BALAI NI FRUITAS INC.

April 15, 2024

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
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

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

Subject: **Balai Ni Fruitas Inc. 2023 SEC Form 17-A Annual Report**

Dear Sir/Madam:

We hereby submit the SEC Form 17-A Annual Report for the year ended December 31, 2023 with the following exhibits:

1. 2023 Audited Financial Statement
2. Top 100 Stockholders as of December 31, 2023
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 8 | 1 5

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

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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, 2023**

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, 2023

Total Number of Outstanding Shares	1,495,005,000
Less: Outstanding Shares held by Affiliates	1,126,332,000
Shares held by Non-Affiliates	368,673,000
Closing price as of December 31, 2023	Php 0.39
Aggregate Market Value of Voting Stock held by Non-Affiliate	Php 143,782,470
Level of Public Float based on information available as of Dec. 31, 2023	24.66%

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) 2023 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, 2023, the Company has a total of 118 stores across the Philippines, operating in three (3) store formats – community store, kiosk, and inline store. Currently, there are 38 BNF, 22 FHOD, and 58 BP stores, 92% (109 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, cafeteri

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, 2023, it has a total of 38 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 eleven (11) years, the FHOD brand has grown to twenty- two (22) kiosk and inline store as of the end of December 2023.

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 58 community stores as of the end of December 2023.

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.

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, ₱341.2 million, ₱535.2 million for the years ended December 31, 2020, 2021, 2022 and 2023 respectively, and net income (loss), (₱0.9 million), of ₱8.5 million, ₱37.1 million, ₱58.6 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 may experience an economic downturn due to threatened outbreak or severe communicable diseases such as the COVID-19 pandemic and community-wide quarantines which may have an adverse effect in the whole country and the Company's business. In 2020, the country's gross domestic product suffered a -9.5% contraction. 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

The Company leases its head office at 68 Data St., Barangay Don Manuel, Quezon City and one of its commissaries in D. Tuazon, Quezon City. As of December 31, 2023, the company acquired the 484 sq.m. property located at N. Domingo, Quezon City as an additional commissary/warehouse. The Company's key properties also comprise of its stores leases.

There is no mortgage, lien or encumbrance over the Company's properties or property rights.

Key properties of the Company:

Location	Area	Status
<u>Offices</u>		
68 Data, Quezon City	420 sq. m.	Leased
<u>Commissaries</u>		
D. Tuazon, Quezon City	373 sq. m.	Leased
N. Domingo, Quezon City	484 sq. m.	Owned

*

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	0.83	0.63
July 2022	0.73	0.59
August 2022	1.10	0.63
September 2022	0.83	0.63
October 2022	0.73	0.59
November 2022	1.10	0.63
January 2023	0.71	0.56
February 2023	0.74	0.58
March 2023	0.67	0.58
April 2023	0.62	0.57
May 2023	0.60	0.52
June 2023	0.60	0.52
July 2023	0.58	0.51
August 2023	0.54	0.47
September 2023	0.48	0.425
October 2023	0.47	0.41
November 2023	0.47	0.415
December 2023	0.45	0.375

The market capitalization of the Company's common shares as of end 2023, based on the closing price of Php 0.39 per share was Php 583,051,950.

b) Holders

Total shares outstanding as of December 31, 2023, 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)	407,156,809	27.234%
PCD Nominee Corp. (Non-Filipino)	5,343,191	0.357%
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's BOD declared the following cash dividends in 2023:

Date of Declaration	Record Date	Dividends per share	Amount paid	Date of payment
May 17, 2023	May 31, 2023	Php 0.005	P7,475,025	June 26, 2023

The cash dividends have been paid from the Unrestricted Retained Earnings as of December 31, 2022.

There are no outstanding dividends payable as at December 31, 2023.

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

There is no sale of unregistered securities as of December 31, 2023.

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 58.6 million for the twelve months ending December 31, 2023. This yields a net income margin of 11%, an increase of 57.9% year-on-year compared to the reported net income of Php 37.1 million in 2022.

Revenues

Consolidated net revenues, composed of sales from company-owned stores and franchise , and royalty fees from franchisees, reached Php 535.2 million, increasing by 56.9% from reported revenues of Php 341.2 million for the twelve months ending December 31, 2022.

Cost of Sales

For the year ending 2023, consolidated cost of sales increased by 158.4% from Php 165.4 million in 2022 to Php 262.1 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 273.1 million for the full year 2023, increasing by 155.4% from Php 175.7 million in the previous year. This yielded a gross profit margin of 51.0% 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, 2023, consolidated selling and distribution expenses totaled Php 152.9 million, representing a 278.6% cost-to-sales ratio. This is Php 60.7 million higher compared to Php 92.2 million during the same period in 2022.

General and Administrative Expenses

For the twelve months ending December 31, 2023, consolidated general and administrative expenses totaled Php 58.8 million, representing a 9.7% cost-to-sales ratio. This is Php 15.7 million higher compared to Php 43.1 million during the same period in 2022.

Operating Income

Consolidated operating Income reached Php 76.5 million in 2023, increasing by 178.0% from Php 43.0 million in 2022. 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 2.2 million and Php 1.8 million was recorded for the twelve months ending December 31, 2023 and 2022 respectively.

Other Income

Consolidated other income totaled Php 10.2 million and Php 4.3 million as of year-end 2023 and 2022. This is composed mainly of interest income from investments.

Net Income

For the year ending 2023, consolidated net income reached Php 58.6 million, yielding a net income margin of 11.0%. This is an improvement of 58.0% versus the 2022 recorded net income after tax of Php 37.1 million .

FY22 Financial Condition

BALAI had consolidated total assets of Php 561.8 million as of December 31, 2023, an increase versus total assets of Php 450.6 million as of end-2022 primarily driven by the expansion of stores and acquisition of assets after the Initial Public Offering.

Cash and cash equivalents

Cash and cash equivalents totaled Php 243.2 million and Php 255.2 million as of December 31, 2023 and 2022, respectively. 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 56.3 million as of year-end 2023 compared to Php 61.7 million in 2022, a decrease of 18.8% primarily due from partial collection of notes receivables from Fruitasgroup Inc.

Inventories

As of December 31, 2023, inventories increased to Php 8.7 million from Php 6.9 million in 2022, an increase of 26.1% due to expansion of commissary and warehouse storage for inventories in addition to increase in revenues due to store expansion.

Property and equipment

Consolidated net property and equipment stood at Php 170.4 million and Php 57.3 million as of year-end 2023 and 2022. Acquisition of new property and equipment for the year 2023 and 2022 reached Php 136.1 million and 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 and other current liabilities

Trade and other current liabilities in 2023 increased to Php 83.8 or three times the Php 27.5 million in 2022, driven primarily by availment of short- term loan and increase in Income Tax Payable for the year.

Capital stock and Additional paid-in capital

For the twelve months ending December 31, 2023 and 2022, the Company's total capital stock stood at Php 74.8 million and additional paid-in capital of Php 286.8 million. There were no changes in the account after the initial public offering of the company.

Cash flows

Consolidated net cash provided from operating activities amounted to Php 84.7 million for the full-year 2023, 59.1% increase versus the previous year's Php 50.0 million. This growth in net cash provided from operating activities reflects the company's ability to generate more cash through its core business operations. The expansion of operations likely led to increased sales and revenue streams, contributing to the higher cash generation including the enhanced efficiency initiatives implemented throughout the year.

Overall, the significant increase in net cash provided from operating activities indicates a strengthening financial performance and operational effectiveness for the company in 2023 compared to the previous year.

Consolidated net cash used in investing activities in 2023 was Php 117.7 million versus Php 22.1 million in 2022. The uptick in investment spending is mainly due to capital expenditures for new store openings and other corporate investments. The company focused on the expansion activities after its Initial Publlic Offering to support its long-term objectives and corporate strategy.

Consolidated net cash provided by financial activities was Php 21.0 million in 2023 while Php 195.0 million in 2022. The significant decline was primarily driven by the specific event during the Initial Public Offering in June 2022 where proceeds from the issuance of shares typically result in a significant inflow of cash in the latter year. Aside from payment of Notes and Dividends, there were no large-scale financial event in 2023.

