	Administrative Consulting Agreement	Company and Fruitas Holdings, Inc.**	Appointment of FHI as service provider for administrative services to the Company	1 year

*Parent of the Company

(c) Lease Agreements

Company as Lessee - Short-term Lease

In October 2022, the Company entered into a lease agreement with FHI for its store space in Sta. Mesa, Manila for a period of one year and renewable annually. The lease contract for the store provides for a monthly fixed rental. The lease agreement is generally renewable through a notice of lease renewal and upon mutual agreement with the lessor.

(d) Others

Fruitasgroup Inc. continues to source baked goods from the Company since October 2021.

Item 6. Compensation of Directors and Executive Officers

(1) Summary Compensation Table

Name	Year	Salary	Bonuses	Total
Total Compensation of the 5 most highly compensated executive officers namely: Lester C. Yu, Roselyn A. Legaspi, William V. Capuno, Ma. Teresa B. Trujillo, Ralph Hector P. Adricula	2022	₱2.7 million	₱0.4 million	₱3.1 million
	2021	₱2.1 million	₱0.2 million	₱2.3 million
	2020	₱1.4 million	₱0.1 million	₱1.5 million
All other officers as a group unnamed	2022	₱0.7 million	₱0.0 million	₱0.7 million
	2021	₱0.1 million	₱0.1 million	₱0.2 million
	2020*	₱N/A	₱N/A	₱N/A

**Note: salaries and bonuses are unavailable as other executive officers were employed under the parent company during the reporting years.*

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary and 13th month bonus.

(2) Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2022 up to the present.

(3) Any Other Arrangement

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly for 2022 up to the present for any service provided as a director.

(4) Contracts between Registrant and Executive Officers

a. Employment Contract

There is a standard employment contract between the Registrant and the named executive officers, but the same does not provide for a standard arrangement pursuant to which the executive officers are compensated. Their compensation is based on several special meetings of directors where executive compensation was discussed and held before the initial public offering of the Registrant in June 2022.

b. Compensatory Plan or Arrangement

There is a standard employment contract between the Registrant and the named executive officers, but the same does not provide for a standard arrangement pursuant to which the executive officers are compensated. Their compensation is based on several special meetings of directors where executive compensation was discussed and held before the initial public offering of the Registrant in June 2022.

c. Warrants and options held by the executive officers and directors

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

d. Per diems

Directors and officers do not receive a *per diem*.

Item 7. Independent Public Accountants

(a) The principal accountant and external auditor of the Registrant is Reyes Tacandong & Co. ("RT & Co.") with Mr. Wilson Teo as partner-in-charge for the years 2016 to 2021 while Mr. Cedric M. Caterio took over the role in 2022. The same accounting firm is being recommended for re-election at the annual stockholders' meeting.

(b) Representatives of RT & Co. for the current year are not expected to participate at the annual stockholders' meeting. They will be given the opportunity to make a statement if they desire to do so and respond to appropriate questions after the meeting, if necessary.

Pursuant to the General Requirements of SRC Rule 68, par. 3 (Qualifications and Report of Independent Auditors), the Registrant has engaged RT & Co. as external auditor, with Mr. Wilson Teo as the partner-in-charge, for the audit years 2016 to 2021, and with Mr. Cedric M. Caterio as the partner-in-charge, for the audit year 2022.

(c) Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

Reyes Tacandong & Co. has not resigned from, been dismissed from or ceased service to the Registrant, The Registrant has not had any material disagreements on accounting and financial disclosures with said accountant/external auditor.

There are no disagreements with auditors, represented by Mr. Cedric Caterio, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Registrant and its subsidiaries.

(d) Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to our Registrant, excluding fees directly related to the Offer.

In ₱ Millions	**2022**	**2021**	**2020**
Audit and Audit-Related Fees*	₱ 0.5	₱ 0.7	₱ 0.4
All Other Fees**	None	None	None
Total	₱ 0.5	₱ 0.7	₱ 0.4

* Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.

** All Other Fees. This category includes other services rendered by RT&Co. such as internal audit, or special audit if any.

(e) Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

Item 11. Financial and Other Information

Audit Committee's Approval Policies and Procedures

In relation to the audit of the annual financial statements, the Corporate Governance Manual, which was approved by the Board of Directors on December 22, 2021, provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company, (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors, and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

The Audit Committee shall be composed of at least four (4) voting members who are members of the Company's Board, at least three of which are non-executive directors, including the independent directors. The Chairman of this Committee should be an independent director.

The key functions of the Audit Committee are assisting the Company's Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; providing oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks, including receipt or information on risk exposures and risk management activities; providing oversight over the Internal Audit Department and External Auditors; monitoring and evaluating the adequacy and effectiveness of our Company's internal control system; reviewing the quarterly and annual financial statements before their submission to our Company's Board; and overseeing the implementation of risk management and related party strategies and policies.

The Audit Committee is composed of the following members, the chairman of which is an independent director:

Name	Position
Bernardino M. Ramos	Chairman
Lee Ceasar S. Junia	Member
Madelene T. Sayson	Member
Rogelio M. Guadalquiver	Member

The audited financial statements as of December 31, 2022, Management's Discussion and Analysis, Market Price of Shares Dividends and other data related to the Registrant's financial information are in the Registrant's Annual Report attached to this Information Statement as Annex A.

Item 15. Action with Respect to Reports

The following are included in the agenda for approval by the stockholders on the Annual Meeting of the Stockholders to be held on 15 August 2023:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on 20 June 2022.

   A Copy of the Minutes of the last year's Annual Meeting is hereto attached as Annex B**.**

2. Approval/Ratification of the 31 December 2022 Reports and the Audited Financial Statements

3. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2022 until the date of the meeting, as set forth in the Minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE.

   These minutes cover the approval of the quarterly and annual reports of the Registrant filed with the SEC and the PSE; resignation/election of members of the Board of Directors; acting as surety for the loans of the subsidiaries and guarantee for the refinancing, additional and new issuance of corporate notes its parent Registrant and affiliates; appointment of authorized signatures for various transactions in the normal course of business of the Registrant as well as opening and closure of various investment and/or deposit accounts.

4. Election of the Members of the Board of Directors including three (3) Independent Directors to serve for 2023 to 2024.

5. Selection and appointment of External Auditors

Item 16. Matters Not Required to be Submitted

No action will be taken with respect to this item.

Item 17. Other Proposed Action

Please see Items 16.

Item 18. Voting Procedures

Guidelines for Participating via Remote Communication and Voting in Absentia

The 2023 ASM of Balai ni Fruitas Inc. (the “Company”) will be held on 15 August 2023 (Tuesday) at 2:00 pm via remote communication. The virtual ASM is necessitated by the COVID-19 pandemic situation during which physical gatherings are highly discouraged.

The record date shall be 20 July 2023 for the purpose of determining the list of stockholders of the Corporation who are entitled to vote in the 2023 ASM. The Company will allow attendance by stockholders only by remote communication and voting in absentia, subject to validation procedures, though the directors will be in the principal office of the Company.

Stockholders who will participate in the ASM by remote communication should send an e-mail indicating their intent to participate to IPO.Compliance@balainifruitas.com. They will then be sent a link to a registration form requiring certain information. The following documents must likewise be uploaded:

A. Individual stockholders

1. Copy of valid government ID of stockholder/proxy
2. If appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized)

B. Multiple stockholders or joint owners

1. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)
2. Copy of valid government IDs of all registered stockholders

C. Corporate stockholders

1. Secretary's Certificate or Board Resolution appointing and authorizing a representative
2. Proxy Form for authorized representative
3. Valid government ID of the authorized representative

D. Stockholders with shares under broker account

1. Certification from broker as to the number of shares owned by stockholder
2. Valid government ID of stockholder
3. If appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized)

The Company will then check and validate the entries uploaded by the stockholder.

Upon their successful accomplishment of the registration form and validation by the Company, they will receive an e-mail invitation with a complete guide on how to join the ASM and how to cast votes in absentia. Registration and voting must be accomplished by August 11, 2023. Only stockholders who have successfully registered within the prescribed period, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum. Validity of votes cast by proxy will be subject to the validation of the proxies submitted.

Proxies, in the form provided by the Company, must be scanned and emailed to the Company's Corporate Secretary at IPO.Compliance@balainifruitas.com not later than 08 August 2023. The proxies shall be validated by 10 August 2023. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised.

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to 1 vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

The matters to be acted upon by the stockholders as contained in the agenda, except the election of Directors, would require the affirmative vote of a majority of the shares of the Registrant's common stock represented and entitled to vote.

Stockholders who have successfully registered in accordance with the Guidelines for Participating via Remote Communication shall be provided via e-mail of the link to the voting portal. Stockholders can then cast their votes for specific items in the agenda, as follows:

1. Said stockholders shall access the voting portal by clicking the link sent by e-mail to the email-address of the stockholder provided to the Registrant.
2. Upon accessing the portal, the stockholders can proceed to vote on each agenda item.

    a. A stockholder has the option to vote “Approve”, “Disapprove”, or “Abstain” on each agenda item for approval.
    b. For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only. Accordingly, a stockholder entitled to vote: (i) may vote such number of shares owned by it for as many persons as there are Directors to be elected; or (ii) may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares; or (iii) may distribute them on the same principle among as many candidates as may be seen fit.

3. Once the stockholder has finalized his/her vote, he/she can proceed to submit his/her vote by clicking the “Submit” button.

Voting requirements

(a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

(b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2022, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporation’s stock transfer agent and Office of the Corporate Secretary will tabulate all votes received and will validate the results.

PART III.

INFORMATION REQUIRED IN A PROXY FORM

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

BALAI NI FRUITAS INC.
68 Data St., Brgy. Don Manuel, Quezon City

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this Report is true, complete and correct. This Report is signed in Quezon City on June 26, 2023.

By:

Ma. Teresa B. Trujillo
CFO and Treasurer

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2022 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules of the 2022 Annual Report in Annex A.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

Our fiscal year begins on January 1 and ends on December 31. Reyes Tacandong & Co. ("RT&Co.") has audited our financial statements for the years ended December 31, 2022, 2021 and 2020 in accordance with the Philippine Standards on Auditing.

Wilson P.Teo has been the audit partner and served our Company from 2016 to 2021 while Cedric M. Caterio took over the role in 2022. We have not had any material disagreements on accounting and financial disclosures with our current external auditor for the same periods or any subsequent interim period. RT&Co. has neither shareholdings in our Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of our Company. RT&Co. will not receive any direct or indirect interest in our Company or our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to the Registrant, excluding fees directly related to the Offer.

In ₱ Millions	2022	2021	2020
Audit and Audit-Related Fees*	₱ 0.5	₱ 0.7	₱ 0.4
All Other Fees**	None	None	None
Total	₱ 0.5	₱ 0.7	₱ 0.4

* Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.

** All Other Fees. This category includes other services rendered by RT&Co., such as internal audit, or special audit, if any.

III. AUDIT COMMITTEE'S APPROVAL AND PROCEDURES FOR THE SERVICES OF THE EXTERNAL AUDITOR

The scope, extent and nature of the services to be referred to, and/or rendered by the appointed external auditor of the Registrant has been unanimously approved by the audit committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred. In relation to the audit of the Registrant's annual financial statements, the Registrant's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Registrant; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Registrant with acceptable auditing and accounting standards and regulations.

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this SEC Form Amended 17-A 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 First Quarter ended 2023 vs First Quarter ended 2022

	1Q2023	1Q2022	Increase/(Decrease)	% Change
Revenue	113,963,016.00	60,640,948.00	53,322,068.00	87.93%
Cost of Sales	- 57,293,835.00	- 29,675,144.00	- 27,618,691.00	93.07%
Gross Profit	56,669,181.00	30,965,804.00	25,703,377.00	83.01%
Operating Expenses	- 45,378,754.00	- 24,061,754.00	- 21,317,000.00	88.59%
Income from operations	11,290,427.00	6,904,050.00	4,386,377.00	63.53%
Other income (expense)-net	1,053,147.00	433,083.00	620,064.00	143.17%
Income before income tax	12,343,574.00	7,337,133.00	5,006,441.00	68.23%
Income tax expense	2,761,838.00	1,409,310.00	1,352,528.00	95.97%
Net income	9,581,736.00	5,927,823.00	3,653,913.00	61.64%

Revenues
The Company generated revenues of ₱114.0 million for the three months ending March 31, 2023, an 87.9% or ₱53.3 million increase from the same period in 2022, which closed at ₱60.6 million. The increase was driven by the expansion of Balai Pandesal stores and the stronger performance of the stores.

Cost of Sales
Cost of sales for the three months ended March 31, 2023 closed at ₱57.3 million, 93.1% or ₱27.6 million increase from the same period in 2022 which closed at ₱29.7 million. The increase is mainly attributable to the increase in revenues. Despite inflationary pressures, gross profit margin in the first quarter of 2023 marginally declined versus the same period in 2022.

Operating Expenses
The Company's operating expenses settled at ₱45.4 million at the close of the first three months of 2023, an 88.6% or a ₱21.3 million increase from the same period in 2022 which settled at ₱24.1 million. The increase was mainly attributed to the increased business volume in 2023 and expansion undertaken by the Company.

Income Tax Expense/ Benefits
From ₱1.4 million current income tax for the first quarter of 2022 to ₱2.8 million income tax for the same period in 2023. Increase in Income tax for the period ending March 31, 2023 was primarily due to the increase in revenues.

Net income/ loss
Net income for the period ending March 31, 2023 closed at ₱9.6 million compared to the same period of the prior year of ₱5.9 million net income driven by the increase in revenue due to business expansion and continued same store sales growth. Net Income margin for the first three months of 2023 settled at 8.4%.