All in all, net cash usage from for the year 2023 totaled Php12.0 million while net cash generated in 2022 posted at Php 222.8 million, leading to cash and cash equivalents balance of Ph243.2 million and Php 255.2 million respectively at year-end 2023 and 2022.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2023	Audited Twelve Months Ended December 31, 2022
Revenue Growth	56.9%	129.1%
Gross Profit Margin	51.0%	51.5%
Net Income Margin	11.0%	10.9%
EBITDA (Php millions)	109	68
EBITDA Margin	20.3%	20.0%
Return on Average Assets	11.6%	11.4%
Return on Average Equity	13.5%	13.0%
Current Ratio	426.9%	1,310.0%
Debt to Equity Ratio	22.1%	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, 2023, 2022 and 2021 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 shareholding 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	2023	2022	2021
Audit and Audit-Related Fees[a]	₱ 0.50	₱ 0.45	₱ 0.70
All Other Fees[b]	None	None	None
Total	₱ 0.50	₱ 0.45	₱ 0.70

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
Calvin F. Chua	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, 2023.

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, 2023:

Name	Age	Nationality	Position
Rogelio M. Guadalquiver	81	Filipino	Chairman
Lester C. Yu	49	Filipino	President, Chief Executive Officer
Madelene T. Sayson	35	Filipino	Director
Calvin F. Chua	44	Filipino	Director, Chief Financial Advisor
Lee Ceasar S. Junia	58	Filipino	Independent Director
David Jonathan Y. Bayot	53	Filipino	Independent Director
Bernardino M. Ramos	79	Filipino	Independent Director

The business experiences of members of our board of directors are set forth below.

Rogelio M. Guadalquiver, 81, 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, 49, 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**,** ***35***, 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., Toyoda Technik Corporation, Lingnam Food Inc., and Flykitchen Inc. 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 in April 2021. She holds a Bachelor of Science degree in Accountancy from Garcia College of Technology.

Calvin F. Chua, 44, 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**, 58,** 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 Sale Parts from 1991 to 2001. Mr. Junia holds a Bachelor of Science in Management from Ateneo de Manila University.

David Jonathan Y. Bayot**, 53,** was elected as our Independent Director since 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 LSU 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**,** ***79,*** was elected as our Independent Director since 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, 2023:

Name	Age	Nationality	Position
Roselyn A. Legaspi	46	Filipino	Managing Director
Ma. Teresa Trujillo	61	Filipino	Chief Financial Officer and Treasurer
William V. Capuno	37	Filipino	Head of Operations
Lerma C. Fajardo	37	Filipino	Comptroller
Ralph Hector P. Adricula	29	Filipino	Compliance Officer
Marvin C. Yu	45	Filipino	Corporate Secretary
Shaun Aldrich G. Si	32	Filipino	Investor Relations Officer

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

Roselyn A. Legaspi, 46, 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, 61, 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.

William V. Capuno, 37, 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.

Lerma C. Fajardo**,** ***37***, 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, 29, 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, 45, 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.

Shaun Aldrich G. Si, 32, was appointed as the Investor Relations Officer of the Company on December 2023 and has been the Group's Chief Marketing Officer since September 2022. He spearheads all the marketing strategies and initiatives of the Group and shall also be 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 held various positions in Brand Management in Wyeth Philippines Inc. and Jollibee Foods Corporation. In 2013, he started his career as a Management Trainee in GlaxoSmithKline Philippines where he eventually became the Digital Marketing Manager in 2016. He holds a Bachelor of Arts degree in Management Economics Minor in Chinese Studies and the program award recipient for being the most outstanding student in the Management Economics Program Class of 2013 from the Ateneo de Manila University.

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, 2023:

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, 2022 and 2023 (estimated):

Aggregate Compensation – Executive Officers (top five)

Year	Total (₱ million)
2020	1.5
2021	2.3
2022	3.1
2023	3.1

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

Year	Total (₱ million)
2020*	N/A
2021	0.2
2022	0.7
2023	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 2023 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 2023 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, 2023, 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, 2023 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, 2023 attached as Annex "C"	Filipino	412,500,000	27.591%

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	4,004,000	-	-
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	6,344,000	-	-

c.) Voting Trust Holder of 5% or more

As of December 31, 2023, 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, 2023.

Item 12. Certain Relationships and Related Transactions

Due from Related Parties

The Company has due from related parties amounting to ₱11.0 and ₱9.1 million as of December 31, 2023 and 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 2023, 67% 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 2023	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

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 since October 2022 up until present. 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.

Other related party transactions are commissioned to a 3rd party assessor/s to determine fairness and reasonable value of the property.

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
Feb 20, 2023	Re-allocation of use of IPO proceeds, increasing the amount allocated for Commissary set-up from Php20 million to Php60 million with the Php40 million increase coming from "Store network expansion and store improvement".
April 4, 2023	Acquisition of the land, building and improvements on a 484 sqm property located at N. Domingo, Quezon City from Lush Properties Inc.
April 11, 2023	Notice of Inability to file 17A and Disbursement of Proceeds and Progress Report
April 13, 2023	Approval of Audited Financial Statement for the year ended December 31, 2022
	Balai Financial Results as of December 31, 2022
	Balai Financial Results as of March 31, 2023
April 24, 2023	Quarterly Report on the Disbursement of Initial Public Offering Proceeds of Balai Ni Fruitas Inc. as of March 31, 2023.
May 17, 2023	Declaration of cash dividend of five hundredth Centavo (Php 0.005) per share to all stockholders of record as of May 31, 2023 which will be paid on June 26, 2023. The cash dividends shall be paid from the Unrestricted Retained Earnings as of December 31, 2022.
	Postponement of the 2023 Annual Stockholders' Meeting ("2023 ASM") which, pursuant to the By-Laws, should occur on the third Monday of June 2023 to be moved to 15 August 2023 and 20 July 2023 as record date.
July 14, 2023	Quarterly Report on the Disbursement of Initial Public Offering Proceeds of Balai Ni Fruitas Inc. as of June 30, 2023.
July 26, 2023	Balai Financial Results as of June 30, 2023
August 15, 2023	Annual stockholder Meeting and Results of Organizational Meeting
October 13, 2023	Quarterly Report on the Disbursement of Initial Public Offering Proceeds of Balai Ni Fruitas Inc. as of September 30, 2023.
November 7, 2023	Balai Financial Results as of September 30, 2023
November 13, 2023	Notice of Investor Briefing: PSE STAR Investor Day Q3 2023

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 ________________________ 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 12 APR 2024 day of ____ 20__ affiant(s) exhibiting to me their Tax Identification No., as follows:

NAMES	TIN NOS.
Lester C. Yu	191-309-944-000
Ma. Teresa Trujillo	284-239-227-000
Marvin C. Yu	214-877-469-000
Lerma C. Fajardo	257-881-618-000

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PAGE NO. 49
BOOK NO. XVII
SERIES OF 2024

ATTY. MA. PERLITA P. CABRERA
Notary Public
Notarial Commission until DEC. 31, 2025
Adm. Matter No. 012 (2024-2025)
PTR. No.: 5428283 01/02/2024 - QC
IBP. No.: 386450; 01/02/2024 - QC
Attorney's Roll No. 44573
MCLE Compliance No. VIII-0002597
Valid until 14 APR 2025

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 5 0 8 3 8 6

C O M P A N Y   N A M E

BALAI NI FRUITAS, INC. Doing business under the names and styles of Balai Pandesal, Buko Ni Fruitas and Fruitas House of Desserts, (Formerly Buko ni Fruitas, Inc.) [A Subsidiary of FRUITAS HOLDINNGS, INC.]

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

68 Data St. Brgy. Don Manuel, Quezon City, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
ipo.compliance@balainifruitas.com	(02) 8-243-1741	09156427243

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
83	Third Monday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Madelene Timbas-Sayson	madelene.sayson@fruitasholdings.com	(02) 8-243-1741	09283616345

CONTACT PERSON'S ADDRESS

68 Data St. Brgy. Don Manuel, Quezon City, Philippines

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

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

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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

Opinion

We have audited the financial statements of BALAI NI FRUITAS, INC. (the "Company"), a subsidiary of FRUITAS HOLDINGS, INC., which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 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.