Financial Condition as of MARCH 31, 2023 versus DECEMBER 31, 2022

	As of March 31 2023 (Unaudited)	As of December 31, 2022 (Audited)	Increase/(Decrease)	% Change
ASSETS				
Current Assets				
Cash and cash equivalents	282,751,675.00	255,186,274.00	27,565,401.00	10.80%
Financial assets at fair value through profit or loss (FVPL)	15,822,190.00	15,744,937.00	77,253.00	0.49%
Trade and other receivables	11,394,951.00	11,694,750.00	- 299,799.00	- 2.56%
Notes receivable	50,000,000.00	50,000,000.00	-	0.0%
Due from related parties	8,124,870.00	9,105,894.00	- 981,024.00	- 10.77%
Merchandise inventories	6,895,402.00	6,860,023.00	35,379.00	0.52%
Other current assets	13,733,865.00	12,152,887.00	1,580,978.00	13.01%
Total Current Assets	388,722,953.00	360,744,855.00	27,978,188.00	7.76%
Noncurrent Assets				
Noncurrent portion of other receivable	5,390,000.00	5,390,000.00	-	0.0%
Property and equipment	57,664,442.00	57,288,439.00	376,003.00	0.66%
Right-of-use (ROU) assets	20,613,328.00	23,516,335.00	- 2,903,007.00	- 12.34%
Intangible assets	3,000,000.00	3,000,000.00	-	0.0%
Deferred tax assets	619,370.00	619,370.00	-	0.0%
Total Noncurrent Assets	87,287,140.00	89,814,144.00	- 2,527,004.00	- 2.81%
	476,010,093.00	**450,558,909.00**	**25,451,184.00**	**5.65%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	21,176,276.00	15,267,038.00	5,909,238.00	38.71%
Notes payable	10,000,000.00	-	-	0.0%
Current portion of lease liabilities	13,276,700.00	11,506,876.00	1,769,824.00	15.38%
Due to related parties	401,747.00	401,747.00	-	0.0%
Income tax payable	3,124,866.00	363,028.00	2,761,838.00	760.78%

Total Current Liabilities	47,979,589.00	27,538,689.00	20,440,900.00	74.23%
Noncurrent Liabilities				
Noncurrent portion of lease liabilities	8,249,611.00	12,896,153.00	- 4,646,542.00	- 36.03%
Retirement benefits liability	1,665,782.00	1,590,782.00	75,000.00	4.71%
Total Noncurrent Liabilities	9,915,393.00	14,486,935.00	- 4,571,542.00	- 31.56%
Total Liabilities	57,894,982.00	42,025,624.00	15,869,358.00	37.76%
Equity				
Capital stock	74,750,250.00	74,750,250.00	-	0.0%
Additional paid-in capital	286,843,181.00	286,843,181.00	-	0.0%
Retained earnings	56,897,246.00	47,315,510.00	9,581,736.00	20.25%
Other comprehensive loss	- 375,566.00	- 375,566.00	-	0.0%
Total Equity	418,115,111.00	408,533,375.00	9,581,736.00	2.35%
	476,010,093.00	**450,558,999.00**	**25,451,094.00**	**5.65%**

BALAI had consolidated total assets of ₱476.0 million as of March 31, 2023, an increase of ₱25.5 million from the total assets of ₱ 450.6 million recorded in December 31, 2022.

Cash and cash equivalents

As of end March 2023, cash and cash equivalents totaled ₱282.8 million, increased from ₱255.2 million as of end-2022. 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 ₱11.4 million as of March 31, 2023 compared to ₱11.7 million as of end-2022, lower by 2.6% due to decreased third party trade receivables and improved collection.

Inventories

Inventories were maintained at ₱6.9 million from the end of 2022 and as of March 31, 2023.

Property, plant, and equipment

Consolidated net property and equipment stood at ₱57.7 million as of March 31, 2023. Acquisition of property and equipment for the first three months of the year reached ₱5.5 million, which was invested in the building of new stores, new store equipment and additional transportation equipment.

Intangible assets

Intangible assets stood at ₱3.0 million for the period ending March 31, 2023.

Trade and other payables

Trade and other payables increased by 38.7% for the period ending March 31, 2023 to ₱21.2 million driven by the continued business expansion of BALAI.

Equity

As of March 31, 2023, the Company's consolidated equity increased to ₱418.1 million from ₱408.5 million as of end-2022 which was driven by the net income generated in the first quarter of 2023.

Cash Flow Summary

	1Q2023	1Q2022	Increase/(Decrease)	%Change
Net cash generated from (used) in operating activities	25,420,975.00	15,154,226.00	10,266,749.00	67.75%
Net cash generated from (used) in investing activities	- 4,598,309.00	4,021,297.00	- 577,012.00	- 14.35%
Net cash generated from (used) in financing activities	6,742,735.00	- 2,435,134.00	4,307,601.00	- 176.89%

Net cash provided by operating activities amounted to ₱25.4 million for the three months of 2023.

Net cash used in investing activities was ₱4.6 million for the three months of 2023, driven by CAPEX.

Net cash provided by financing activities was ₱6.7 million for the three months of 2023, as a result of issuance of promissory notes.

	Interim Three Months Ended March 31, 2023	**Interim Three Months Ended March 31, 2022**
Revenue Growth	87.9%	194.2%
Gross Profit Margin	49.7%	51.1%
Net Income/ Loss (₱ million)	9.6	5.9
	As of March 31, 2023	**As of December 31, 2022**
Current Ratio	8.10x	13.1x
Debt to Equity Ratio	13.9%	10.3%

REVIEW OF DECEMBER 2022 VS DECEMBER 2021

	2022	2021	Increase/(Decrease)	% Change
Revenue	341,159,284.00	148,933,421.00	192,225,863.00	129.07%
Cost of Sales	- 165,426,513.00	- 71,226,553.00	- 94,199,960.00	132.25%
Gross Profit	175,732,771.00	77,706,868.00	98,025,903.00	126.15%
Operating Expenses	- 135,306,581.00	- 69,932,298.00	- 65,374,283.00	93.48%
Income from operations	40,426,190.00	7,774,570.00	32,651,620.00	419.98%
Other income (expense)-net	2,579,799.00	4,002,126.00	- 1,422,327.00	-35.54%
Income before income tax	43,005,989.00	11,776,696.00	31,229,293.00	265.18%
Income tax expense	5,872,820.00	3,235,130.00	2,637,690.00	81.53%
Net income	37,133,169.00	8,541,566.00	28,591,603.00	334.73%

Key Highlights

BALAI registered a consolidated net income of Php 37.1 million for the twelve months ending December 31, 2022. This yields a net income margin of 10.9%, an increase of 336.0% year-on-year compared to the reported net income of Php 8.5 million in 2021.

Revenues

Net revenues, composed of sales from company-owned stores, and franchise and royalty fees from franchisees, reached Php 341.2 million, increasing by 129.1% from reported revenues of Php 148.9 million for the twelve months ending December 31, 2021.

Cost of Sales

For the year ending 2022, cost of sales increased by 132.3% from Php 71.2 million in 2021 to Php 165.4 million.

Cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc.

Gross Profit

Fross profit amounted to Php 175.7 million for the full year 2022, increasing by 126.1% from Php 77.7 million in the previous year. This yielded a gross profit margin of 51.5% as the Company executed inventory-buying strategies, implemented price increases, rationalized manpower requirements and expanded product mix.

Selling and Distribution Expenses

For the twelve months ending December 31, 2022, selling and distribution expenses totaled Php 92.2 million, representing a 27.0% cost-to-sales ratio. This is Php 46.9 million higher compared to Php 45.3 million during the same period in 2021.

General and Administrative Expenses

For the twelve months ending December 31, 2022, general and administrative expenses totaled Php 43.1 million, representing a 12.6% cost-to-sales ratio. This is Php 18.5 million higher compared to Php 24.6 million during the same period in 2021.

Operating Income (Loss)

Operating Income reached Php 43.0 million in 2022, increasing by 265.2% from Php 11.8 million in 2021. This was primarily driven by improvement of revenues from the opening of new store locations and rationalized operating expenses.

Interest Expense

Interest expense of Php 16.0 million was recorded for the twelve months ending December 31, 2021.

Other Income

Other income totaled Php 4.3 million as of year-end 2022. This is composed mainly of interest income from investments.

Net Income

For the year ending 2022, net income reached Php 37.1 million, yielding a net income margin of 10.9%. This is an improvement of 334.7% versus the 2021 recorded net income after tax of Php 8.5 million.

Financial Condition for the year ended December 31, 2022 and December 31, 2021

	As of December 31 2022 (Audited)	As of December 31, 2021 (Audited)	Increase/(Decrease)	% Change
ASSETS				
Current Assets				
Cash and cash equivalents	255,186,274.00	32,337,058.00	222,849,216.00	689.14%
Financial assets at fair value through profit or loss (FVPL)	15,744,937.00	16,000,000.00	- 255,063.00	- 1.59%
Trade and other receivables	11,694,750.00	2,404,774.00	9,289,976.00	386.31%
Notes receivable	50,000,000.00	60,000,000.00	- 10,000,000.00	- 16.67%
Due from related parties	9,105,894.00	7,582,306.00	1,523,588.00	20.09%
Merchandise inventories	6,860,023.00	2,664,326.00	4,195,697.00	157.48%
Other current assets	12,152,887.00	13,073,715.00	- 920,828.00	- 7.04%
Total Current Assets	360,744,855.00	134,062,179.00	226,682,676.00	169.09%
Noncurrent Assets				
Noncurrent portion of other receivable	5,390,000.00	-	-	0.00%
Property and equipment	57,288,439.00	40,072,680.00	17,215,759.00	42.96%

Right-of-use (ROU) assets	23,516,335.00	23,434,970.00	81,365.00	0.35%
Intangible assets	3,000,000.00	3,000,000.00	-	0.00%
Deferred tax assets	619,370.00	378,180.00	241,190.00	63.78%
Total Noncurrent Assets	89,814,144.00	66,885,830.00	22,928,314.00	34.28%
	450,558,999.00	**200,948,009.00**	**249,610,990.00**	**124.22%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	15,267,038.00	8,935,649.00	6,331,389.00	70.86%
Current portion of lease liabilities	11,506,876.00	8,470,849.00	3,036,027.00	35.84%
Due to related parties	401,747.00	-	-	0.00%
Income tax payable	363,028.00	2,225,147.00	- 1,862,119.00	- 83.69%
Total Current Liabilities	27,538,689.00	19,631,645.00	7,907,044.00	40.28%
Noncurrent Liabilities				
Noncurrent portion of lease liabilities	12,896,153.00	15,215,949.00	- 2,319,796.00	- 15.25%
Retirement benefits liability	1,590,782.00	1,260,890.00	329,892.00	26.16%
Total Noncurrent Liabilities	14,486,935.00	16,476,839.00	- 1,989,904.00	- 12.08%
Total Liabilities	42,025,624.00	36,108,484.00	5,917,140.00	16.39%
Equity				
Capital stock	74,750,250.00	58,500,250.00	16,250,000.00	27.78%
Additional paid-in capital	286,843,181.00	96,532,500.00	190,310,681.00	197.15%
Retained earnings	47,315,510.00	10,182,341.00	37,133,169.00	364.68%
Other comprehensive loss	- 375,566.00	- 375,566.00	-	0.00%
Total Equity	408,533,375.00	164,839,525.00	243,693,850.00	147.84%
	450,558,999.00	**200,948,009.00**	**249,610,990.00**	**124.22%**

BALAI had consolidated total assets of Php 450.6 million as of December 31, 2022, an increase versus total assets of Php 200.9 million as of end-2021 primarily driven by the increase on Cash and cash equivalents from the proceeds of the Initial Public Offering in June 2022.

Cash and cash equivalents

As of end 2022, cash and cash equivalents totaled Php 255.2 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade, Note, and other receivables

Trade, Note, and other receivables was at Php 61.7 million as of year-end 2022 compared to Php 62.4 million in 2021, a slight decrease of 1.1% primarily due from partial collection of receivables from Fruitasgroup Inc.

Inventories

As of December 31, 2022, inventories increased to Php 6.9 million from Php 2.7 million in 2021, an increase of 155.6% due to rapid store expansion and improved sales performance while ensuring an efficient management of inventory levels.

Property and equipment

Consolidated net property and equipment stood at Php 57.3 million as of year-end 2022. Acquisition of new equipment for the year reached Php 33.5 million, which were invested in the building of new stores and improvements in the corporate office and commissary.

Intangible assets

Intangible assets stood at Php 3.0 million for the period.

Trade payable and other current liabilities

Trade payable and other current liabilities increased by 40.3% for the full-year 2022 to Php 27.5 million, driven primarily by the increase in Trade payables and the current portion of lease liabilities.

Capital stock and Additional paid-in capital

For the twelve months ending December 31, 2022, the Company's total capital stock stood at Php 74.8 million and additional paid-in capital of Php 286.8 million. The increase is fueled by the Initial Public Offering in June 2022.

Cash flows

	2022	2021	Increase/(Decrease)	%Change
Net cash generated from (used) in operating activities	50,003,075.00	20,370,405.00	29,632,670.00	145.47%
Net cash generated from (used) in investing activities	- 22,140,864.00	7,976,637.00	- 30,117,501.00	- 377.57%
Net cash generated from (used) in financing activities	194,987,005.00	- 9,309,905.00	204,296,910.00	- 2,194.40%

Consolidated net cash provided from operating activities amounted to Php 50.0 million for the full-year 2022, 145.1% increase versus the previous year's Php 20.4 million. The increase is primarily attributable to the opening new store locations during the year.

Consolidated net cash used in investing activities was Php 22.1 million. This is mainly due to capital expenditures for new store openings and other corporate investments.

Consolidated net cash provided by financial activities was Php 195.0 million in 2022, primarily arising from the issuance of shares of stock during the Initial Public Offering in June 2022.

All in all, net cash generated for the year totaled Php 222.8 million, leading to cash and cash equivalents balance of Php 255.2 million at year-end 2022.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2021	Audited Twelve Months Ended December 31, 2022
Revenue Growth	35.2%	129.1%
Gross Profit Margin	52.2%	51.5%
Net Income Margin	5.7%	10.9%
EBITDA (Php thousands)	24,502	68,287
EBITDA Margin	16.5%	20.0%
Return on Average Assets	4.3%	11.4%
Return on Average Equity	5.3%	13.0%
Current Ratio	58.29	1,310.00
Debt to Equity Ratio	21.9%	129.1%

Gross Profit Margin is gross profit as a percentage of revenues
Net Income Margin is net income as a percentage of revenues
EBITDA is defined as earnings before interest, tax, depreciation and amortization
EBITDA margin is EBITDA as a percentage of revenues
Return on Average Assets is net income as a percentage of the average of the assets at year-end and assets at end of the immediately preceding year
Return on Average Equity is net income as a percentage of the average of the equity at year-end and equity at end of the immediately preceding year
Current Ratio is current assets divided by current liabilities
Debt to Equity Ratio is total liabilities over total equity

REVIEW OF DECEMBER 2021 VS DECEMBER 2020

	2021	2020	Increase/(Decrease)	% Change
Revenue	148,933,421.00	110,143,631.00	38,789,790.00	35.22%
Cost of Sales	- 71,226,553.00	- 56,298,033.00	- 14,928,520.00	26.52%
Gross Profit	77,706,868.00	53,845,598.00	23,861,270.00	44.31%
Operating Expenses	- 69,932,298.00	- 54,808,461.00	- 15,123,837.00	27.59%
Income from operations	7,774,570.00	- 962,863.00	8,737,433.00	-907.44%
Other income (expense)-net	4,002,126.00	- 10,576.00	4,012,702.00	-37941.58%
Income before income tax	11,776,696.00	- 973,439.00	12,750,135.00	-1309.80%
Income tax expense	3,235,130.00	- 51,297.00	3,286,427.00	-6406.67%
Net income	8,541,566.00	- 922,142.00	9,463,708.00	-1026.27%

Key Highlights

BALAI registered a consolidated net income of Php 8.5 million for the twelve months ending December 31, 2021. This yields a net income margin of 5.7%, a complete reversal compared to the reported net loss of Php 0.9 million in 2020.

Revenues

The Company generated revenues of ₱148.9 million for the year ended December 31, 2021, a 35.2% or a ₱38.8 million upswing from the same period in 2020, which closed at ₱110.1 million. The increase was driven by the additional BP stores and the re-opening of the economy as quarantine restrictions from the COVID-19 pandemic were eased.

Cost of Sales

Cost of sales for the year ended December 31, 2021 closed at ₱71.2 million, 26.5% or a ₱14.9 million increases over the same period in 2020 which closed at ₱56.3 million. The rise is attributable mainly to the increase in revenues. The Company was able to improve its gross profit margin which was at 52.2%for the first nine months of 2021 versus the 48.9%of the same period in 2020.

Gross Profit

Consolidated gross profit amounted to Php 77.7 million for the full year 2021, increasing by 26.5% from Php 56.3 million in the previous year. This yielded a gross profit margin of 52.2%.

Operating Expenses

The Company's operating expenses settled at Php 69.9 million at the close of the year 2021, a 27.6% or a Php 15.1 million increase from the same period in 2020. The uptick was attributed to the increased business volume in the year 2021, which drove up manpower expenses.

Operating Income (Loss)

Consolidated operating income reached Php 7.8 million in 2021, a reversal from an operating loss of Php 1.0 million in 2020. This was primarily driven by improvement of revenues from the opening and reopening of store operations.

Net Income

Net income for the year ended December 31, 2021 closed at Php 8,5 million, a reversal from the recorded net loss of Php 0.9 million for the same period in 2020 as the Company grew its revenue, improved its gross margin and managed the increase of its operating expenses. The Company also benefited from recognition of gain on sale of property and equipment in the year 2021.

Financial Condition for the year ended December 31, 2021 and December 31, 2020

	As of December 31, 2021 (Audited)	As of December 31, 2020 (Audited)	Increase/(Decrease)	% Change
ASSETS				
Current Assets				
Cash and cash equivalents	48,337,058.00	13,299,921.00	35,037,137.00	263.44%
Trade and other receivables	2,404,774.00	3,081,503.00	- 676,729.00	- 21.96%
Notes receivable	60,000,000.00	-	-	0.00%
Due from related parties	7,582,306.00	122,294,109.00	- 114,711,803.00	- 93.80%
Merchandise inventories	2,664,326.00	1,551,155.00	1,113,171.00	71.76%
Other current assets	13,073,715.00	14,036,262.00	- 962,547.00	- 6.86%
Total Current Assets	134,062,179.00	154,262,950.00	- 20,200,771.00	- 13.10%
Noncurrent Assets				
Property and equipment	40,072,680.00	8,908,304.00	31,164,376.00	349.84%
Right-of-use (ROU) assets	23,434,970.00	12,519,432.00	10,915,538.00	87.19%
Intangible assets	3,000,000.00	-	-	0.00%
Security deposits	-	405,000.00	-	0.00%
Deferred tax assets	378,180.00	1,156,222.00	- 778,042.00	- 67.29%
Total Noncurrent Assets	66,885,830.00	22,988,958.00	43,896,872.00	190.95%
	200,948,009.00	**177,251,908.00**	**23,696,101.00**	**13.37%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	8,935,649.00	3,538,328.00	5,397,321.00	152.54%
Current portion of lease liabilities	8,470,849.00	1,781,181.00	6,689,668.00	375.57%
Income tax payable	2,225,147.00	167,081.00	2,058,066.00	1,231.78%
Total Current Liabilities	19,631,645.00	5,486,590.00	14,145,055.00	257.81%
Noncurrent Liabilities				
Noncurrent portion of lease liabilities	15,215,949.00	11,543,506.00	3,672,443.00	31.81%
Retirement benefits liability	1,260,890.00	542,290.00	718,600.00	132.51%
Total Noncurrent Liabilities	16,476,839.00	12,085,796.00	4,391,043.00	36.33%
Total Liabilities	36,108,484.00	17,572,386.00	18,536,098.00	105.48%
Equity				
Capital stock	58,500,250.00	53,500,000.00	5,000,250.00	9.35%
Additional paid-in capital	96,532,500.00	96,532,500.00	-	0.00%
Retained earnings	10,182,341.00	9,665,775.00	516,566.00	5.34%
Other comprehensive loss	- 375,566.00	- 18,753.00	- 356,813.00	1,902.70%
Total Equity	164,839,525.00	159,679,522.00	5,160,003.00	3.23%
	200,948,009.00	**177,251,908.00**	**23,696,101.00**	**13.37%**

The Company's total assets stood at Php 200.9 million as of December 31, 2021, an increase of 13.4% from the total assets of Php 177.3 million as of December 31, 2020.

Cash and cash equivalents

Cash and cash equivalents stood at Php 48.3 million as of December 31, 2021 an increase of 263.4% from the amount of Php 13.3 million as of December 31, 2020. The increase in cash level is attributed to net collection of advances to related parties of Php 67.2 million, offset by increased acquisition of property and equipment of Php 43.2 million. As of December 31, 2021, the Company also distributed cash dividends of Php 8.0 million, and received proceeds from issuance of stock amounting to Php 5.0 million.

Trade and other receivables

Trade and other receivables stood at Php 2.4 million as of December 31, 2021, lower by 22.0% than the trade and other receivables of Php 3.1 million as of December 31, 2020. The decrease in trade receivables is attributable to collection of Php 2.2 million advances offset by the receivable from franchisees amount to Php 1.5 million as of December 31, 2021. There were no outstanding receivables from franchisees as of December 31, 2020.

Notes Receivable stood at Php 60.0 million as of December 31, 2021 resulted from the reclassification of due from related parties covered by a promissory note. The said amount was booked as part of the Due from Related Parties account since 2019. The said unsecured receivable is between BALAI and its affiliated, FGI, to fund its working capital requirement.

Merchandise Inventories

Merchandise inventory stood at Php 2.7 million as of December 31, 2021, higher by 71.8% than the total merchandise inventory of Php 1.6 million as of December 31, 2020. The increase in inventory is due to maintaining of inventory for the production of BALAI products in 2021.

Property and Equipment

Property and Equipment stood at Php 40.1 million as of December 31, 2021, higher by 349.8% than the property and equipment as of December 31, 2020 of Php 8.9 million. The increase in property and equipment is due to the rollout of Balai Pandesal company-owned stores, mainly undertaken in the second half of 2021.

Intangible assets

Intangible assets stood at Php 3.9 million as of December 31, 2021. These pertains to intellectual property rights over the Balai Pandesal brand, practices, recipes, and supply chain.

Trade and other payables

Trade and other payables stood at Php 8.9 million as of December 31, 2021, higher by 152.5% than the trade and other payables as of December 31, 2020 of Php 3.5 million. The increase is attributable to outstanding payables for purchases of assets made in June 2021 and higher trade payables due to purchase of inventory.

Lease liabilities

Lease liabilities of Php 8.5 million as of December 31, 2021 with 375.6% increase from Php 1.8 million in 2020. The additional lease liabilities for new stores net of the lease payments resulted in the increase in the account for the year. While the non-current portion as of December 31, 2021 stood at Php 15.2 million increased by 31.8% from Php 11.5 million in 2020 due to interest accretion and lease payments made during the period.

Capital stock and Additional paid-in capital

Capital stock stood at Php 58.5 million as of December 31, 2021, the Php 5.0 million increase is the additional issuance of stocks in the 4th quarter of 2021 from the total capital stock of Php 53.5 million as od December 31, 2020.

Cash flows

	2021	2020	Increase/(Decrease)	%Change
Net cash generated from (used) in operating activities	20,370,405.00	- 347,716.00	20,718,121.00	- 5,958.35%
Net cash generated from (used) in investing activities	23,976,637.00	- 18,235,950.00	42,212,587.00	- 231.48%
Net cash generated from (used) in financing activities	- 9,309,905.00	- 1,959,699.00	- 7,350,206.00	375.07

The net cash generated from the Company's operations for the year ended December 31, 2021 was Php 20.4 million which included income before income tax of Php 11.8 million and gain on sale of property and equipment, and gain on termination of lease of Php 3.3 million and Php 1.5 million, respectively. The opening of new stores has also affected the higher adjustment on depreciation and amortization for the year amounting to Php 11.8 million compared to the previous period. Net adjustment in the income before income tax includes the increase in Trade and other receivables, merchandise inventory and security deposit with net payment of Trade and other payables resulting in the working capital changes meanwhile amounted to an outflow of Php 0.2 million.

Net cash generated in investing activities amounted to Php 24.0 million for year ended December 31, 2021.

Net cash used in financing activities for the year ended December 31, 2021 totaled Php 9.3 million which included payment of cash dividends of Php 8.0 million, Php 6.3 million lease liabilities and application of deposit for share subscription of Php 5.0 million.

All in all, net cash generated for the year totaled Php 53.7.4 million, leading to cash and cash equivalents balance of Php 48.3 million at year-end 2021.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2020	Audited Twelve Months Ended December 31, 2021
Revenue Growth	-52.8%	35.2%
Gross Profit Margin	48.9%	52.2%
Net Income Margin	-0.8%	5.7%
EBITDA (Php thousands)	6,620	24,502
EBITDA Margin	6.0%	16.5%
Return on Average Assets	-0.5%	4.3%
Return on Average Equity	-0.6%	5.3%
Current Ratio	28.12	58.29
Debt to Equity Ratio	24.7%	21.9%

Gross Profit Margin is gross profit as a percentage of revenues
Net Income Margin is net income as a percentage of revenues
EBITDA is defined as earnings before interest, tax, depreciation and amortization
EBITDA margin is EBITDA as a percentage of revenues
Return on Average Assets is net income as a percentage of the average of the assets at year-end and assets at end of the immediately preceding year
Return on Average Equity is net income as a percentage of the average of the equity at year-end and equity at end of the immediately preceding year
Current Ratio is current assets divided by current liabilities
Debt to Equity Ratio is total liabilities over total equity

REVIEW OF DECEMBER 2020 VS DECEMBER 2019

Key Highlights

	2020	2019	Increase/(Decrease)	% Change
Revenue	110,143,631.00	233,191,964.00	- 123,048,333.00	-52.77%
Cost of Sales	- 56,298,033.00	- 120,211,991.00	63,913,958.00	-53.17%
Gross Profit	53,845,598.00	112,979,973.00	- 59,134,375.00	-52.34%
Operating Expenses	- 54,808,461.00	103,290,962.00	- 158,099,423.00	-153.06%
Income from operations	- 962,863.00	9,689,011.00	- 10,651,874.00	-109.94%
Other income (expense)-net	- 10,576.00	353,515.00	- 364,091.00	-102.99%
Income before income tax	- 973,439.00	10,042,526.00	- 11,015,965.00	-109.69%
Income tax expense	- 51,297.00	3,009,186.00	- 3,060,483.00	-101.70%
Net income	- 922,142.00	7,033,340.00	- 7,955,482.00	-113.11%

Revenues

For the year ended December 31, 2020, the Company recorded revenues of Php 110.1 million, a 52.8% or a Php 123.0 million decrease from the Php 233.2 million the same period ended December 31, 2019. The decrease in revenues was mainly due to the restrictions imposed due to the COVID-19 pandemic.

Cost of Sales

The Company's cost of sales for the year ended December 31, 2020 totaled Php 56.3 million, a 53.2% or Php 63.9 million decrease over the prior year's level of Php 120.2 million. The decline is attributable mainly from the reduction in revenues, although the Company was able to improve its gross profit margin which registered at 48.9% end-2020 versus the 48.4% end-2019.

Operating Expenses

At the close of 2020, the Company's operating expenses reached Php 54.8 million, Php 48.5 million or 46.9% lower than the expenses incurred of Php 103.3 million 2019. The decline was attributed to the reduced business volume in 2020 and cost containment measures undertaken by the Company

Net Loss

Net loss of the year ended December 31, 2020 reached Php 0.9 million an Php 8.0 million decrease from the prior year's Php 7.0 million net income.

FY20 Financial Condition

BALAI's total assets stood at Php 177.3 million as of December 31, 2020, lower by 3.8% than the total assets of Php 184.3 million as of December 31, 2019

Cash and cash equivalents

Cash and cash equivalents stood at Php 13.3 million as of December 31, 2020, lower by 60.7% than the amount of Php 33.8 million as of December 31, 2019. From positive net cash generated from operations in prior years, the Company used Php 0.3 million in operating activities due to the impact of the pandemic. The Company also used Php 18.2 million in investments activities and Php 2.0 million in financing activities.

Trade and other receivables

Trade and other receivables stood at Php 3.1 million as of December 31, 2020, higher by 50.7% than the trade and other receivables of Php 2.0 million as of December 31, 2019. This is attributable to increase in advances to officers and employees, which will be collected through salary deductions.

Merchandise Inventories

Merchandise inventory stood at Php 1.5 million as of December 31, 2020, lower by 4.8% than the total merchandised inventory of Php 1.6 million as of December 31, 2019.

Property and Equipment

Property and Equipment stood at Php 8.9 million in 2020, lower by 11.8% than the property and equipment in 2019 of Php 10.1 million. The decline is attributable to the Company recording depreciation higher than the minimal addition to property and equipment in 2020.

Trade and other payables

Trade and other payables stood at Php 3.5 million in 2020, lower by 49.4% than the trande and other payables in 2019 of Php 7.0 million. This decline was driven by reduced scale of operations during the pandemic, which led to lower accrued expenses.

Notes Payable

There were no notes payable as of December 31, 2019. The notes payable of Php 8.5 million for the same period in 2018 was fully paid during the year 2019.

Capital stock and Additional paid-in capital

Capital stock and additional paid-in capital remain unchanged at Php 53.5 million and Php 96.5 million as of December 31, 2020 and 2019.

Cash flows

	2020	2019	Increase/(Decrease)	%Change
Net cash generated from (used) in operating activities	- 347,716.00	12,970,746.00	-13,318,462.00	- 102.68%
Net cash generated from (used) in investing activities	- 18,235,950.00	-88,151,467.00	69,915,517.00	- 79.31%
Net cash generated from (used) in financing activities	- 1,959,699.00	3,719,645.00	-5,679,344.00	- 152.69%

The net cash used for the Company's operations for the year ended December 31, 2020 was Php 0.3 million which included loss before income tax of Php 1.0 million. The changes from net loss before tax included gain from rent concessions of Php 1.1 million, depreciation and amortization of Php 6.3 million and Php 1.3 million interest expense. Working capital changes meanwhile amounted to an outflow of Php 4.0 million, where increase in Trade and other receivables of Php 1.0 million and decrease in Trade and other payables were included.

Net cash used by investing activities amounted to (Php 18.2 million) which included the acquisition of store equipment and furniture and fixtures.

Net cash used by financing activities amounted to (Php 2.0 million) as BALAI paid off it mortgage payable of Php 0.1 million and lease liabilities of Php 1.8 million.