We determined that there are no key audit matters to communicate in our report.

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, 2023, 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, 2023 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.

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
BIR Accreditation No. 19-005765-001-2022;
Valid until December 13, 2025
PTR No. 10072410;
Issued January 2, 2024, Makati City

April 6, 2024
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, 2023 and 2022,** 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 6th day of April 2024

SUBSCRIBED AND SWORN TO BEFORE ME THIS 11 APR 2024
AFFIANT EXHIBITING TO ME
WITH VALID I.D. NO.

DOC. NO. 177
PAGE NO. 36
BOOK NO. XVII
SERIES OF 2024

ATTY. MA. PERLITA P. CABRERA
Notarial Commission until DEC. 31, 2025
Adm. Matter No. 012 (2024-2025)
PTR. No.: 5428233 01/02/2024 - QC
IBP. No.: 386454; 01/02/2024 - QC
Attorney's Roll No. 44573
MCLE Compliance No. VIII-0002597
Valid until 14 APR 2025

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

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱243,197,008**	₱255,186,274
Financial assets at fair value through profit or loss (FVPL)	6	**16,183,424**	15,744,937
Note receivable	20	**40,000,000**	50,000,000
Trade and other receivables	7	**16,343,746**	11,694,750
Due from related parties	20	**11,042,411**	9,105,984
Merchandise inventories	8	**8,652,161**	6,860,023
Other current assets	9	**22,252,535**	12,152,887
Total Current Assets		**357,671,285**	360,744,855
Noncurrent Assets			
Property and equipment	10	**170,372,787**	57,288,439
Right-of-use (ROU) assets	22	**29,890,259**	23,516,335
Intangible assets	4	**3,000,000**	3,000,000
Deferred tax assets	23	**843,539**	619,370
Noncurrent portion of other receivable	7	**–**	5,390,000
Total Noncurrent Assets		**204,106,585**	89,814,144
		₱561,777,870	₱450,558,999
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	12	**₱45,800,000**	₱–
Trade and other payables	11	**12,853,654**	15,267,038
Current portion of lease liabilities	22	**15,333,906**	11,506,876
Income tax payable		**9,402,594**	363,028
Due to related parties	20	**401,747**	401,747
Total Current Liabilities		**83,791,901**	27,538,689
Noncurrent Liabilities			
Noncurrent portion of lease liabilities	22	**16,319,433**	12,896,153
Retirement benefits liability	13	**1,611,076**	1,590,782
Total Noncurrent Liabilities		**17,930,509**	14,486,935
Total Liabilities		**101,722,410**	42,025,624
Equity	14		
Capital stock		**74,750,250**	74,750,250
Additional paid-in capital		**286,843,181**	286,843,181
Retained earnings		**98,662,184**	47,315,510
Other comprehensive loss	13	**(200,155)**	(375,566)
Total Equity		**460,055,460**	408,533,375
		₱561,777,870	₱450,558,999

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	**2023**	2022	2021
REVENUE	15	**₱535,205,651**	₱341,159,284	₱148,933,421
COST OF SALES	16	**(262,102,883)**	(165,426,513)	(71,226,553)
GROSS PROFIT		**273,102,768**	175,732,771	77,706,868
SELLING AND DISTRIBUTION EXPENSES	17	**(152,857,918)**	(92,223,779)	(45,335,226)
GENERAL AND ADMINISTRATIVE EXPENSES	18	**(51,753,255)**	(43,082,802)	(24,597,072)
INTEREST INCOME	5	**9,520,414**	4,440,451	772,508
INTEREST EXPENSE	22	**(2,155,447)**	(1,760,287)	(1,724,646)
OTHER INCOME (CHARGES) - Net	19	**679,293**	(100,365)	4,954,264
INCOME BEFORE INCOME TAX		**76,535,855**	43,005,989	11,776,696
PROVISION FOR (BENEFIT FROM) INCOME TAX	23			
Current		**18,176,880**	6,114,010	3,091,894
Deferred		**(282,639)**	(241,190)	143,236
		17,894,241	5,872,820	3,235,130
NET INCOME		**58,641,614**	37,133,169	8,541,566
OTHER COMPREHENSIVE LOSS				
Not to be reclassified subsequently to profit or loss:	13			
Remeasurement loss on retirement benefits liability		**175,411**	–	(355,474)
Effect of change in tax rate		**–**	–	(1,339)
		175,411	–	(356,813)
TOTAL COMPREHENSIVE INCOME		**₱58,817,025**	₱37,133,169	₱8,184,753
Basic and Diluted Earnings per Share	21	**₱0.0392**	₱0.0279	₱0.0079

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.

[A Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF CHANGES IN EQUITY

	Note		Years Ended December 31	
		2023	2022	2021
CAPITAL STOCK	14			
Balance at beginning of year		**₱74,750,250**	₱58,500,250	₱53,500,000
Issuances		**–**	16,250,000	5,000,250
Balance at end of year		**74,750,250**	74,750,250	58,500,250
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**286,843,181**	96,532,500	96,532,500
Additions	14	**–**	190,310,681	–
Balance at end of year		**286,843,181**	286,843,181	96,532,500
RETAINED EARNINGS				
Balance at beginning of year		**47,315,510**	10,182,341	9,665,775
Net income		**58,641,614**	37,133,169	8,541,566
Cash dividends	14	**(7,294,940)**	–	(8,025,000)
Balance at end of year		**98,662,184**	47,315,510	10,182,341
OTHER COMPREHENSIVE LOSS				
Cumulative remeasurement losses on retirement benefits liability - net of deferred income tax	13			
Balance at beginning of year		**(375,566)**	(375,566)	(18,753)
Remeasurement gain (loss) - net of deferred income tax		**175,411**	–	(355,474)
Effect of change in tax rate		**–**	–	(1,339)
Balance at end of year		**(200,155)**	(375,566)	(375,566)
		₱460,055,460	₱408,533,375	₱164,839,525

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱76,535,855**	₱43,005,989	₱11,776,696
Adjustments for:				
Depreciation and amortization	10	**39,256,684**	27,405,691	11,773,593
Interest income	5	**(9,520,414)**	(4,440,451)	(772,508)
Interest expense	22	**2,155,447**	1,760,287	1,724,646
Retirement benefits cost	13	**549,175**	329,892	244,635
Unrealized loss (gain) on fair value changes of financial assets at FVPL	6	**(438,487)**	255,063	–
Gain on:	19			
Termination of lease		**–**	(29,347)	(1,462,929)
Sale of property and equipment		**–**	–	(3,285,484)
Operating income before working capital changes		**108,538,260**	68,287,124	19,998,649
Decrease (increase) in:				
Trade and other receivables		**(4,648,996)**	(14,679,976)	676,729
Merchandise inventories		**(1,792,138)**	(4,195,697)	(1,113,171)
Other current assets		**(8,146,226)**	1,342,681	(1,449,395)
Security deposits		**(1,953,422)**	(630,101)	(825,366)
Increase (decrease) in trade and other payables		**(2,413,385)**	6,331,389	2,592,321
Net cash generated from operations		**89,584,093**	56,455,420	19,879,767
Income tax paid		**(9,137,314)**	(7,976,129)	(281,870)
Interest received		**4,520,410**	1,523,784	772,508
Retirement benefit paid	13	**(295,000)**	–	–
Net cash provided by operating activities		**84,672,189**	50,003,075	20,370,405
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	**(136,130,739)**	(33,533,853)	(40,229,754)
Financial assets at FVPL	6	**–**	–	(16,000,000)
Intangible assets	4	**–**	–	(3,000,000)
Collections of:				
Note receivable	20	**20,390,004**	10,000,000	–
Due from related parties	20	**–**	–	98,387,111
Decrease (increase) in advances to related parties	20	**(1,936,427)**	1,392,989	(31,180,720)
Net cash provided by (used in) investing activities		**(117,677,162)**	(22,140,864)	7,976,637
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Notes payable	12	**47,800,000**	–	–
Issuances of shares of stock	14	**–**	206,560,681	5,000,250
Advances from related parties	20	**–**	401,747	–
Payments of:				
Notes payable		**(2,000,000)**	–	–
Lease liabilities	22	**(17,489,353)**	(11,975,423)	(6,285,155)
Cash dividends	14	**(7,294,940)**	–	(8,025,000)
Net cash provided by (used in) financing activities		**21,015,707**	194,987,005	(9,309,905)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(11,989,266)**	222,849,216	19,037,137
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**255,186,274**	32,337,058	13,299,921
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱243,197,008**	₱255,186,274	₱32,337,058

	Note	2023	2022	2021
		Years Ended December 31		
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES				
Recognition of:	22			
ROU assets		**₱22,584,216**	₱12,229,509	₱26,524,782
Lease liabilities		**22,584,216**	12,021,261	26,524,782
Termination of:	22			
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	20	**–**	–	60,000,000
Unpaid acquisitions of assets from a third party	11	**–**	–	2,805,000

	Note	2023	2022	2021
COMPONENTS OF CASH AND CASH EQUIVALENTS	5			
Cash on hand		**₱148,844**	₱143,606	₱122,590
Cash in banks		**187,552,592**	133,996,452	31,714,468
Cash equivalents		**55,495,572**	121,046,216	500,000
		₱243,197,008	₱255,186,274	₱32,337,058

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023 AND 2022 AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

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") 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 baked goods, fresh fruit drinks and other related products.

The Company is a 74.92% owned subsidiary of FRUITAS HOLDINGS, INC. (FHI or the "Parent Company") as at December 31, 2023 and 2022, a company incorporated and domiciled in the Philippines, whose shares of stock are listed and traded in the Philippine Stock Exchange (PSE). FHI is primarily engaged in investing, holding and owning real and personal properties of any kind. The ultimate parent of the Company is The Lush Properties, Inc., an entity incorporated in the Philippines and, is engaged in leasing/real estate activities.

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

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

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

- Increase in the authorized capital stock from ₱55.0 million divided into 550,000 shares at ₱100.00 par value to ₱75.0 million, divided into 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. 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 of the Company 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 the PSE through an Initial Public Offering (IPO) under the trading name "BALAI".

Approval of the Financial Statements
The financial statements of the Company were approved and authorized for issuance by the BOD on April 6, 2024 upon review and recommendation for approval by the Audit Committee on the same date.

2. **Summary of Material Accounting and Reporting Policies**

The material 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 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 used in measuring fair values is included in the following notes to financial statements:

- Note 6 - Financial Assets at Fair Value through Profit and Loss (FVPL)
- Note 26 - Fair Value Measurement

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective 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 material accounting policy information 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.

- 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.

- 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 adoption of the amendments to PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

Amendments to PFRS in Issue But Not Yet Effective or Adopted
Relevant amendments to PFRS, which are not yet effective as at December 31, 2023, are summarized below.

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

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to 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.

<u>**Financial Assets and Liabilities**</u>

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, the Company's trade and other payables (excluding statutory payables), 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 statements 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.

Property and Equipment
Property and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment losses. Land is stated at cost less 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.

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 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.

- *Sales 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.

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.

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 sales 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 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 22. The amount of rental expense charged to operations is disclosed in Note 22.

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 the 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 2023, 2022 and 2021. 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, 20 and 9.

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 22.

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 2023, 2022 and 2021.

The carrying amounts of the Company's other current assets (except construction bond), property and equipment, ROU assets and intangible assets are disclosed in Notes 9, 10, 22 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 13 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 13.

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 23.

4. Accounting for Business Acquisition

In June 2021, the Company acquired the assets and the brand name *Balai Pandesal* from Balai Pandesal Corp. (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:

	2023	2022
Cash on hand	**₱148,844**	₱143,606
Cash in banks	**187,552,592**	133,996,452
Cash equivalents	**55,495,572**	121,046,216
	₱243,197,008	₱255,186,274

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

Interest income earned is as follows:

	Note	**2023**	2022	2021
Notes receivable	20	**₱5,000,004**	₱2,916,667	₱750,000
Cash in banks		**3,694,938**	1,320,947	22,508
Cash equivalents		**825,472**	202,837	–
		₱9,520,414	₱4,440,451	₱772,508

6. **Financial Assets at FVPL**

Investments in unit investment trust funds (UITFs) are held for trading. Hence, these have been classified as financial assets at FVPL.

Movements in investments at FVPL are as follows:

	Note	**2023**	2022
Balance at beginning of year		**₱15,744,937**	₱16,000,000
Unrealized gain (loss) on changes in fair value	19	**438,487**	(255,063)
Balance at end of year		**₱16,183,424**	₱15,744,937

7. **Trade and Other Receivables**

This account consists of:

	2023	2022
Trade receivables	**₱10,354,857**	₱6,304,750
Other receivable - current portion	**5,988,889**	5,390,000
	₱16,343,746	₱11,694,750

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

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 ₱5.4 million as at December 31, 2022.

8. Merchandise Inventories

This account consists of:

	2023	2022
At cost:		
Food and beverages	**₱7,103,728**	₱5,658,026
Store supplies and others	**1,548,433**	1,201,997
	₱8,652,161	₱6,860,023

Cost of inventories charged to cost of sales is disclosed in Note 16.

9. Other Current Assets

This account consists of:

	Note	2023	2022
Security deposits	22	**₱12,798,518**	₱10,845,096
Input VAT		**7,717,474**	246,000
Advance rentals	22	**1,375,760**	680,008
Construction bond		**360,783**	381,783
		₱22,252,535	₱12,152,887

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.

10. **Property and Equipment**

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

	2023						
	Land	**Leasehold Improvements**	**Transportation Equipment**	**Furniture and Fixtures**	**Store Equipment**	**Office Equipment**	**Total**
Cost							
Balance at beginning of year	**₱–**	**₱7,981,087**	**₱7,863,675**	**₱56,565,079**	**₱16,321,476**	**₱342,947**	**₱89,074,264**
Additions	**111,333,600**	**2,097,450**	**9,252,125**	**5,683,217**	**7,540,330**	**224,017**	**136,130,739**
Balance at end of year	**111,333,600**	**10,078,537**	**17,115,800**	**62,248,296**	**23,861,806**	**566,964**	**225,205,003**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**2,888,573**	**2,808,372**	**17,067,531**	**8,799,260**	**222,089**	**31,785,825**
Depreciation and amortization	**–**	**1,543,922**	**2,225,504**	**14,311,972**	**4,871,731**	**93,262**	**23,046,391**
Balance at end of year	**–**	**4,432,495**	**5,033,876**	**31,379,503**	**13,670,991**	**315,351**	**54,832,216**
Carrying Amount	**₱111,333,600**	**₱5,646,042**	**₱12,081,924**	**₱30,868,793**	**₱10,190,815**	**₱251,613**	**₱170,372,787**

	2022						
	Land	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Store Equipment	Office Equipment	Total
Cost							
Balance at beginning of year	₱–	₱2,674,274	₱3,632,336	₱38,640,844	₱10,398,855	₱194,102	₱55,540,411
Additions	–	5,306,813	4,231,339	17,924,235	5,922,621	148,845	33,533,853
Balance at end of year	–	7,981,087	7,863,675	56,565,079	16,321,476	342,947	89,074,264
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,626,418	2,122,962	4,625,981	5,898,268	194,102	15,467,731
Depreciation and amortization	–	262,155	685,410	12,441,550	2,900,992	27,987	16,318,094
Balance at end of year	–	2,888,573	2,808,372	17,067,531	8,799,260	222,089	31,785,825
Carrying Amount	₱–	₱5,092,514	₱5,055,303	₱39,497,548	₱7,522,216	₱120,858	₱57,288,439

In 2021, the Company recognized a gain on disposal of various property and equipment to a related party amounting to ₱3.3 million (see Note 19).

The cost of fully depreciated property and equipment that are still in use amounted to ₱16.3 million and ₱11.9 million as at December 31, 2023 and 2022, respectively.