All in all, net cash used for the year totaled Php 20.5 million, leading to cash and cash equivalents balance of Php 13.3 million at year-end 2020.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2019	Audited Twelve Months Ended December 31, 2020
Revenue Growth	11.0%	-52.8%
Gross Profit Margin	48.4%	48.9%
Net Income Margin	3.0%	-0.8%
EBITDA (Php thousands)	15,699	6,620
EBITDA Margin	6.7%	6.0%
Return on Average Assets	4.2%	-0.5%
Return on Average Equity	4.7%	-0.6%
Current Ratio	15.94	28.12
Debt to Equity Ratio	14.7%	11.0%

Gross Profit Margin is gross profit as a percentage of revenues
Net Income Margin is net income as a percentage of revenues
EBITDA is defined as earnings before interest, tax, depreciation and amortization
EBITDA margin is EBITDA as a percentage of revenues
Return on Average Assets is net income as a percentage of the average of the assets at year-end and assets at end of the immediately preceding year
Return on Average Equity is net income as a percentage of the average of the equity at year-end and equity at end of the immediately preceding year
Current Ratio is current assets divided by current liabilities
Debt to Equity Ratio is total liabilities over total equity

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 December 2020 and as of 31 December 2019.

Events within the Reporting Period

Impact of COVID-19. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization and the Registrant's Group temporarily closed its Group-operated stores across the country beginning March 16, 2020. The Registrant expects these stores to remain closed until further notice. The Registrant plans to follow the guidance of local governments and health organizations to determine when it can reopen these stores. As the situation continues to evolve rapidly, the Registrant is not currently able to predict the timing of the reopening of all its stores but will be subject on a location-by-location basis.

As the community quarantine eases, the Registrant expects to see material improvement in sales as compared to sales while the country was subject to Enhanced Community Quarantine imposed. The Company has started to strategically re-open stores and continued to expand its store network.

Despite the decrease of the Registrant' topline, management made sure to manage and rationalize expenses to maximize the bottom line. The Company took additional steps from March 2020 onwards to reduce discretionary spending and other expenditures, rolled out procedures to ensure continuous delivery of products using the acquired subsidiary of FRUIT, Cocodelivery Inc., and repurposed or upgrade some stores into delivery hubs, also known as Community Stores. The Registrant had also strategically acquired the Balai Pandesal brand to reintroduce itself in the market and provide a wider-range of baked-goods offerings. The Registrant continues to monitor the situation closely and may implement further measures to provide additional flexibility and improve the Registrant's cash position and liquidity. We managed our payables through negotiating longer terms with suppliers and decreasing our rent expenses.

After-effects of the pandemic also caused disruption in the economy which includes increased interest rates, high inflation, poor performance of the capital markets, and more. These collective disruptions negatively affect the company's operations and financial condition. However, the company is able to maneuver itself through these uncertainties through successful execution of its strategies which include store expansion, disciplined acquisitions, and profitable investments.

The Registrant is still pushing through with its plans to expand more stores in strategic locations. The Registrant wants to position itself in high foot-traffic and logistically viable areas to ensure the sustainability of the store which may be located inside and outside of commercial centers. Aside from the current pandemic and its effects in the global and local economies, the Registrant sees no major risk on the business' operational and financial health and management believes that the Registrant's strong financial condition and ability to obtain short-term or long-term borrowings.

Apart from the events discussed above or in this Management Report, there are no other known trends, events or uncertainties expected to have a material impact on liquidity/sales or events that will trigger direct or contingent financial obligation that is material to the Registrant, including any default or acceleration of an obligation. There is also no known cause for any material change from period to period of financial statements or any seasonal aspects that may have a material effect on the financial statements.

Likewise, the corporation has not entered into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships with unconsolidated entities or other persons during the reporting period nor made any material commitments for capital expenditures

IV. NATURE AND SCOPE OF BUSINESS

(A) Background

Balai Ni Fruitas Inc. ("BALAI"), formerly known as Buko Ni Fruitas Inc., is a wholly-owned subsidiary of Fruitas Holdings, Inc. ("FHI"). It was incorporated on May 17, 2005 and started its operations in August 2005 when it opened its first Buko Ni Fruitas kiosk in Robinsons Manila serving fresh coconut-based beverages and desserts. Since then, the Company has expanded to create and acquire new brands, in turn, enabled BALAI to become a reputable player in the Philippine food and beverage kiosk industry. Currently, it has three (3) active brands namely *Buko Ni Fruitas* ("BNF"), *Fruitas House of Desserts* ("FHOD"), and *Balai Pandesal* ("BP"). Each brand offers specialized products such as fruit-based beverages and desserts and freshly-baked goods.

Balai Ni Fruitas Inc. distinguishes itself from the Group's other offerings through its baked products. The Company's operations and business aim to complement the products of the

Group which are fresh fruit shakes and juices, lemonade, coolers, desserts, meat-filled pastries, and lechon (roasted pig), among other.

As of December 31, 2022, the Company has a total of 98 stores across the Philippines, operating in three (3) store formats – community store, kiosk, and inline store. Currently, there are 40 BNF, 11 FHOD, and 47 BP stores, 92% (90 stores) of which are company-owned stores. These are all located in high-foot traffic areas and easily accessible by public transport such as malls, markets, and central business districts. Our products are also available through the Group's e-commerce website, www.BalaiMart.com, and through online delivery platforms such as Foodpanda and Grabfood.

BALAI's primary purpose as stated in its latest Amended Articles of Incorporation dated 06 January 2022 is to engage in business of processing, manufacturing, packaging, servicing, repacking, marketing, buying, selling, trading, or otherwise dealing in (on wholesale and/or to the extent allowed under Philippines law, on retail basis) wet and dry goods such as fresh fruit drinks, baked goods and other related products, and conduct, maintain, and carry on the general business of bakery, restaurant, cafeteria, kiosk, supermarket, and any articles of food products, to engage in such other activities as may be reasonably incidental to or necessary in connection with the conduct of the business of the corporation as aforementioned. As of date of the Prospectus, the Company has no subsidiaries.

For about 17 years, the Company has been steadily growing in scale and has been aiming to maximize its value, with its launch of the Fruitas House of Desserts brand in 2012 and the acquisition of the Balai Pandesal brand in 2021.

In June 2021, BALAI further expanded its brand portfolio with the acquisition of BP brand and assets which allowed the Company to venture into the baked goods industry. The BP acquisition included initial inventories, technical know-how, equipment and vehicle, and trademark. The Company entered into separate and distinct franchise agreements with Balai Pandesal Corp. and JAD Signature Breads Inc. for five (5) franchised stores within a month after the asset acquisition. The Company was able to grow the BP store network to 31 community stores as of the end of December 2021, which includes 25 company-owned and 6 franchised stores within 6 months after the acquisition.

The Company owns vehicles to deliver various materials, supplies, and products to its stores. The brands across its portfolio allows BALAI to serve a wide array of products to the local market. The several store formats enable the Company to be flexible and expand faster, as it believes that the business model is highly scalable.

On June 30, 2022, BALAI reached another milestone by successfully listing on the Small, Medium, and Emerging board of the Philippine Stock Exchange (PSE) with a total of 1,495,005,000 common shares at Php 0.70 per share.

(B) Risks Relating to the Business

The baked goods and food and beverage kiosk industries in the Philippines are highly competitive with relatively low barriers to entry. As such, there are many well-established food services that compete directly and indirectly with the Company. The Company's competitors are located domestically. The domestic competitors in the Baked Goods category include *The French Baker, BreadTalk, Pan De Manila, Julie's Bakeshop* and *Panaderia All Day Hot Pandesal,* although the Company currently targets the same customer segments as the latter three; in the Fruit-based Desserts category, *Iceberg's, Kabigting's, Maxi Mango,* and *Avocadoria.* These competitors may not be the only ones in the industry as there can be other major or minor players in each category. If the Company will not be able to compete with them, this could adversely affect the financial conditions and operations of the Company.

The industry the Company belongs to is affected by changes in consumer tastes, economic conditions and demographic trends. The timing of product launches, pricing and advertising efforts of competitors may impact the sales of the Company. In the past, BALAI has introduced new products which were unsuccessful and there can be no guarantee that it will be able to introduce new products or new menu items successfully in the future. If the Company cannot successfully introduce new products or new menu offerings, the business, financial condition and results of operations could be materially and adversely affected.

The business and operations of the Company are subject to a number of laws, rules and regulations governing the baked goods industry and food and beverage kiosk industry in the Philippines. These laws and regulations impose requirements relating to food manufacturing and storage. In particular, the Company is subject to extensive regulation by local government units ("LGU").

There is no assurance that changes in laws, rules or regulations or the interpretation thereof of relevant government agencies, may not adversely impact the business operations, financial condition and results of operations of the Company. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Company, including the revocation or suspension of the licenses or operation of its store operations, all of which could adversely impact the business, prospects, financial condition, and results of operation of the Company.

The Company cannot guarantee that internal controls and training will be fully effective in preventing all food safety issues at the stores, including any occurrences of foodborne illnesses such as Salmonella, E. Coli, and Hepatitis A. In addition, there is no guarantee that franchised stores will maintain the high levels of internal controls and training required at company owned stores. Furthermore, the Company and its franchisees rely on third-party vendors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single store. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of the Company's control. New illnesses resistant to current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of the stores or markets or related to food products sold could negatively affect store sales nationwide if highly publicized on national media outlets or through social media.

Our ability to perform on a day-to-day basis is dependent on the capacity and efficiency of our manpower and infrastructure. There may be material interruptions in manpower because of natural calamities or fortuitous events, such as our employees not being able to go to work because of a typhoon or our vehicles not being able to go to different areas because of floods which can affect our delivery schedule. Moreover, our future sales growth will depend on our ability to acquire or lease strategic land for increase of production capacity and will depend on our ability to acquire or maintain machines that will make production and distribution more efficient. Not being able to capably distribute our product and not being able to acquire or lease strategic land or machines will increase our costs, affecting our capacity to successfully operate daily.

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

The Registrant's common shares are being traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last three fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2023			2022		
	High	Low	Close	High	Low	Close
1st	0.74	0.56	0.59			
2nd				0.83	0.63	0.65
3rd				1.10	0.59	0.60
4th				1.10	0.55	0.57

The market capitalization of the Company's common shares as of end 2022, based on the closing price of Php 0.57 per share was Php 852,152,850. The market capitalization of the Company's common shares as of May 31, 2023, based on the closing price of Php 0.56 per share was Php 837,202,800.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low	Close
31 May 2023	0.58	0.54	0.56

Stockholders

The number of shareholders of record as of May 31, 2023, was 13. The shareholders as of the same date are as follows:

Name of Shareholder	Number of Shares	% Ownership
Fruitas Holdings Inc.	1,082,488,000	72.41%
PCD Nominee Corporation - Filipino	406,788,709	27.21%
PCD Nominee Corporation - Non-Filipino	5,711,291	0.38%
Lester C. Yu	4,000,000	0.117%
Roselyn A. Legaspi	2,000	0.003%

Madelene T. Sayson	2,000	0.001%
Marvin C. Yu	2,000	0.001%
Jennifer T. Ramos	2,000	0.001%
David Jonathan Y. Bayot	2,000	-
Calvin F. Chua	1,000	-
Rogelio M. Guadalquiver	1,000	-
Lee Ceasar S. Junia	1,000	-
Bernardino M. Ramos	1,000	-

Apart from the stockholders listed above, no other stockholders own at least 5% of the Registrants shares under PCD Nominee Corp.

Dividends

The Company did not issue dividends for the year 2022. There are no outstanding dividends payable as at December 31, 2022.

On September 11, 2021, the Company declared regular cash dividends amounting to Php 15.00 per share or a total of Php 8,025,000.00 on all shares of common stock issued and outstanding to stockholders of record as of August 27, 2021. Cash dividends were paid on September 30, 2021.

Dividend Policy

The Company has approved a dividend policy of distributing from 20% to 30% of its net income after tax from the preceding year payable primarily in cash. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or share. Declaration of dividends is subject to the requirements of applicable laws and regulations, the terms and conditions of the Company's outstanding loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as when the Company undertakes major projects, expansions, and developments. Dividends must be approved by the Board of Directors and in the case of stock dividends, approved by 2/3 of the Company's total outstanding capital stock at a regular or special meeting called for the purpose, and may be declared only from the Company's unrestricted retained earnings. The Company will conduct a periodic review of available unrestricted balance of retained earnings for purposes of earmarking surplus profit for future capital expenditures or for distributing the same as special cash or stock dividends. The board of directors may, at any time, modify the dividend policy or declare special dividends, depending upon the capital expenditure plans and/or any terms of financing facilities entered into to fund the current and future operations and projects. The Company cannot assure that BALAI will pay any dividends in the future.

Record Date

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

Recent Sale of Unregistered Securities

The following securities were issued as exempt from the registration requirements of the SRC and therefore have not been registered with the Philippine SEC.

- In October 2017, the Company issued 331,500 shares to FHI at ₱355 per share. The excess of the amount received over the par value of issued shares was recognized as "Additional paid-in capital".
- In December 2019, the Company issued 60,000 shares to FHI at ₱300 per share. The excess of the amount received over the par value of issued shares was recognized as "Additional paid-in capital".
- In September 2021, the majority of the Board of Directors and stockholders approved the increase in the authorized capital stock from 550,000 shares to 750,000 shares, out of the total increase, FHI subscribed to 50,000 common shares at par of ₱100 per share.
- In December 2021, the Company obtained approval to implement a 1:2,000 stock split resulting to a decrease in par value from ₱100.00 to ₱0.05 a share, and increase in the authorized capital stock from 750,000 shares to 1.5 billion shares.
- In December 2021, the Company issued 1,000 shares each to Calvin F. Chua, Rogelio M. Guadalquiver, Lee Ceasar S. Junia, David Jonathan Y. Bayot and Bernardino M. Ramos, which allowed them to qualify as directors of the Company.

Stock Options

None.

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Registrant's Board has adopted a Revised Manual on Corporate Governance. The Registrant's Revised Manual on Corporate Governance describes the terms and conditions by which the Registrant intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

Ultimate responsibility and oversight of the Registrant's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Registrant's corporate governance standards is exercised through the Board's Corporate Governance Committee.

The Registrant is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Registrant's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Registrant's obligations are identified and discharged in all aspects of its business. Each January, the Registrant will issue a certification to the Philippines Securities and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

As of the date of this report, there are no known material deviations from the Registrants Manual of Corporate governance. The Registrant is taking further steps to enhance adherence to principles and practices of good corporate governance.