Depreciation and amortization are summarized as follows:

	Note	**2023**	2022	2021
Property and equipment		**₱23,046,392**	₱16,318,094	₱6,303,582
ROU assets	22	**16,210,292**	11,087,597	5,470,011
		₱39,256,684	₱27,405,691	₱11,773,593

Depreciation and amortization are charged to operations as follows:

	Note	**2023**	2022	2021
Selling and distribution expenses	17	**₱16,210,292**	₱11,087,597	₱6,770,607
General and administrative expenses	18	**23,046,392**	16,318,094	5,002,986
		₱39,256,684	₱27,405,691	₱11,773,593

11. Trade and Other Payables

This account consists of:

	2023	2022
Trade payables	**₱5,025,597**	₱3,517,680
Accrued expenses	**6,297,671**	9,035,425
Statutory payables	**1,530,386**	2,713,933
	₱12,853,654	₱15,267,038

Trade payables are unsecured, noninterest-bearing and generally settled on a 15 to 30-day term.

Accrued expenses include accrued rentals, taxes, salaries, professional fees and outside services, which are normally settled within the next financial year.

Statutory payables pertain to obligations to the government agencies such as BIR, SSS, HDMF and PHIC that are normally settled in the following month.

12. Notes Payable

In 2023, the Company availed of short-term unsecured loans from various local banks which bear interest rates ranging from 6.25% to 7.00% per annum. The terms of these loans range from 30-days to 180-days with varying maturities until 2024. The purpose of the loans is to support the Company's working capital requirements. Notes payable amounted to ₱45.8 million as at December 31, 2023.

13. **Retirement Benefits Liability**

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

The most recent actuarial valuation was made by an independent actuary as at December 31, 2023.

The table below summarizes the components of retirement benefits cost recognized in the statements of comprehensive income (see Note 18):

	2023	2022	2021
Current service cost	**₱466,454**	₱264,326	₱216,490
Interest cost	**82,721**	65,566	28,145
	₱549,175	₱329,892	₱244,635

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

	2023	2022
Balance at beginning of year	**₱1,590,782**	₱1,260,890
Current service cost	**466,454**	264,326
Interest cost	**82,721**	65,566
Benefits paid from Company operating funds	**(295,000)**	–
Actuarial loss (gain) due to:		
Experience adjustment	**75,564**	–
Changes in financial assumptions	**(309,445)**	–
Balance at end of year	**₱1,611,076**	₱1,590,782

The principal assumptions used in determining the retirement benefits liability for the Company's retirement plan as at December 31, 2023 and 2022 are as follows:

	2023	2022
Discount rate	**6.17%**	5.20%
Future salary increases	**3.00%**	3.00%

The average years of service as at December 31, 2023 is 2.98 years.

The projected unit credit method was applied to all the benefits without using one-year term cost. The sensitivity analysis on retirement benefits liability based on reasonably possible changes of the assumptions is as follows:

	Basis Points	**2023**	2022
Discount rate	+1%	**(₱254,327)**	(₱219,383)
	-1%	**318,564**	276,088
Salary increase rate	+1%	**334,722**	289,314
	-1%	**(269,699)**	(232,848)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefits liability at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remain unchanged. The corresponding change in the retirement benefits liability was expressed as a percentage change from the base amount.

The Company does not maintain a fund for its retirement benefits liability. While funding is not a requirement of the law, there is a risk that the Company may not have the cash if several employees retire within the same year.

The table below shows the maturity profile of the undiscounted benefit payments:

Less than one year	₱180,332
One year to less than 10 years	306,722
More than ten years	41,778,557

The average duration of the retirement benefits liability as at December 31, 2023 is 23.4 years.

The cumulative remeasurement losses on retirement benefits liability recognized in other comprehensive income are as follows:

	Cumulative Actuarial Loss (Gain)	Deferred Tax	Net
Balance as at December 31, 2021 and 2022	₱500,755	(₱125,189)	₱375,566
Actuarial gain	(233,881)	58,470	(175,411)
Balance as at December 31, 2023	₱266,874	(₱66,719)	₱200,155

14. **Equity**

<u>Capital Stock and APIC</u>

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

	Number of Shares			Amount		
	2023	2022	2021	**2023**	2022	2021
Authorized Capital Stock						
Balance at beginning of year	**1,500,000,000**	1,500,000,000	550,000	**₱75,000,000**	₱75,000,000	₱55,000,000
Increase	**–**	–	200,000	**–**	–	20,000,000
Effect of stock split	**–**	–	1,499,250,000	**–**	–	–
	1,500,000,000	1,500,000,000	1,500,000,000	**₱75,000,000**	₱75,000,000	₱75,000,000
Issued and Outstanding						
Balance at beginning of year	**1,495,005,000**	1,170,005,000	535,000	**₱74,750,250**	₱58,500,250	₱53,500,000
Issuances	–	325,000,000	100,005,000	**–**	16,250,000	5,000,250
Effect of stock split	–	–	1,069,465,000	**–**	–	–
	1,495,005,000	1,495,005,000	1,170,005,000	**₱74,750,250**	₱74,750,250	₱58,500,250

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

On December 27, 2021, the stockholders and the BOD authorized the Company's Offering of its common shares with the PSE. This was approved by the SEC and the PSE on May 24, 2022 and May 26, 2022, respectively. On June 30, 2022, the Company's 325,000,000 common shares were officially listed on the PSE at an offer price of ₱0.70 a share resulting to additional paid-in capital of ₱211.3 million.

The Offer Period was from June 17, 2022 to June 23, 2022. The trading of the shares commenced on June 30, 2022.

Additional Paid-in Capital

Additional paid-in capital represents the excess of the amounts received over the par value of the shares issued, net of directly attributable transaction costs on the Company's IPO.

Details are as follows:

Balance at beginning of the year	₱96,532,500
Add proceeds in excess of par value	211,250,000
Less IPO expenses charged against APIC	(20,939,319)
Balance at end of year	₱286,843,181

IPO expenses were charged as follows:

Additional paid-in capital	₱20,939,319
General and administrative expenses	2,760,681
	₱23,700,000

Retained Earnings

The Company's BOD declared the following cash dividends:

		Amount Declared	
Date of Declaration	Stockholders of Record	Per Share	Total
May 17, 2023	May 31, 2023	₱0.005	₱7,294,940
September 11, 2021	August 27, 2021	₱15.00	₱8,025,000

Capital Management

The Company's objectives when managing capital are:

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

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

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

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

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

Pursuant to the PSE's rules on minimum public ownership, at least 15.00% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is 24.66% and 24.93% as at December 31, 2023 and 2022, respectively.

The total number of stockholders of the Company as at December 31, 2023 and 2022 is 83 and 80, respectively.

15. Revenue

This account consists of:

	Note	**2023**	2022	2021
Sales of goods		**₱506,132,167**	₱323,443,182	₱143,463,428
Franchise revenue	22	**29,073,484**	17,716,102	5,469,993
		₱535,205,651	₱341,159,284	₱148,933,421

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

Details of the Company's sales of goods based on geographical markets are as follows:

	2023	2022	2021
Luzon	**₱488,240,661**	₱314,452,113	₱138,654,902
Visayas	**17,891,506**	8,991,069	4,808,526
	₱506,132,167	₱323,443,182	₱143,463,428

16. **Cost of Sales**

This account consists of:

	Note	**2023**	2022	2021
Merchandise inventories at beginning of year		**₱6,860,023**	₱2,664,326	₱1,551,155
Purchases:				
Related party	20	**177,140,845**	123,172,363	63,390,006
Third parties		**86,754,176**	46,449,847	8,949,718
Cost of goods available for sale		**270,755,044**	172,286,536	73,890,879
Merchandise inventories at end of year	8	**(8,652,161)**	(6,860,023)	(2,664,326)
		₱262,102,883	₱165,426,513	₱71,226,553

17. **Selling and Distribution Expenses**

This account consists of:

	Note	**2023**	2022	2021
Salaries, wages and other employees' benefits		**₱53,052,697**	₱30,064,932	₱16,244,149
Rental	22	**33,557,905**	22,546,890	9,690,360
Utilities		**23,492,815**	16,695,316	6,483,118
Depreciation and amortization	10	**16,210,292**	11,087,597	6,770,607
Outside services		**7,852,515**	4,119,409	1,694,373
Transportation and travel		**7,235,993**	2,690,889	898,845
Advertisement		**6,755,026**	2,196,753	828,905
Repairs and maintenance		**1,941,134**	1,039,441	804,824
Insurance		**835,084**	249,579	200,132
Others		**1,924,457**	1,532,973	1,719,913
		₱152,857,918	₱92,223,779	₱45,335,226

18. **General and Administrative Expenses**

This account consists of:

	Note	**2023**	2022	2021
Depreciation and amortization	10	**₱23,046,392**	₱16,318,094	₱5,002,986
Professional fees		**11,156,305**	7,032,684	2,499,213
Salaries, wages and other employees' benefits		**6,745,000**	4,440,966	4,701,259
Management fees	20	**5,390,505**	7,500,000	6,072,163
Taxes and licenses		**3,582,275**	3,344,030	2,102,609
Office supplies		**1,273,623**	1,211,306	1,761,048
Retirement benefits	13	**549,175**	329,892	244,635
Penalties		**–**	2,752,865	2,003,383
Others		**9,980**	152,965	209,776
		₱51,753,255	₱43,082,802	₱24,597,072

19. **Other Income (Charge)** - Net

This account consists of:

	Note	**2023**	2022	2021
Unrealized gain (loss) on changes in fair value for financial assets at FVPL	6	**₱438,487**	(₱255,063)	₱–
Gain on termination of lease	22	**–**	29,347	1,462,929
Sale of property and equipment	10	**–**	–	3,285,484
Miscellaneous income		**240,806**	125,351	205,851
		₱679,293	(₱100,365)	₱4,954,264

Miscellaneous income pertains mainly to cash overages from outlets.

20. **Related Party Transactions**

In the normal course of business, the Company has transactions with related parties, as follows:

			Amount of Transactions		Outstanding Balances	
Related Party	Nature of Transactions	Note	**2023**	2022	**2023**	2022
Trade Receivables						
Under common control	Collections		**₱31,255,152**	₱6,494,009		
	Sale of baked goods		**(31,255,152)**	(6,494,009)	**₱–**	₱–
Due from Related Parties						
Under common control	Collections		**(₱563,573)**	(₱1,392,989)		
	Interest income		**2,500,000**	2,916,667	**₱11,042,411**	₱9,105,984
Note Receivable						
Under common management	Payments		**(₱10,000,000)**	(₱10,000,000)	**₱40,000,000**	₱50,000,000
Trade and Other Payables						
Under common control	Purchase of merchandise inventories*	16	**₱177,140,845**	₱136,721,324		
	Payments		**(177,140,845)**	(136,721,324)		
	Rental		**1,027,200**	385,200		
	Payments		**(1,027,200)**	(385,200)	**₱–**	₱–
Parent	Management fees*	18	**5,892,857**	8,325,000		
	Payments		**(5,892,857)**	(8,325,000)		
	Rental		**343,929**	321,429		
	Payments		**(343,929)**	(321,429)	**–**	–
					₱–	₱–
Due to Related Parties						
Under common management	Cash advances		**₱–**	₱401,747		
	Payment		**–**	–	**₱401,747**	₱401,747

**Inclusive of VAT, net of EWT*

<u>Terms and Conditions</u>

Outstanding balances, except for trade payables that are generally settled on a 15 to 30-day term, and note receivable are unsecured, noninterest-bearing and are collectible/payable in cash upon demand. There have been no guarantees provided for any of the aforementioned related party receivables and payables. An assessment of the collectability of the account is undertaken each financial year through examining financial position of the related party and the market in which the related party operates.

On October 3, 2021, due from related parties amounting to ₱60.0 million was issued with a promissory note which resulted in the reclassification to note receivable. The note receivable is unsecured, collectible within one year and bears a 5% fixed annual interest. This was rolled over for another year with the same terms. Interest is collectible monthly.

Management Agreement
The Parent Company has a management agreement with the Company for the Parent Company to provide administrative services for a fixed monthly fee. Management fees are disclosed in Note 18.

Compensation of Key Management Personnel
Compensation of key management personnel, consisting of salaries and short-term benefits, amounted to ₱4.3 million, ₱3.6 million and ₱2.3 million in 2023, 2022 and 2021, respectively.

21. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2023	2022	2021
Net income for the year	**₱58,641,614**	₱37,133,169	₱8,541,566
Weighted average number of outstanding common shares	**1,495,005,000**	1,332,505,000	1,078,868,750
	₱0.0392	₱0.0279	₱0.0079

The Company has no dilutive potential share in 2023, 2022 and 2021.

22. Significant Agreements

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

Security deposits and amount of advance rentals paid to the lessors are disclosed in Note 9.

Rental expense charged to operations is disclosed in Note 17.

Company as Lessee - Long-term Lease
The Company has existing several noncancellable lease agreements with third parties for its outlet spaces for a period of three years subject to renewal.

In September 2019, the Company entered into a ten-year noncancellable lease agreement with a third party for the lease of a parcel of land on which a warehouse will be constructed. The lease is renewable upon mutual agreement of both parties. In October 2021, the parties mutually agreed to amend the lease agreement to transfer the lease to FGI effective October 30, 2021. Accordingly, the lease was terminated and the Company recognized a gain on termination of lease amounting to ₱1.5 million (see Note 19).

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

ROU Assets

	Note	**2023**	2022
Cost			
Balance at beginning of year		**₱37,253,245**	₱30,429,457
Additions		**22,584,216**	12,229,509
Retirement of lease		**–**	(3,904,675)
Termination of lease		**–**	(1,501,046)
Balance at end of year		**59,837,461**	37,253,245
Accumulated Amortization			
Balance at beginning of year		**13,736,910**	6,994,487
Amortization	10	**16,210,292**	11,087,597
Retirement of lease		**–**	(3,904,675)
Termination of lease		**–**	(440,499)
Balance at end of year		**29,947,202**	13,736,910
Carrying Amount		**₱29,890,259**	₱23,516,335

Lease Liabilities

	2023	2022
Balance at beginning of year	**₱24,403,029**	₱23,686,798
Additions	**22,584,216**	12,021,261
Rental payments	**(17,489,353)**	(11,975,423)
Interest	**2,155,447**	1,760,287
Termination of lease	**–**	(1,089,894)
Balance at end of year	**31,653,339**	24,403,029
Less current portion	**15,333,906**	11,506,876
Noncurrent portion	**₱16,319,433**	₱12,896,153

The incremental borrowing rate applied to the lease liabilities ranges from 6.40% to 11.00% per annum, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The amounts recognized in profit or loss are as follows:

	Note	**2023**	2022	2021
Rental expense - short-term lease	17	**₱33,557,905**	₱22,546,890	₱9,690,360
Amortization of ROU assets	10	**16,210,292**	11,087,597	5,470,011
Interest expense on lease liabilities		**1,347,087**	1,760,287	1,724,646
Gain on termination of lease	19	**–**	29,347	1,462,929
		₱51,115,284	₱35,424,121	₱18,347,946

Franchise Agreements

The Company has granted its franchisees the right to operate outlets under various brands for a certain period and subject to the terms and conditions specified in the franchise agreements. The agreements provide for an initial franchise revenue payable upon execution of the agreements. The initial franchise revenue payment covers the construction of franchisee's unit, training of staff, signage, promotional materials, and equipment. Franchise revenue recognized as part of "Revenue" is disclosed in Note 15.

23. **Income Taxes**

The Company's provision for current income tax represents RCIT in 2023 and 2022 and MCIT in 2021.

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

	2023	2022
Retirement benefits liability	**₱402,769**	₱397,696
Lease liabilities, net of ROU assets	**440,770**	221,674
	₱843,539	₱619,370

Reconciliation of provision for income tax based on statutory tax rate and the effective tax rate is as follows:

	2023	2022	2021
Provision for income tax computed at the statutory tax rate	**₱19,133,964**	₱10,751,497	₱2,944,174
Tax effects of:			
Interest income already subjected to a final tax	**(1,130,103)**	(380,946)	(5,627)
Nondeductible expenses	**(109,620)**		
Expenses charged to APIC	**–**	(5,234,830)	–
Nontaxable income	**–**	737,099	500,846
Effect of change in tax rates	**–**	–	(204,263)
Provision for income tax computed at the effective tax rate	**₱17,894,241**	₱5,872,820	₱3,235,130

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. The salient features of the CREATE related to income taxes are as follows:

a. Regular Corporate Income Tax (RCIT) - previously at 30%
   - Effective July 1, 2020, domestic corporations shall be subject to 25% tax on their net taxable income.
   - For domestic corporations with total assets not exceeding ₱100.0 million and total net taxable income not exceeding ₱5.0 million, tax rate shall be at 20% of their net taxable income.

b. MCIT - previously at 2%
   - MCIT shall be 1% for a period of three (3) years effective July 1, 2020 until June 30, 2023.
   - After the effectivity period, MCIT shall return to 2%.