ANNEX A

April 28, 2023

THE PHILIPPINE STOCK EXCHANGE
6F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City
Philippines 1634

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

THE SECURITIES AND EXCHANGE COMMISSION
Markets and Securities Regulation Department
17/F SEC Headquarters
7907 Makati Avenue, Salcedo Village,
Barangay Bel-Air, Makati City, 1209

Attention: **Director Vicente Graciano P. Felizmenio, Jr.**
Markets and Securities Regulation Department

Subject: **Balai Ni Fruitas Inc. 2022 SEC Form 17-A Annual Report**

Gentlemen and Mesdames:

We hereby submit the SEC Form 17-A Annual Report for the year ended December 31, 2022 with the following exhibits:

1. 2022 Audited Financial Statement
2. Top 100 Stockholders as of December 31, 2022
3. Sustainability Report

We trust you will find everything to be in order.

Very truly yours,

BALAI NI FRUITAS INC.

By:

Ralph Hector P. Adricula
Compliance Officer

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 17A

1 2 | 3 1

Month Day

Fiscal Year

FORM TYPE

Annual Meeting

0 6 | 2 0

Month Day

Secondary License Type, If Applicable

Dept Requiring this Doc Section

Amended Articles Number /

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended **December 31, 2022**

2. SEC Identification Number **CS200208386**

3. BIR Tax Identification No. **238-383-045**

4. Exact name of issuer as specified in its charter **Balai ni Fruitas Inc.**

5. **Quezon City, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **68 Data St., Brgy. Don Manuel, Quezon City**
   Address of principal office

   1113
   Postal Code

8. **(632) 8243-1741**
   Issuer's telephone number, including area code

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

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

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

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

    Yes [x]   No [ ]

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

    Philippine Stock Exchange **Common Share**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation

Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

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

Yes [x] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

As of December 31, 2022

Total Number of Outstanding Shares	1,495,005,000
Less: Outstanding Shares held by Affiliates	1,122,332,000
Shares held by Non-Affiliates	372,673,000
Closing price as of December 31, 2022	Php 0.58
Aggregate Market Value of Voting Stock held by Non-Affiliate	Php 216,150,340
Level of Public Float based on information available as of Dec. 31, 2022	24.93%

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

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

Yes [ ] No [x]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) 2022 Audited Financial Statements of Balai Ni Fruitas Inc. attached as Annex A;

(b) List of Stockholders as Annex B;

(c) Sustainability Report as Annex C

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

a. Overview

Balai Ni Fruitas Inc. ("BALAI"), formerly known as Buko Ni Fruitas Inc., is a wholly-owned subsidiary of Fruitas Holdings, Inc. ("FHI"). It was incorporated on May 17, 2005 and started its operations in August 2005 when it opened its first Buko Ni Fruitas kiosk in Robinsons Manila serving fresh coconut-based beverages and desserts. Since then, the Company has expanded to create and acquire new brands, in turn, enabled BALAI to become a reputable player in the Philippine food and beverage kiosk industry. Currently, it has three (3) active brands namely *Buko Ni Fruitas* ("BNF"), *Fruitas House of Desserts* ("FHOD"), and *Balai Pandesal* ("BP"). Each brand offers specialized products such as fruit-based beverages and desserts and freshly-baked goods.

Balai Ni Fruitas Inc. distinguishes itself from the Group's other offerings through its baked products. The Company's operations and business aim to complement the products of the Group which are fresh fruit shakes and juices, lemonade, coolers, desserts, meat-filled pastries, and lechon (roasted pig), among other.

As of December 31, 2022, the Company has a total of 98 stores across the Philippines, operating in three (3) store formats – community store, kiosk, and inline store. Currently, there are 40 BNF, 11 FHOD, and 47 BP stores, 92% (90 stores) of which are company-owned stores. These are all located in high-foot traffic areas and easily accessible by public transport such as malls, markets, and central business districts. Our products are also available through the Group's e-commerce website, www.BabotsMart.com, and through online delivery platforms such as Foodpanda and Grabfood.

BALAI's primary purpose as stated in its latest Amended Articles of Incorporation dated 06 January 2022 is to engage in business of processing, manufacturing, packaging, servicing, repacking, marketing, buying, selling, trading, or otherwise dealing in (on wholesale and/or to the extent allowed under Philippines law, on retail basis) wet and dry goods such as fresh fruit drinks, baked goods and other related products, and conduct, maintain, and carry on the general business of bakery, restaurant, cafeteria, kiosk, supermarket, and any articles of food products, to engage in such other activities as may be reasonably incidental to or necessary in connection with the conduct of the business of the corporation as aforementioned. As of date of the Prospectus, the Company has no subsidiaries.

For about 18 years, the Company has been steadily growing in scale and has been aiming to maximize its value, with its launch of the FHOD brand in 2012 and the acquisition of the BP brand in 2021.

Buko Ni Fruitas (BNF)

BNF started in August 2005, when it opened its first kiosk in Robinsons Manila. It serves fresh coconut-based beverages and desserts. As of December 31, 2022, it has a total of 40 kiosks and inline stores located across the Philippines.

Fruitas House of Desserts (FHOD)

Following the success of the BNF Brand, the Company launched the FHOD brand to expand its product portfolio to healthy desserts, fresh fruit shakes and juices, boba shakes, and milk tea. For the past ten (10) years, the FHOD brand has grown to eleven (11) kiosk and inline store as of the end of December 2022.

Balai Pandesal (BP)

In June 2021, BALAI further expanded its brand portfolio with the acquisition of BP brand and assets which allowed the Company to venture into the baked goods industry. The BP acquisition included initial inventories, technical know-how, equipment and vehicle, and trademark. The Company entered into separate and distinct franchise agreements with Balai Pandesal Corp. and JAD Signature Breads Inc. for five (5) franchised stores within a month after the asset acquisition. The Company was able to grow the BP store network to 47 community stores as of the end of December 2022.

The Company owns vehicles to deliver various materials, supplies, and products to its stores. The brands across its portfolio allows BALAI to serve a wide array of products to the local market. The several store formats enable the Company to be flexible and expand faster, as it believes that the business model is highly scalable.

Moving forward, the Company will mainly focus on expanding the network of BP stores. The Company may continue to open additional BNF and FHOD stores as opportunities arise.

The Company generated total revenues of ₱110.1 million, ₱148.9 million, and ₱341.2 million for the years ended December 31, 2020, 2021, and 2022 respectively, and net income (loss), (₱0.9 million), of ₱8.5 million, ₱37.1 million for the same periods.

On June 30, 2022, BALAI reached another milestone by successfully listing on the Small, Medium, and Emerging Board of the Philippine Stock Exchange (PSE) with a total of 1,495,005,000 common shares at ₱0.70 per share.

b. Key Risks

All of the business operations are currently conducted in the Philippines. Since the entire revenue is sourced from the Philippines, the results of operations, financial condition and prospects are subject to a significant degree to the general state of the Philippine economy. There is no assurance that there will be no occurrence of an economic slowdown in the Philippines. In addition, demand for the Company's products is tied closely to domestic consumer purchasing power and disposable income levels. Any decrease in consumer purchasing power and disposable income levels could have a material adverse effect on the business, operations, and financial condition of the Company.

The Philippines is currently experiencing an economic downturn due to the COVID-19 pandemic and community-wide quarantines. The country's gross domestic product suffered a -9.5% contraction for the whole of 2020. The World Bank expects the Philippine economy to grow by 5.5% and 6.3% in 2021 and 2022, respectively. For the year 2020, domestic inflation averaged 2.6%, reaching as high as 3.5% in December. However, the average inflation was still within the government's 2% to 4% target. In 2020, BSP cut the rate on its overnight reverse repurchase facility several times, effecting a 200-basis point total reduction for the entire 2020. In addition, the Monetary Board cut the rate on the overnight deposit facility and the overnight lending facility to 1.50% and 2.50%, respectively. As of June 24, 2021, the Monetary Board maintained the interest rate on overnight reverse repurchase facility at 2.00% and the overnight lending and deposit facilities rates at 2.50% and 1.50%, respectively. A global recession also took place in 2020 as the economic effects of the COVID19 pandemic were felt in other countries, which also adversely affected the Philippine economy.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to grow its business, and its ability to implement the Company's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

Factors that may adversely affect the economy include but are not limited to:

- decreases in business, industrial, manufacturing, or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services;
- the sovereign credit ratings of the country;
- exchange rate fluctuations and foreign exchange controls;
- a prolonged period of inflation or increase in interest rates;
- an increase in unemployment levels or decrease in consumer confidence;
- a decrease in remittances from overseas Filipino workers;
- changes in the Government's fiscal and regulatory policies;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- natural disasters, including typhoons, earthquakes, fires, floods, and similar events;
- public health epidemics or outbreaks of diseases, such as aa re-emergence of Middle East respiratory syndrome coronavirus (commonly known as MERS-CoV), Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu) or H1N1, and the recent novel Coronavirus (COVID-19), or the emergence of another similar disease (such as the Zika virus) in the Philippines or in the other countries in Southeast Asia;
- political instability, terrorism, or military conflict in the Philippines; and,
- other regulatory, political, or economic developments in or affecting our Company

Any downturn in the Philippine economy may have a negative impact on consumer sentiment and general business conditions in the Philippines, which may materially reduce the revenues, profitability and cash flows of the Company.

We cannot guarantee that our internal controls and training will be fully effective in preventing all food safety issues at our stores, including any occurrences of foodborne illnesses such as salmonella, E. coli and hepatitis A. In addition, there is no guarantee that our franchised stores will maintain the high levels of internal controls and training we require at our owned stores. Furthermore, we and our franchisees rely on third-party vendors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single store. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of our control. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our stores or markets or related to food products we sell could negatively affect our store sales nationwide if highly publicized on national media outlets or through social media. This risk exists even if it were later determined illness was wrongly attributed to us or one of our stores. The occurrence of food safety or foodborne illness incident at one or more of our stores, or negative publicity or public speculation about an incident, could materially adversely affect our business, financial condition and results of operations.

The Philippines has experienced a number of major natural catastrophes including typhoons, floods, volcanic eruptions, and earthquakes. In 2017 alone, two (2) major earthquakes struck off the Philippines with a 6.8-magnitured earthquake affecting the Southern region of Mindanao in April and a 6.5-magnitude earthquake affecting Eastern Visayas in July. In October 2013, a 7.2-magnitude earthquake also affected Cebu and the island of Bohol, and in 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction, devastation, and casualties of unprecedented levels in Tacloban city, certain parts of Samar, and certain parts of Cebu, all of which are located in the Visayas, the southern part of the Philippines. In January 2020, the Taal volcano erupted and caused destruction in some parts of Batangas and Cavite. The COVID-19 pandemic has also been plaguing the public safety of the whole country. There can be no assurance that the occurrence of such catastrophes or outbreaks will not materially disrupt our operations. We could experience substantial property loss as a result of any such catastrophe and might not be able to rebuild or restore operations in a timely fashion. Our property insurance may not cover all cases of loss of material property. Any such accident could have a material adverse effect on our business, financial condition, and results of operations.

Item 2. Properties

As of December 31, 2022, the Company does not own any material real property. It leases its head office at 68 Data St., Barangay Don Manuel, Quezon City. The Company's key properties also comprise of it stores leases. There is no mortgage, lien or encumbrance over the Company's properties or property rights.

Item 3. Legal Proceedings

As of the date, neither the Group nor any of its properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on our financial position and we are not aware of any facts likely to give rise to any proceedings which would materially and adversely affect our business or operations.

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

Except for matters taken up during the annual meeting of the stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

a.) Market Information

The Company's common shares are traded in the Small, Medium, and Emerging of the Philippine Stock Exchange, Inc. ("PSE"). The common shares were listed on June 30, 2022.

The following table shows the high and low prices (in pesos per common share) of the Company's shares in the PSE for each month from date of listing:

Period	High	Low
June 2022	Php 0.83	Php 0.63
July 2022	Php 0.73	Php 0.59
August 2022	Php 1.10	Php 0.63
September 2022	Php 0.83	Php 0.63
October 2022	Php 0.73	Php 0.59
November 2022	Php 1.10	Php 0.63
December 2022	Php 0.61	Php 0.55

The market capitalization of the Company's common shares as of end 2022, based on the closing price of Php 0.58 per share was Php 867,102,900.

b) Holders

Total shares outstanding as of December 31, 2022, is 1,495,005,000 with a par value of P0.05. The shareholders as of the same date are as follows:

Name of Shareholder		Number of Shares	% Ownership
Fruitas Holdings, Inc.		1,082,488,000	72.407%
PCD Nominee Corp. (Filipino)		410,291,709	27.444%
PCD Nominee Corp. (Non-Filipino)		2,208,291	0.148%
Lester C. Yu		4,000	-
Roselyn A. Legaspi		2,000	-
Madelene T. Sayson		2,000	-
Marvin C. Yu		2,000	-
Jennifer T. Ramos		2,000	-
David Jonathan Y. Bayot		1,000	-
Calvin F. Chua		1,000	-
Rogelio M. Guadalquiver		1,000	-
Lee Ceasar S. Junia		1,000	-
Bernardino M. Ramos		1,000	-

c) Dividends

The Company did not issue dividends for the year 2022. There are no outstanding dividends payable as at December 31, 2022.

d) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company did not issue any stocks to its employees as of December 31, 2022.

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

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

FY 22 Results of Operations

Key Highlights

BALAI registered a consolidated net income of Php 37.1 million for the twelve months ending December 31, 2022. This yields a net income margin of 10.9%, an increase of 336.0% year-on-year compared to the reported net income of Php 8.5 million in 2021.

Revenues

Consolidated net revenues, composed of sales from company-owned stores, and franchise and royalty fees from franchisees, reached Php 341.2 million, increasing by 129.1% from reported revenues of Php 148.9 million for the twelve months ending December 31, 2021.

Cost of Sales

For the year ending 2022, consolidated cost of sales increased by 132.3% from Php 71.2 million in 2021 to Php 165.4 million.

Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc.

Gross Profit

Consolidated gross profit amounted to Php 175.7 million for the full year 2022, increasing by 126.1% from Php 77.7 million in the previous year. This yielded a gross profit margin of 51.5% as the Company executed inventory-buying strategies, implemented price increases, rationalized manpower requirements and expanded product mix.

Selling and Distribution Expenses

For the twelve months ending December 31, 2022, consolidated selling and distribution expenses totaled Php 92.2 million, representing a 27.0% cost-to-sales ratio. This is Php 46.9 million higher compared to Php 45.3 million during the same period in 2021.

General and Administrative Expenses

For the twelve months ending December 31, 2022, consolidated general and administrative expenses totaled Php 43.1 million, representing a 12.6% cost-to-sales ratio. This is Php 18.5 million higher compared to Php 24.6 million during the same period in 2021.

Operating Income

Consolidated operating Income reached Php 43.0 million in 2022, increasing by 265.2% from Php 11.8 million in 2021. This was primarily driven by improvement of revenues from the opening of new store locations and rationalized operating expenses.

Interest Expense

Interest expense of Php 16.0 million was recorded for the twelve months ending December 31, 2021.

Other Income

Consolidated other income totaled Php 4.3 million as of year-end 2022. This is composed mainly of interest income from investments.