24. Reconciliation of Liabilities Arising from Financing Activities

The tables below detail the changes in the Company's liabilities arising from financing activities, including cash and noncash changes:

			Noncash Charges			
	2022	**Payments**	**Additions**	**Accretion of Interest**	**Termination of Lease**	**2023**
Lease liabilities	**₱24,403,029**	**(₱17,489,353)**	**₱22,584,216**	**₱2,155,447**	**₱–**	**₱31,653,339**
Notes payable	**–**	**–**	**45,800,000**	**–**	**–**	**45,800,000**
Due to related parties	**401,747**	**–**	**–**	**–**	**–**	**401,747**
	₱24,804,776	**(₱17,489,353)**	**₱68,384,216**	**₱2,155,447**	**₱–**	**₱77,855,086**

			Noncash Charges			
	2021	Payments	Additions	Accretion of Interest	Termination of Lease	2022
Lease liabilities	₱23,686,798	(₱11,975,423)	₱12,021,261	₱1,760,287	(₱1,089,894)	₱24,403,029
Due to related parties	–	–	401,747	–	–	401,747
	₱23,686,798	(₱11,975,423)	₱12,423,008	₱1,760,287	(₱1,089,894)	₱24,804,776

25. Financial Risk Management Policies and Objectives

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

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

Credit Risk

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

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

	2023	2022
Cash in banks and cash equivalents	**₱243,048,164**	₱255,042,668
Financial assets at FVPL	**16,183,424**	15,744,937
Note receivable	**40,000,000**	50,000,000
Trade and other receivables	**16,343,746**	11,694,750
Due from related parties	**11,042,411**	9,105,984
Construction bond	**360,783**	381,783
	₱326,978,528	₱341,970,122

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

The tables below show the credit quality of financial assets as at December 31, 2023 and 2022:

	2023				
	Neither Past Due Nor Impaired				
	High Grade	**Standard Grade**	**Past Due but Not Impaired**	**Impaired**	**Total**
Financial Assets at Amortized Cost					
Cash in banks and cash equivalents	**₱243,048,164**	**₱–**	**₱–**	**₱–**	**₱243,048,164**
Trade and other receivables	–	**16,343,746**	**–**	**–**	**16,343,746**
Note receivable	–	**40,000,000**	**–**	**–**	**40,000,000**
Due from related parties	–	**11,042,411**	**–**	**–**	**11,042,411**
Construction bond	–	**360,783**	**–**	**–**	**360,783**
	243,048,164	**67,746,940**	**–**	**–**	**310,795,104**
Financial Assets at FVPL	**16,183,424**	–	**–**	**–**	**16,183,424**
	₱259,231,588	**₱67,746,940**	**₱–**	**₱–**	**₱326,978,528**

	2022				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Financial Assets at Amortized Cost					
Cash in banks and cash equivalents	₱255,042,668	₱–	₱–	₱–	₱255,042,668
Trade and other receivables	–	11,694,750	–	–	11,694,750
Note receivable	–	50,000,000	–	–	50,000,000
Due from related parties	–	9,105,984	–	–	9,105,984
Construction bond	–	381,783	–	–	381,783
	255,042,668	71,182,517	–	–	326,225,185
Financial Assets at FVPL	15,744,937	–	–	–	15,744,937
	₱270,787,605	₱71,182,517	₱–	₱–	₱341,970,122

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

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

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

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

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

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

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

- Cash being deposited with reputable counterparty banks that possess good credit ratings
- Available liquid assets of the related parties

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

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

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2023 and 2022, based on undiscounted cash flows:

	2023					
	Payable on demand	**1 to 120 days**	**121 to 240 days**	**241 to 360 days**	**Over 360 days**	**Total**
Trade and other payables*	**₱–**	**₱11,323,268**	**₱–**	**₱–**	**₱–**	**₱11,323,268**
Due to related parties	**401,747**	**–**	**–**	**–**	**–**	**401,747**
Lease liabilities	**–**	**5,111,302**	**5,111,302**	**5,111,303**	**16,319,432**	**31,653,339**
	₱401,747	**₱16,434,570**	**₱5,111,302**	**₱5,111,303**	**₱16,319,432**	**₱43,378,354**

**Excluding statutory payables.*

	2022					
	Payable on demand	1 to 120 days	121 to 240 days	241 to 360 days	Over 360 days	Total
Trade and other payables*	₱–	₱12,553,105	₱–	₱–	₱–	₱12,553,105
Due to related parties	₱401,747	–	–	–	–	401,747
Lease liabilities	–	3,835,625	3,835,625	3,835,626	12,896,153	24,403,029
	₱401,747	₱16,388,730	₱3,835,625	₱3,835,626	₱12,896,153	₱37,357,881

**Excluding statutory payables.*

26. Fair Value Measurement

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

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at Amortized Cost:				
Cash in banks and cash equivalents	**₱243,048,164**	**₱243,048,164**	₱255,042,668	₱255,042,668
Trade and other receivables	**16,343,746**	**16,343,746**	11,694,750	11,694,750
Note receivable	**40,000,000**	**40,000,000**	50,000,000	50,000,000
Due from related parties	**11,042,411**	**11,042,411**	9,105,984	9,105,984
Construction bond	**360,783**	**360,783**	381,783	381,783
Financial assets at FVPL	**16,183,424**	**16,183,424**	15,744,937	15,744,937
	₱326,978,528	**₱326,978,528**	₱341,970,122	₱341,970,122
Financial Liabilities at Amortized Cost:				
Trade and other payables*	**₱11,323,268**	**₱11,323,268**	₱12,553,105	₱12,553,105
Notes payable	**45,800,000**	**45,800,000**	–	–
Due to related parties	**401,747**	**401,747**		
Lease liabilities	**31,653,339**	**31,653,339**	24,403,029	24,403,029
	₱89,178,354	**₱89,178,354**	₱36,956,134	₱36,956,134

**Excluding statutory payables.*

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

Financial Assets at FVPL. The fair value of investments at FVPL classified as Level 1 was determined using the quoted market prices as published by the trust company.

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

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

There are no significant transfers between levels in the fair value hierarchy in 2023 and 2022.

27. **Operating Segment Information**

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

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

Outlet stores sales are attributable to revenue from the general public, which are generated through the Company’s store outlets. Consequently, the Company has no concentrations of revenue from a single customer in 2023, 2022, and 2021.

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of BALAI NI FRUITAS, INC. (the "Company"), a subsidiary of FRUITAS HOLDINGS, INC., as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, and have issued our report thereon dated April 6, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Reconciliation of Retained Earnings Available for Dividends Declaration
- Schedule for Listed Companies with a Recent Offering of Securities to the Public
- Conglomerate Map

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the basic financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are 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
BIR Accreditation No. 19-005765-001-2022;
Valid until December 13, 2025
PTR No. 10072410;
Issued January 2, 2024, Makati City

April 6, 2024
Makati City, Metro Manila

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

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68
DECEMBER 31, 2023

N/A - Not applicable

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

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

				Number of shares held by		
Title of issue	**Number of shares authorized**	**Number of shares issued and outstanding at shown under related balance sheet caption**	**Number of shares reserved for options, warrants, conversion and other rights**	**Number of shares held by related parties**	**Directors, officers and employees**	**Others**
Common stock - ₱0.005 par value	1,500,000,000	1,495,005,000	–	1,082,488,000	17,000	412,500,000

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE REPORTING YEAR ENDED DECEMBER 31, 2023

BALAI NI FRUITAS, INC.

[A Subsidiary of FRUITAS HOLDINGS, INC.]