Net Income

For the year ending 2022, consolidated net income reached Php 37.1 million, yielding a net income margin of 10.9%. This is an improvement of 334.7% versus the 2021 recorded net income after tax of Php 8.5 million.

FY22 Financial Condition

BALAI had consolidated total assets of Php 450.6 million as of December 31, 2022, an increase versus total assets of Php 200.9 million as of end-2021 primarily driven by the increase on Cash and cash equivalents from the proceeds of the Initial Public Offering in June 2022.

Cash and cash equivalents

As of end 2022, cash and cash equivalents totaled Php 255.2 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade, Note, and other receivables

Trade, Note, and other receivables was at Php 61.7 million as of year-end 2022 compared to Php 62.4 million in 2021, a slight decrease of 1.1% primarily due from partial collection of receivables from Fruitasgroup Inc.

Inventories

As of December 31, 2022, inventories increased to Php 6.9 million from Php 2.7 million in 2021, an increase of 155.6% due to rapid store expansion and improved sales performance while ensuring an efficient management of inventory levels.

Property and equipment

Consolidated net property and equipment stood at Php 57.3 million as of year-end 2022. Acquisition of new equipment for the year reached Php 33.5 million, which were invested in the building of new stores and improvements in the corporate office and commissary.

Intangible assets

Intangible assets stood at Php 3.0 million for the period.

Trade payable and other current liabilities

Trade payable and other current liabilities increased by 40.3% for the full-year 2022 to Php 27.5 million, driven primarily by the increase in Trade payables and the current portion of lease liabilities.

Capital stock and Additional paid-in capital

For the twelve months ending December 31, 2022, the Company's total capital stock stood at Php 74.8 million and additional paid-in capital of Php 286.8 million. The increase is fueled by the Initial Public Offering in June 2022.

Cash flows

Consolidated net cash provided from operating activities amounted to Php 50.0 million for the full-year 2022, 145.1% increase versus the previous year's Php 20.4 million. The increase is primarily attributable to the opening new store locations during the year.

Consolidated net cash used in investing activities was Php 22.1 million. This is mainly due to capital expenditures for new store openings and other corporate investments.

Consolidated net cash provided by financial activities was Php 195.0 million in 2022, primarily arising from the issuance of shares of stock during the Initial Public Offering in June 2022.

All in all, net cash generated for the year totaled Php 222.8 million, leading to cash and cash equivalents balance of Php 255.2 million at year-end 2022.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2021	**Audited Twelve Months Ended December 31, 2022**
Revenue Growth	35.2%	129.1%
Gross Profit Margin	52.2%	51.5%
Net Income Margin	5.7%	10.9%
EBITDA (Php thousands)	25	68
EBITDA Margin	16.5%	20.0%
Return on Average Assets	4.3%	11.4%
Return on Average Equity	5.3%	13.0%
Current Ratio	682.9%	1,310.0%
Debt to Equity Ratio	21.9%	10.3%

Gross Profit Margin is gross profit as a percentage of revenues
Net Income Margin is net income as a percentage of revenues
EBITDA is defined as earnings before interest, tax, depreciation and amortization
EBITDA margin is EBITDA as a percentage of revenues
Return on Average Assets is net income as a percentage of the average of the assets at year-end and assets at end of the immediately preceding year
Return on Average Equity is net income as a percentage of the average of the equity at year-end and equity at end of the immediately preceding year
Current Ratio is current assets divided by current liabilities
Debt to Equity Ratio is total liabilities over total equity

Item 7. Financial Statements

The Company's financial statements and notes thereto form part of this SEC Form as "Annex B".

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

a.) External Auditor

Our fiscal year begins on January 1 and ends on December 31. Reyes Tacandong & Co. ("RT&Co.") has audited our financial statements for the years ended December 31, 2022, 2021 and 2020 in accordance with the Philippine Standards on Auditing.

Wilson P.Teo has been the audit partner and served our Company from 2016 to 2021 while Cedric M. Caterio took over the role in 2022. We have not had any material disagreements on accounting and financial disclosures with our current external auditor for the same periods or any subsequent interim period. RT&Co. has neither shareholdings in our Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of our Company. RT&Co. will not receive any direct or indirect interest in our Company or our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for

Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

b.) Audit Fees

The following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to our Company, excluding fees directly related to the Offer.

In ₱ Millions	**2022**	**2021**	**2020**
Audit and Audit-Related Fees[a]	₱ 0.5	₱ 0.7	₱ 0.4
All Other Fees[b]	None	None	None
Total	₱ 0.5	₱ 0.7	₱ 0.4

a. Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.
b. All Other Fees. This category includes other services rendered by RT&Co. such as internal audit, or special audit if any.

c.) Audit Committee and Policies

In relation to the audit of the annual financial statements, the Corporate Governance Manual, which was approved by the Board of Directors on December 22, 2021, provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company, (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors, and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

The Audit Committee shall be composed of at least four (4) voting members who are members of the Company's Board, at least three of which are non-executive directors, including the independent directors. The Chairman of this Committee should be an independent director.

The key functions of the Audit Committee are assisting the Company's Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; providing oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks, including receipt or information on risk exposures and risk management activities; providing oversight over the Internal Audit Department and External Auditors; monitoring and evaluating the adequacy and effectiveness of our Company's internal control system; reviewing the quarterly and annual financial statements before their submission to our Company's Board; and overseeing the implementation of risk management and related party strategies and policies.

The Audit Committee is composed of the following members, the chairman of which is an independent director:

Name	Position
Bernardino M. Ramos	Chairman
Lee Ceasar S. Junia	Member
Madelene T. Sayson	Member
Rogelio M. Guadalquiver	Member

d.) Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

There were no disagreements with Accountants on Accounting and Financial Disclosure or Changes in Accounting Policies for the period ended December 31, 2022.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a.) Directors, Including Independent Directors, and Executive Officers

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's amended articles of incorporation, the Company's board of directors shall consist of nine members, of whom three are independent directors.

The table below sets forth each member of the board of directors as of December 31, 2022:

Name	Age	Nationality	Position
Rogelio M. Guadalquiver	80	Filipino	Chairman
Lester C. Yu	48	Filipino	President, Chief Executive Officer
Madelene T. Sayson	34	Filipino	Director
Calvin F. Chua	43	Filipino	Director, Chief Financial Advisor
Lee Ceasar S. Junia	57	Filipino	Independent Director
David Jonathan Y. Bayot	52	Filipino	Independent Director
Bernardino M. Ramos	78	Filipino	Independent Director

The business experiences for the last five years of members of our board of directors are set forth below.

Rogelio M. Guadalquiver, 80, was appointed as the Chairman of FHI in August 24, 2019 and was also appointed as the Chairman of BALAI in December 21, 2021. He is also currently a Director of Philippine Deposit Insurance Corporation. Rogelio was the Chairman and Chief Executive Officer of CG & Co. from 2000 to 2018. Prior to joining CG & Co., he was a senior partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in both domestic and global audit practices. He also specialized in initial public offerings, industry research studies, corporate restructuring, business process re-engineering, business risk management, and financial and tax management consulting. Mr. Guadalquiver is a Certified Public Accountant and holds a Master's in Management degree from the Asian Institute of Management and a Bachelor of Science in Commerce degree from University of San Jose-Recoletos.

Lester C. Yu, 48, was appointed as the President on April 26, 2021 and Chief Executive Officer on December 21, 2021. Currently, he holds the position of President and CEO of Fruitas Holdings Inc. since August 2019. He also served as the Chairman of FHI, the parent company of BALAI from February 2015 to August 2019. Mr. Lester Yu started his career with their family business, Janette Jewelry in 1989. Before founding the Company, he entered the banking industry and served as the youngest Branch Manager for Westmont Bank. Under his leadership, FHI has successfully introduced several well-known brands and has made strategic acquisitions such as Negril Trading, which houses the De Original Jamaican Pattie Shop and Juice Bar brand and Sabroso Lechon. Mr. Yu is also the Chairman and President of Ralproperties, Inc., One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Themangofarm Corp., Fruitasgroup Incorporated, Lush Enterprises Corp., Bamazeh Incorporated, Lush Coolers, Inc., La Petite Parisienne, Inc., Dough Matters, Inc., Lush Harvest Manufacturing Inc., Toyoda Technik Corporation, and Cocodelivery Incorporated. He holds a Master's of Business Administration degree from the University of the Philippines and a degree in Industrial Management Engineering from De La Salle University.

Madelene T. Sayson*, *34, was elected as our Director on April 26, 2021, she is also the Chief Operating Officer of FHI since January 2018 and has been with the Group since 2009. She also served as a Director of FHI from February 2015 to August 2019 and was reelected since December 2020. Ms. Sayson is also the Chairman and President of Gyuma Fragrance Inc. She is the Corporate Secretary and Director of One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Bamazeh Incorporated, Dough Matters, Inc., Sure Jobs Academy, Inc., and Toyoda Technik Corporation Ms. Sayson is also the Vice President and Director of Themangofarm Corp. and La Petite Parisienne, Inc. She is the Treasurer and Director of Lush Coolers, Inc. She is also the Treasurer of BALAI since April 2021. She holds a Bachelor of Science degree in Accountancy from Garcia College of Technology.

Calvin F. Chua, 43, was elected as our Director and Chief Financial Adviser on December 21, 2021, he is also currently the Director and Chief Financial Adviser of FHI since Aug. 2019. He has served as a consultant of the Group since May 2017. He is also currently an Executive Director and Treasurer of AlphaPrimus Advisors Inc. He was part of the Corporate Finance team of ING Bank N.V., Manila Branch, most recently as a consultant up to June 2019 and Director up to July 2015. During his stint at ING Bank, he advised on mergers and acquisitions and capital-raising activities of various Philippine clients across several sectors. He holds a Bachelor of Science degree in Management Engineering and a Bachelor of Arts degree in Economics (Honors Program) from Ateneo de Manila University.

***Lee Ceasar S. Junia*, 57,** was elected as our Independent Director on December 21, 2021. Mr. Junia is currently the Executive Vice President and General Manager for Toyota Makati, Inc. since 2014 prior to working with Toyota Makati, he worked with Nissan Philippines, Inc. as the General Manager – Sales in 2014. From 2012 to 2014, Mr. Junia worked with Nissan Motor Philippines as the Vice President - Marketing Division. While he was in Knight Transportation Corp. as a Fleet Manager from 2001 to 2011, and Toyota Motor Philippines, Inc. as Assistant Vice President – After Sales Parts from 1991 to 2001. Mr. Junia holds a Bachelor of Science in Management from Ateneo de Manila University.

***David Jonathan Y. Bayot*, 52,** was elected as our Independent Director on December 21, 2021. Dr. David Bayot is a critic and academic publisher, he teaches literature and literary criticism at De La Salle University - Manila, Philippines, where he is the Executive Publisher of its university press, the De La Salle University Publishing House (DLSUPH) since 2005 until present. In 2020, he was the general editor of the Critics in Conversation series published by DLSUPH and the general editor of the Critical Voices series published by Sussex Academic Press (SAP). He was also a General Editor in the DLSU Leadership Chronicle Series in DLSUHPH in 2019. In the same year, he held the position of Professional Chair Holder in Chinese Literature and Liberal Arts in De La Salle University. In 2018, he was the Go Kim Pah Professional Chair Holder in Chinese Literature and Liberal Arts in De La Salle University. Dr. David Bayot holds a PhD in Literature from De La Salle University – Manila.

Bernardino M. Ramos*, *78, was elected as our Independent Director on December 21, 2021. He is currently the Chairman of GB Distributors, Inc. He is also a member of the board for Cirtek Holdings Philippines Corporation, State Investment House, Inc., State Properties, Inc., PILAC, Inc., Bunsuran Pawnshop Inc., Prince Plaza Condominium Corporation, Alabang Country Club, Inc. He was a partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in audit and business advisory services with 39 years of service with the firm, including almost 7 as Partner/Advisor of Drs Utomo & Co., SGV Group affiliated firm in Indonesia. He also specialized in power (IPPs) and infrastructure, real estate, and hospitality, financial services, mining, educational institutions and pharmaceutical industries. Mr. Ramos is a Certified Public Accountant and holds a Master's in Management Development Program from the Asian Institute of Management and a Bachelor of Science in Business Administration from Far Eastern University, Manila.

The table below sets forth the key executive and corporate officers as of December 31, 2022:

Name	Age	Nationality	Position
Roselyn A. Legaspi	44	Filipino	Managing Director
Ma. Teresa Trujillo	59	Filipino	Chief Financial Officer and Treasurer
Juneil Dominic P. Torio	30	Filipino	Investor Relations Officer
Lerma C. Fajardo	35	Filipino	Comptroller
Ralph Hector P. Adricula	28	Filipino	Compliance Officer
Marvin C. Yu	44	Filipino	Corporate Secretary
William V. Capuno	36	Filipino	Head of Operations

The business experience for the last five years of key executive and officers are set forth below.

Roselyn A. Legaspi, 44, was appointed as our Managing Director on December 21, 2021 and is also the Managing Director – Visayas & Mindanao for FHI appointed last Aug. 2019. She is responsible for the overall operations of the Company for the said regions. She has been with the Group since 2002 and has served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Legaspi is also the Vice President and Director of Negril Trading, Inc., Bamazeh Inc., Lush Properties Incorporated, Ralproperties Inc., and Sure Jobs Academy Inc. She is also a Director for Gyuma Fragrance Inc., Lush Harvest Manufacturing Inc., Themangofarm Corp., La Petite Parisienne, Inc., and Lush Enterprises Corp. Also, Ms. Legaspi is the Treasurer of Fruitasgroup Incorporated. She was a Director of BALAI since incorporation until December 2021. She obtained her Bachelor of Science degree in Accountancy in 1999 and also passed her Civil Service Exams in 1997. She is currently taking up her Master's in Business Administration degree at the University of San Carlos, Cebu City.

Ma. Teresa Trujillo, 59, was appointed as our Chief Financial Officer and Treasurer on December 21, 2021. She has been the Human Resources Department Head of Fruitasgroup Inc. since Feb. 2018. She is responsible for overseeing activities within human resources management such as recruitment, compensation and benefits, and organizational development. She was the Officer-in-Charge of the Business Permits Department when she joined the Group. She completed 18 units for Ateneo Graduate School of Business' Master's degree in Business Administration for Middle Managers and holds a bachelor's degree in Commerce major in Accounting from Universidad De Sta. Isabel.

Juneil P. Torio, 30, was appointed as our Investor Relations Officer on December 21, 2021, and has been the Investor Relations Officer of FHI since July 2019. He is also currently the Chief Financial Officer and Treasurer of FHI since August 2020. He is responsible for all interactions with investors and financial institutions through creating programs which strengthens relationship of FHI to the various investment groups and individuals. Prior to joining FHI, he was a Manager in EXL Services Philippines where he started as a Management Trainee post his graduate studies. In 2013, he started his career as Management Trainee/Special Projects Officer in the Commercial Centers Division of Robinsons Land Corporation. He holds a Master's degree in Business Administration from the Asian Institute of

Management and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University.

Lerma C. Fajardo*, *35, was appointed as the Comptroller of BALAI on December 21, 2021 and has been FHI's Deputy Chief Financial Officer and Comptroller since 2018. She has over 10 years of experience in accounting and finance, previously working as an Assistant Manager for Extramind Global Outsourcing Group, Inc. She holds a Bachelor of Science degree in Accountancy from Polytechnic University of the Philippines and is a Certified Public Accountant.

Ralph Hector P. Adricula, 28, has been the Compliance Officer of BALAI since December 21, 2021. He has been with the Group for 6 years, where he started as an Accounting Staff in November 2015, and last held the position of an Assistant Accounting Manager. He holds a Bachelor of Science degree in Applied Mathematics from University of the Philippines Visayas.

Marvin C. Yu, 44, was appointed as the Corporate Secretary of BALAI on December 21, 2021, and has been FHI's Corporate Secretary since Aug. 24, 2019. He has more than 15 years of experience in the technical and engineering field. He was a Consultant in the SMC Telco Project, Master Planning Network Coverage Senior Manager for the Sun Cellular 2G and 3G Project, and RF Network Planning, Design and Optimization Engineer for Smart Communications Inc. Mr. Marvin Yu holds a Bachelor of Science degree in Electronics and Communications Engineering from De La Salle University and an Electronics and Communications Engineering Board Passer.

William V. Capuno, 36, has been the Head of Operations of BALAI since December 21, 2021. Prior to joining the Group, he was the Operations Head of Zagu Foods Corporation where he started his career. After working for 8 years in the company, he shifted his career to sales. He worked as a Sales Operations Manager in Marina Sales Incorporated, one of the well-known distributors of Del Monte, CDO and Sunquick products. Mr. William holds a Bachelor of Science degree in Computer Science in Polytechnic University of the Philippines - Sto. Tomas Batangas.

b.) Family Relationships

Mr. Lester C. Yu and Mr. Marvin C. Yu are brothers. Aside from the foregoing, there are no family relationships between any Directors and any members of the Company's senior management.

c.) Involvement in Certain Legal Proceedings

None of the directors and officers have been involved in any bankruptcy proceeding, nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment, or decree of competent jurisdiction, permanent or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in action by any court or administrative bodies to have violated a securities of commodities law, for the past five (5) years up to the latest date.

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

Item 10. Executive Compensation

a.) General

The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

No director should participate in deciding on his remuneration.

The Company may, in exceptional cases, e.g., when the Company is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

b.) Summary Compensation Table

The following table sets forth our most highly compensated executive officers, including Balai Ni Fruitas, Inc. Chief Executive Officer, for the year ending December 31, 2022:

Name	Position
Lester C. Yu	Director, President and Chief Executive Officer
Roselyn A. Legaspi	Managing Director
William V. Capuno	Head of Operations
Ma. Teresa Trujillo	Chief Finance Officer and Treasurer
Ralph Hector P. Adricula	Compliance Officer

The following table identifies and summarizes the aggregate compensation of our President and CEO and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2020, 2021, and 2022 (estimated):

Aggregate Compensation – Executive Officers (top five)

Year	Total (₱ million)
2020	1.5
2021	2.3
2022	3.1

Aggregate Compensation – Directors and Executive Officers (excluding top five above)

Year	Total (₱ million)
2020*	N/A
2021	0.2
2022	0.7

*****_Note: salaries and bonuses are unavailable as other executive officers were employed under the parent company during the reporting years._

Standard Arrangements
Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2022 up to the present.

Other Arrangements
There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly for 2022 up to the present for any service provided as a director.

Warrants and Options
As of the date of this annual report, there are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

a.) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2022, the following were owners of more than 5% of the Company's outstanding shares:

Title of Class	Name. Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% to Total Outstanding
Common	Fruitas Holdings, Inc. / 60 Cordillera St., Brgy. Doña Josefa, Quezon City / Stockholder of Record	Please see PNB Report as of December 31, 2022 attached as Annex "C"	Filipino	1,082,488,000	72.407%
Common	PCD Nominee Corp.[1] / The Enterprise Center, Ayala Avenue Corner Paseo de Roxas, Makati City / Stockholder of Record	Please see PNB Report as of December 31, 2022 attached as Annex "C"	Filipino	410,291,709	27.444%

b.) Security Ownership of the Board of Directors and Senior Management

Title of Class	Name of Beneficial Owner	Citizenship	Number of Direct Shares	Number of Indirect Shares	% of Capital Stock
Common	Lester C. Yu	Filipino	4,000	-	-
Common	Rogelio M. Guadalquiver	Filipino	1,000	-	-
Common	Calvin F. Chua	Filipino	1,330,000	-	-
Common	Madelene T. Sayson	Filipino	2,000	-	-
Common	Lee Ceasar S. Junia	Filipino	1,000	-	-
Common	David Jonathan Y. Bayot	Filipino	1,000	-	-
Common	Bernardino M. Ramos	Filipino	1,000	-	-
Common	Roselyn A. Legaspi	Filipino	1,002,000	-	-

Common	Marvin C. Yu	Filipino	2,000	-	-
		Total	2,344,000	-	-

c.) Voting Trust Holder of 5% or more

As of December 31, 2022, there are no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

d.) Changes in Control

There are no arrangements which may result in a change in control of the Registrant as of December 31, 2022.

Item 12. Certain Relationships and Related Transactions

Due from Related Parties

The Company has due from related parties amounting to ₱9.1 million as of December 31, 2022. On October 3, 2021, due from related parties amounting to ₱60.0 million was reclassified to unsecured notes receivable. The notes receivable has a term of one year and bears 5% fixed interest and is payable in lump sum at maturity date while interest is payable monthly.

Administrative Consulting Agreement

FHI, the parent Company, has an Administrative Consulting Agreement with BALAI for the parent company to provide administrative services for a fixed monthly fee. FHI and its management shall provide strategic direction and assistance in managing BALAI's overall corporate and store level operations. Management fees amounted to P6 million or P0.5 million per month in 2021 and P3 million or P0.25 million in 2020. The term of the agreement is valid for twelve (12) months. The Company was under an administrative consulting agreement from January 1, 2022 until December 31, 2022. The administrative consulting agreement is renewed on an annual basis.

Transfer of Assets and Assignment of Lease

In May 2021, the Board of Directors of the Company approved certain reorganization activities wherein certain assets and rights to the lease of various outlets previously owned and operated by the Company were transferred to Fruitasgroup Inc. The outlets transferred to Fruitasgroup Inc. included outlets for products under the following brands: *Buko ni Fruitas, House of Desserts, Fruitas and Buko Loco (which is an Fruitasgroup Inc.-owned brand).* The primary purpose of the reorganization activities is for the Company and Fruitasgroup Inc. to capitalize on the economies of scale and efficiency of operations and more productive use of the assets. Fruitasgroup Inc. continued to operate the outlets until the end of its respective lease terms. The outlets' leases were renewed based on its sales performance. The obligations for rental deposits on leases were transferred to Fruitasgroup Inc. through an assignment of lease agreement.

Summary of Related Party Transactions

(a) Supplier Agreements

Date	Title of Document	Parties	Particulars	Term / Maturity
January 15, 2021	Supplier Agreement	Company and Fruitasgroup Inc.*	Supply of bottled juices, raw and packaging materials to the Company	January 1, 2021 to December 31, 2023
January 15, 2021	Supplier Agreement	Company and Negril Trading, Inc.*	Supply of soy products, raw and packaging material to the Company	January 1, 2021 to December 31, 2023

*Affiliates of the Company

For the year ended 31 December 2022, 88% of total purchases of the Company are from its related parties.

(b) Administrative Consulting Agreement

Date	Title of Document	Parties	Particulars	Term / Maturity
1 January 2022	Administrative Consulting Agreement	Company and Fruitas Holdings, Inc.**	Appointment of FHI as service provider for administrative services to the Company	1 year

*Parent of the Company

(c) Lease Agreements

Company as Lessee - Short-term Lease

In October 2022, the Company entered into a lease agreement with FHI for its store space in Sta. Mesa, Manila for a period of one year and renewable annually. The lease contract for the store provides for a monthly fixed rental. The lease agreement is generally renewable through a notice of lease renewal and upon mutual agreement with the lessor.

(d) Others

Fruitasgroup Inc. continues to source baked goods from the Company since October 2021.

Related Party Transaction Policy

The Company enters into transactions with affiliates and other related parties on an arm's length basis. Aligned with this thrust, the Company, in dealing with affiliates and other related parties, ensures above-board transactions and fairness and equity among all parties.

The Company exerts efforts to obtain the most beneficial terms and conditions for the Company, taking into consideration various factors including pricing and quality.

For this purpose, the Company determines the prevailing and applicable price in the market. In the process, it also gathers quotes and/or proposals from other parties engaged in similar or the same undertaking. Based on these, a comparable summary is presented to ascertain a fair price for the applicable related party transaction.

Moving forward, the related party transaction committee shall review all related party transactions of the Company.

Further information on the Company's related party transactions, including detailed breakdowns of amounts receivable from and amounts payable to affiliated companies can be found in the notes to the Company's financial statements.

PART IV – EXHIBITS AND SCHEDULES

Reports on SEC Form 17-C

Date	Subject of Report
July 4, 2022	Weekly Stabilization Activity Report of Balai Ni Fruitas Inc. from June 30-July 1, 2022
July 6, 2022	Foreign Ownership Report as of June 30, 2022
July 6, 2022	Report on Number of Shareholders as of June 30, 2022
July 8, 2022	Public Ownership Report of Balai ni Fruitas Inc. as of June 30, 2022
July 11, 2022	Weekly Stabilization Activity Report of Balai Ni Fruitas Inc. from July 04 - July 08, 2022.
July 15, 2022	Quarterly Report on the Disbursement of Initial Public Offering Proceeds of Balai ni Fruitas Inc. as of June 30, 2022.
July 18, 2022	Weekly Stabilization Activity Report of Balai Ni Fruitas Inc. from July 11 - July 15, 2022.
July 25, 2022	Weekly Stabilization Activity Report of Balai Ni Fruitas Inc. from July 18 - July 22, 2022.
August 01, 2022	BALAI net income surges to Php15 million in 1H2022
August 01, 2022	Weekly Stabilization Activity Report of Balai Ni Fruitas Inc. from July 25 - July 29, 2022.
August 01, 2022	Balai Ni Fruitas - Closing Report Stab Activity
August 03, 2022	Foreign Ownership Report as of July 31,2022
August 03, 2022	Report on Number of Shareholders as of July 31,2022
August 18, 2022	Balai ni Fruitas establishes a home in Cebu and sets sights in saturating the nation
October 05, 2022	Foreign Ownership Report as of August 31,2022
October 05, 2022	Report on Number of Shareholders as of August 31,2022
October 10, 2022	Foreign Ownership Report as of September 30,2022
October 10, 2022	Report on Number of Shareholders as of September 30, 2022
October 11, 2022	Public Ownership Report of Balai ni Fruitas Inc. as of September 30, 2022.
October 13, 2022	List of Top 100 Stockholders of the Balai Ni Fruitas Inc. as of September 30, 2022
October 17, 2022	Quarterly Report on the Disbursement of Initial Public Offering Proceeds of Balai Ni Fruitas Inc. as of September 30, 2022.
November 04, 2022	Foreign Ownership Report as of October 31,2022
November 04, 2022	Report on Number of Shareholders as of October 31, 2022

November 14, 2022	BALAI 9M2022 revenue grows 2.6x and 9M2022 net income soars more than 1,000% versus a year ago
December 06, 2022	Foreign Ownership Report as of November 30,2022
December 06, 2022	Report on Number of Shareholders as of November 30, 2022
December 06, 2022	Certificate of Attendance of Balai Ni Fruitas Inc. Directors and Officers for the "2019 Revised Corporation Code of the Philippines" seminar held on October 21, 2022.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ______ APR 25 2023 on ________, 20__.

By:

LESTER C. YU
President and CEO

MA. TERESA TRUJILLO
CFO and Treasurer

MARVIN C. YU
Corporate Secretary

LERMA C. FAJARDO
Comptroller

SUBSCRIBED AND SWORN to before me this _____ day APR 25 2023 ________ 20__ affiant(s) exhibiting to me their Tax Identification No., as follows:

NAMES	TIN NOS.
Lester C. Yu	191309944000
Ma. Teresa Trujillo	284239227000
Marvin C. Yu	214877469000
Lerma C. Fajardo	257881618000

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SERIES NO. 2023

ATTY. MA. PERLITA P. CABRERA
Notary Public
Notarial Commission until Dec. 31, 2023
Adm. Matter No. NP-049(2022-2023)
PTR. No.: 2296394; 01/03/2023 - QC
IBP. No.: 259076; 01/03/2023 - QC
Attorney's Roll No.: 44773
MCLE Compliance No. VII-00902

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

ANNEX A

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
BALAI NI FRUITAS, INC.
68 Data St. Brgy. Don Manuel
Quezon City, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BALAI NI FRUITAS, INC. (the "Company" and formerly BUKO NI FRUITAS, INC.), a subsidiary of FRUITAS HOLDINGS, INC., which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

Accounting of Proceeds from the Initial Public Offering (IPO)
As discussed in Note 1 to the financial statements, the shares of stock of the Company were listed with the Philippine Stock Exchange (PSE) through an IPO on June 30, 2022. The proceeds from the IPO amounted to ₱187.6 million, net of transaction costs incidental to the IPO amounting to ₱23.7 million. The unspent proceeds amounted to ₱178.9 million as at December 31, 2022. The accounting for the IPO proceeds and its use is considered as a key audit matter because the amount of proceeds from the IPO is substantial in relation to the financial statements. Moreover, the Company is required to adhere to the use of proceeds pursuant to the Offering Circular.

We performed audit procedures to validate the receipt and recording of the proceeds from the IPO. We obtain confirmation from banks for the unspent proceeds and checked the nature and validated the underlying documents of the actual disbursements of the proceeds in 2022. We also checked the adequacy of the disclosures in the financial statements of the IPO-related transactions.

Other Information

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Cedric M. Caterio.

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of BALAI NI FRUITAS, INC. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

CEDRIC M. CATERIO
Partner
CPA Certificate No. 87322
Tax Identification No. 102-083-647-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 87322-SEC Group A
Issued April 20, 2022
Valid for Financial Periods 2021 to 2025
BIR Accreditation No. 19-005765-001-2022
Valid until December 13, 2025
PTR No. 9564563
Issued January 3, 2023, Makati City

April 13, 2023
Makati City, Metro Manila

BALAI NI FRUITAS INC.

(Formerly: BUKO NI FRUITAS INC.)
68 Data St. corner Cordillera St., Brgy. Don Manuel Quezon City, Philippines
Tel: (63.2)8-330-3188; Mobile No. +63928.361.6345
Email: ipo.compliance@balainifruitas.com; compliancetax.bnfi@gmail.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Balai Ni Fruitas Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ______________________
Rogelio M. Guadalquiver
Chairman of the Board

Signature: ______________________
Lester C. Yu
President and Chief Executive Officer

Signature: ______________________
Ma. Teresa B. Trujillo
Chief Financial Officer and Treasurer

Signed this 13th day of April 2023

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 20 2023 AFFIANT EXHIBITING TO ME WITH VALID I.D. NO.

ATTY. MA. PERLITA P. CABRERA
Notarial Commission until DEC. 31, 2023
Adm. Matter No. NP-049(2022-2023)
PTR. No.: 2296394; 01/03/2023 - QC
IBP. No.: 259076; 01/03/2023 - QC
Attorney's Roll No.: 44573

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BALAI NI FRUITAS, INC.

[A Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱255,186,274**	₱32,337,058
Financial assets at fair value through profit or loss (FVPL)	6	**15,744,937**	16,000,000
Note receivable	19	**50,000,000**	60,000,000
Trade and other receivables	7	**11,694,750**	2,404,774
Due from related parties	19	**9,105,984**	7,582,306
Merchandise inventories	8	**6,860,023**	2,664,326
Other current assets	9	**12,152,887**	13,073,715
Total Current Assets		**360,744,855**	134,062,179
Noncurrent Assets			
Noncurrent portion of other receivable	7	**5,390,000**	–
Property and equipment	10	**57,288,439**	40,072,680
Right-of-use (ROU) assets	21	**23,516,335**	23,434,970
Intangible assets	4	**3,000,000**	3,000,000
Deferred tax assets	22	**619,370**	378,180
Total Noncurrent Assets		**89,814,144**	66,885,830
		₱450,558,999	₱200,948,009
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱15,267,038**	₱8,935,649
Current portion of lease liabilities	21	**11,506,876**	8,470,849
Due to related parties	19	**401,747**	–
Income tax payable		**363,028**	2,225,147
Total Current Liabilities		**27,538,689**	19,631,645
Noncurrent Liabilities			
Noncurrent portion of lease liabilities	21	**12,896,153**	15,215,949
Retirement benefits liability	12	**1,590,782**	1,260,890
Total Noncurrent Liabilities		**14,486,935**	16,476,839
Total Liabilities		**42,025,624**	36,108,484
Equity	13		
Capital stock		**74,750,250**	58,500,250
Additional paid-in capital		**286,843,181**	96,532,500
Retained earnings		**47,315,510**	10,182,341
Other comprehensive loss	12	**(375,566)**	(375,566)
Total Equity		**408,533,375**	164,839,525
		₱450,558,999	₱200,948,009

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.

[A Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	**2022**	2021	2020
REVENUE	14	**₱341,159,284**	₱148,933,421	₱110,143,631
COST OF SALES	15	**(165,426,513)**	(71,226,553)	(56,298,033)
GROSS PROFIT		**175,732,771**	77,706,868	53,845,598
SELLING AND DISTRIBUTION EXPENSES	16	**(92,223,779)**	(45,335,226)	(38,933,156)
GENERAL AND ADMINISTRATIVE EXPENSES	17	**(43,082,802)**	(24,597,072)	(15,875,305)
INTEREST EXPENSE	21	**(1,760,287)**	(1,724,646)	(1,333,872)
OTHER INCOME - Net	18	**4,340,086**	5,726,772	1,323,296
INCOME (LOSS) BEFORE INCOME TAX		**43,005,989**	11,776,696	(973,439)
PROVISION FOR (BENEFIT FROM) INCOME TAX	22			
Current		**6,114,010**	3,091,894	1,081,203
Deferred		**(241,190)**	143,236	(1,132,500)
		5,872,820	3,235,130	(51,297)
NET INCOME (LOSS)		**37,133,169**	8,541,566	(922,142)
OTHER COMPREHENSIVE LOSS				
Not to be reclassified subsequently to profit or loss:	12			
Remeasurement loss on retirement benefits liability		**–**	(355,474)	–
Effect of change in tax rate		**–**	(1,339)	–
		–	(356,813)	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱37,133,169**	₱8,184,753	(₱922,142)
Basic and Diluted Earnings (Loss) per Share	20	**₱0.0279**	₱0.0079	(₱0.0009)

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
[A Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2022**	2021	2020
CAPITAL STOCK	13			
Balance at beginning of year		**₱58,500,250**	₱53,500,000	₱53,500,000
Issuances		**16,250,000**	5,000,250	–
Balance at end of year		**74,750,250**	58,500,250	53,500,000
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**96,532,500**	96,532,500	96,532,500
Additions	13	**190,310,681**	–	–
Balance at end of year		**286,843,181**	96,532,500	96,532,500
RETAINED EARNINGS				
Balance at beginning of year		**10,182,341**	9,665,775	10,587,917
Net income (loss)		**37,133,169**	8,541,566	(922,142)
Cash dividends	13	**–**	(8,025,000)	–
Balance at end of year		**47,315,510**	10,182,341	9,665,775
OTHER COMPREHENSIVE LOSS				
Not to be reclassified to profit or loss in subsequent periods -				
Cumulative remeasurement losses on retirement benefits liability - net of deferred income tax	12			
Balance at beginning of year		**(375,566)**	(18,753)	(18,753)
Remeasurement loss - net of deferred income tax		**–**	(355,474)	–
Effect of change in tax rate		**–**	(1,339)	–
Balance at end of year		**(375,566)**	(375,566)	(18,753)
		₱408,533,375	₱164,839,525	₱159,679,522

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
[A Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF CASH FLOWS

	Note	2022	2021	2020
				Years Ended December 31
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱43,005,989**	₱11,776,696	(₱973,439)
Adjustments for:				
Depreciation and amortization	10	**27,405,691**	11,773,593	6,265,413
Interest income	5, 18	**(4,440,451)**	(772,508)	(6,129)
Interest expense		**1,760,287**	1,724,646	1,333,872
Retirement benefits cost	12	**329,892**	244,635	222,749
Unrealized loss on fair value changes of financial assets at FVPL	6	**255,063**	–	–
Gain on:	18			
Termination of lease		**(29,347)**	(1,462,929)	–
Sale of property and equipment		**–**	(3,285,484)	–
Rent concessions		**–**	–	(1,102,600)
Operating income before working capital changes		**68,287,124**	19,998,649	5,739,866
Decrease (increase) in:				
Trade and other receivables		**(14,679,976)**	676,729	(1,035,890)
Merchandise inventories		**(4,195,697)**	(1,113,171)	77,815
Other current assets		**1,342,681**	(1,449,395)	(154,353)
Security deposits		**(630,101)**	(825,366)	614,559
Increase (decrease) in trade and other payables		**6,331,389**	2,592,321	(3,461,147)
Net cash generated from operations		**56,455,420**	19,879,767	1,780,850
Income tax paid		**(7,976,129)**	(281,870)	(2,131,818)
Interest received		**1,523,784**	772,508	6,129
Interest paid		**–**	–	(2,877)
Net cash flows provided by (used in) operating activities		**50,003,075**	20,370,405	(347,716)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	**(33,533,853)**	(40,229,754)	(2,472,322)
Financial assets at FVPL	6	**–**	(16,000,000)	–
Intangible assets	4	**–**	(3,000,000)	–
Collections of:				
Note receivable	19	**10,000,000**	–	–
Due from related parties	19	**–**	98,387,111	–
Advances to related parties	19	**1,392,989**	(31,180,720)	(15,763,628)
Net cash flows provided by (used in) investing activities		**(22,140,864)**	7,976,637	(18,235,950)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuance of shares of stock	13	**206,560,681**	5,000,250	–
Advances from related parties	19	**401,747**	–	–
Payments of:				
Lease liabilities	21	**(11,975,423)**	(6,285,155)	(1,778,600)
Cash dividends	13	**–**	(8,025,000)	–
Mortgage payable		**–**	–	(131,099)
Due to related parties	19	**–**	–	(50,000)
Net cash flows provided by (used in) financing activities		**194,987,005**	(9,309,905)	(1,959,699)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**222,849,216**	19,037,137	(20,543,365)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**32,337,058**	13,299,921	33,843,286
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱255,186,274**	₱32,337,058	₱13,299,921

	Note	Years Ended December 31 **2022**	2021	2020
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES				
Recognition of:	21			
ROU assets		**₱12,229,509**	₱26,524,782	₱–
Lease liabilities		**12,021,261**	26,524,782	–
Termination of:	21			
Lease liabilities		**(1,089,894)**	(11,602,162)	–
ROU assets		**(1,060,547)**	(10,139,233)	–
Reclassification of due from related parties to note receivable	19	**–**	60,000,000	–
Unpaid acquisitions of assets from a third party	11	**–**	2,805,000	–

	Note	2022	2021	2020
COMPONENTS OF CASH AND CASH EQUIVALENTS	5			
Cash on hand		**₱143,606**	₱122,590	₱46,041
Cash in banks		**133,996,452**	31,714,468	13,253,880
Cash equivalents		**121,046,216**	500,000	–
		₱255,186,274	₱32,337,058	₱13,299,921

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2022 AND 2021 AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

1. **Corporate Information**

General Information

BALAI NI FRUITAS, INC. Doing business under the names and styles of BALAI Pandesal, Buko ni Fruitas and Fruitas House of Desserts (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 and other related products.

The Company is a subsidiary of 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, 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 value 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 31, 2021, the SEC approved the 1:2,000 stock split.

In May 2021, the BOD of the Company approved certain reorganization activities wherein certain assets and rights to the lease of various outlets previously owned and operated by the Company were transferred to Fruitasgroup, Inc. (FGI), a company under common control (see Notes 10 and 21). The primary purpose of the reorganization activities is to integrate the operating activities of Fruitas brands to FGI, which will result in the economies of scale, efficiency of operations and more productive use of the assets. The obligations for rental deposits on leases were also transferred to FGI through an assignment of lease agreement.

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

Approval of the Financial Statements

The financial statements of the Company as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the BOD on April 13, 2023 and was reviewed and recommended for approval by the Audit Committee on the same date.

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 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

Bases of Measurement

The financial statements are presented in Philippine Peso, the Company's functional currency. All values represent absolute amounts unless otherwise stated.

The financial statements of the Company have been prepared on a historical cost basis except for financial assets at fair value through profit or loss, retirement benefits and lease liabilities measured at present value. 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 Notes 6 and 25 to the financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of this amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

<u>Amended PFRS in Issue But Not Yet Effective or Adopted</u>
Relevant amended PFRS, which are not yet effective as at December 31, 2022 and are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - 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 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, *Accounting Policies, Changes in Accounting Estimates and Errors - 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, *Income Taxes - 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. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers,* to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – 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. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

Under prevailing circumstances, the adoption of the foregoing amended PFRS 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.

Business Combination

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 December 31, 2022 and 2021, the Company does not have financial assets at 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 December 31, 2022 and 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 Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Gain on disposal of investments at FVPL" under "Other Income" account in the statements of comprehensive income.

The Company's investments in Unit Investment Trust Funds (UITFs) which are held for trading are included in this category.

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 December 31, 2022 and 2021, the Company's trade and other payables (except statutory payable), due to related parties 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.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount. In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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.

Additional Paid-in Capital (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.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

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 party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities that are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. 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.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Company’s total assets or, ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Company’s total assets. Details of transactions entered into by the Company with related parties are reviewed by independent directors in accordance with the Company’s related party transactions policy.

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, Estimates and Assumptions**

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.

The estimates and underlying assumptions are reviewed on an ongoing 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. In 2021, the Company accounted for the acquisition of the assets of Balai Pandesal Corp. (BPC) 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.

The amount of rental expense charged to operations is disclosed in Note 21.

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 21.

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.

Details of leases with extension options are disclosed in Note 21.

Assessing the ECL of Trade Receivables. When the Company assessed that there is a significant change in the credit risk, the Company estimates expected credit losses using a provision matrix. The Company applying the simplified approach in the computation of ECL initially uses a provision matrix based on historical default rates for trade receivables. 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 24 to the financial statements.

The carrying amount of the Company's trade receivables is disclosed in Note 7.

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 2022, 2021 and 2020. 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, 7, 19 and 9.

Estimating the Fair Value of Financial Instruments. When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the earnings method. The inputs to this method are based on future maintainable earnings and price earnings ratio, but where these are not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The fair value of the Company's financial assets at FVPL and fair value changes on financial assets at FVPL are disclosed in Note 6.

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 2022, 2021 and 2020. The carrying amount of merchandise inventories is disclosed in Note 8.

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 2022, 2021 and 2020. The carrying amounts of property and equipment and ROU assets are disclosed in Notes 10 and 21, 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 21.

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 2022, 2021 and 2020.

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 9, 10, 21 and 4.

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 12 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 12.

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 22.

4. Accounting for Business Acquisition

In June 2021, the Company acquired the assets and the brand name *Balai Pandesal* from BPC. 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 BPC 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 following are the fair values of the identifiable assets acquired as at acquisition date:

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

5. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱143,606**	₱122,590
Cash in banks	**133,996,452**	31,714,468
Cash equivalents	**121,046,216**	500,000
	₱255,186,274	₱32,337,058

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 (see Note 18):

	Note	2022	2021	2020
Notes receivable	19	**₱2,916,667**	₱750,000	₱–
Cash in banks		**1,320,947**	22,508	6,129
Cash equivalents		**202,837**	–	–
		₱4,440,451	₱772,508	₱6,129

6. Financial Assets at FVPL

Investments in UITFs are held for trading. Hence, these have been classified as financial assets at FVPL.

Movements in investments at FVPL are as follows:

	Note	2022	2021
Balance at beginning of year		**₱16,000,000**	₱–
Additions		**–**	16,000,000
Unrealized loss on changes in fair value	18	**(255,063)**	–
Balance at end of year		**₱15,744,937**	₱16,000,000

7. Trade and Other Receivables

This account consists of:

	2022	2021
Trade receivables	**₱6,304,750**	₱1,839,163
Advances to officers and employees	**–**	565,611
Other receivable - current portion	**5,390,000**	–
	₱11,694,750	₱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.

Other receivable pertains to the reimbursable costs from the previous owner of BPC. This is noninterest-bearing and is collectible on installment from the previous owner of BPC until 2024. The noncurrent portion amounted to ₱5.4 million as at December 31, 2022.

8. Merchandise Inventories

This account consists of:

	2022	2021
At cost:		
Food and beverages	**₱3,282,874**	₱1,430,033
Store supplies and others	**3,577,149**	1,234,293
	₱6,860,023	₱2,664,326

Cost of inventories charged to cost of sales is disclosed in Note 15.

9. Other Current Assets

This account consists of:

	Note	**2022**	2021
Security deposits	21	**₱10,845,096**	₱10,214,995
Advance rentals	21	**680,008**	1,190,659
Construction bond		**381,783**	418,200
Input VAT		**246,000**	730,750
Prepayments		**–**	519,111
		₱12,152,887	₱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.