68 Data St. Brgy. Don Manuel Quezon City, Philippines

		Amount
Unappropriated retained earnings, beginning of reporting period		₱47,315,510
Add: Category A: Items that are directly credited to unappropriated retained earnings		
Reversal of retained earnings appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Others (Beginning balance of cumulative deferred tax assets related to set up of right-of-use of asset and lease liability and set up of retirement obligation directly debited to unappropriated retained earnings)	–	–
Less: Category B: Items that are directly debited to unappropriated retained earnings		
Dividend declaration during the reporting period	7,294,940	
Retained earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	
Others (Beginning balance of cumulative deferred tax assets related to set up of right-of-use of asset and lease liability and set up of retirement obligation directly debited to unappropriated retained earnings)	744,559	8,039,499
Unappropriated retained earnings, as adjusted		39,276,011
Add/less: Net income (loss) for the current year		58,641,614
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPL)	–	
Unrealized fair value gain of investment property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the Philippine Financial Reporting Standards (PFRS) (describe nature)	–	–
Sub-total		97,917,625

(Forward)

		Amount
Add: Category C.2: Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	–	
Realized fair value of investment property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	–
Sub-total		**–**
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVPL	–	
Reversal of previously recorded fair value of investment property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	–	–
Sub-total		**–**
Adjusted net income (loss)		**97,917,625**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	–
Sub-total		**–**
Add/less: Category E: Adjustments related to relief granted by the SEC		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others (describe nature)	–	–
Sub-total		**–**

(Forward)

		Amount
Add/less: <u>Category F</u>: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	58,470	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	(2,226,116)	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
Others (describe nature)	–	(2,167,646)
Sub-total		(2,167,646)
Total retained earnings, end of the reporting period available for dividend		₱95,749,979

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

SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

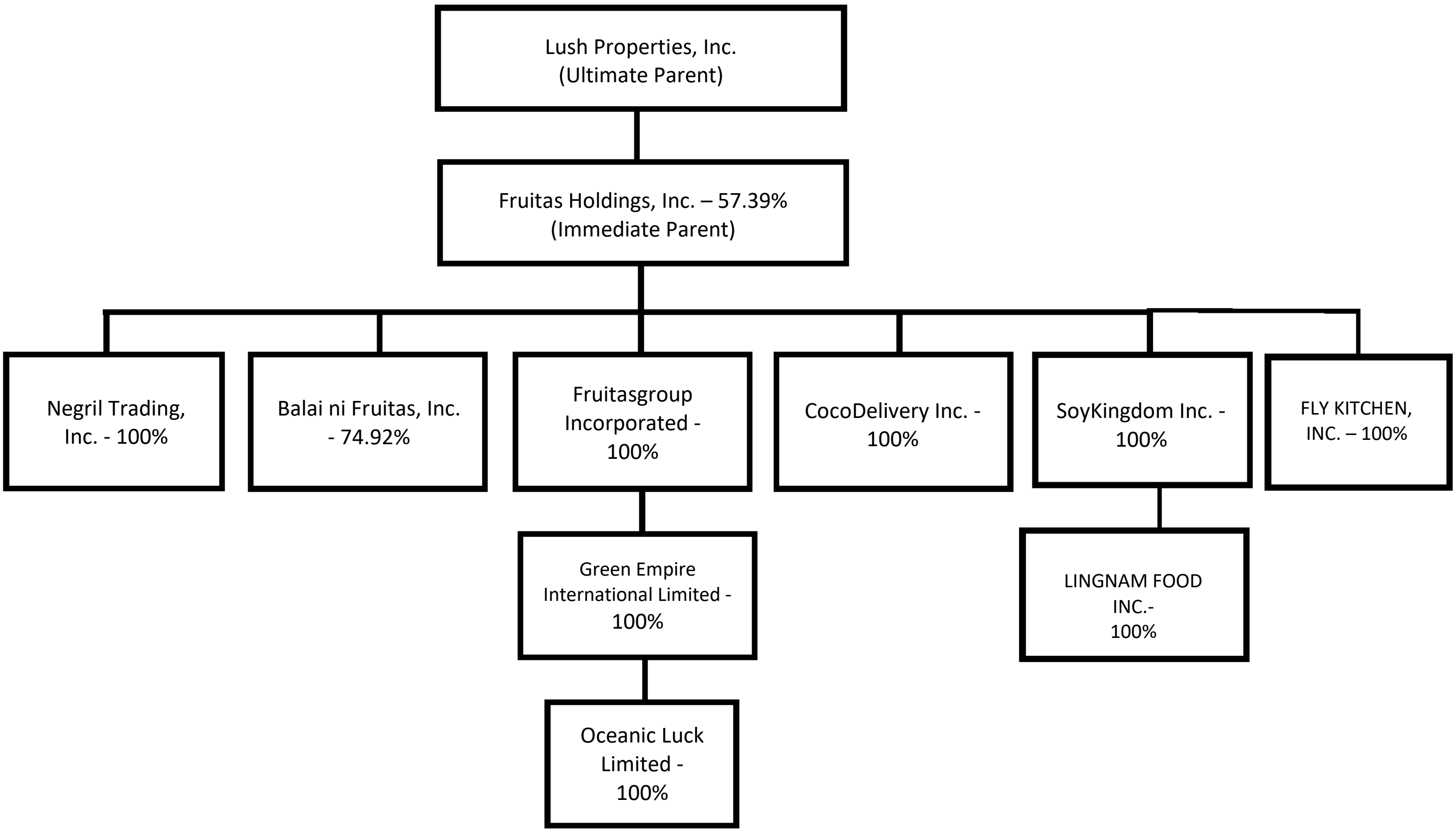
DECEMBER 31, 2023

	Estimated	Actual
Gross Proceeds	₱227,500,000	₱227,500,000
Offer Expenses	(23,700,000)	(23,700,000)
Net Proceeds	203,800,000	203,800,000
Use of Proceeds		
Store network expansion and store improvement	(123,800,000)	(39,131,692)
Commissary set-up	(60,000,000)	(56,836,095)
Acquisition opportunities and introduction of new concepts	(20,000,000)	–
	(203,800,000)	(95,967,787)
Unapplied Proceeds	₱–	₱107,832,213

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

CONGLOMERATE MAP

DECEMBER 31, 2023



BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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REPORT OF INDEPENDENT AUDITORS ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of BALAI NI FRUITAS, INC. (the "Company"), a subsidiary of FRUITAS HOLDINGS, INC., as at December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated April 6, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule (SRC) 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and no material exceptions were noted.

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
BIR Accreditation No. 19-005765-001-2022;
Valid until December 13, 2025
PTR No. 10072410;
Issued January 2, 2024, Makati City

April 6, 2024
Makati City, Metro Manila

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

FINANCIAL SOUNDNESS INDICATORS UNDER THE REVISED SRC RULE 68

Below is a schedule showing financial soundness indicators of the Company as at and for the years ended December 31, 2023 and 2022.

	2023	2022
CURRENT/LIQUIDITY RATIO		
Current assets	**₱357,671,285**	₱360,744,855
Current liabilities	**83,791,901**	27,538,689
Current Ratio	**4.27**	13.10
ACID TEST RATIO		
Quick assets	**₱326,766,589**	₱341,731,945
Current liabilities	**83,791,901**	27,538,689
Acid Test Ratio	**3.90**	12.41
SOLVENCY RATIO		
Net income before depreciation and Amortization	**₱97,898,298**	₱64,538,860
Total liabilities	**101,722,410**	42,025,624
Solvency Ratio	**0.96**	1.54
DEBT-TO-EQUITY RATIO		
Total liabilities	**101,722,410**	42,025,624
Total equity	**460,055,460**	408,533,375
Debt-to-Equity Ratio	**0.22**	0.10
ASSET-TO-EQUITY RATIO		
Total assets	**₱561,777,870**	₱450,558,999
Total equity	**460,055,460**	408,533,375
Asset-to-Equity Ratio	**1.22**	1.10
INTEREST-COVERAGE RATIO		
Earnings before interest and taxes	**₱78,691,302**	₱44,766,276
Interest expense	**2,155,447**	1,760,287
Interest-Coverage Ratio	**36.51**	25.43
PROFITABILITY RATIO		
Net income	**₱58,641,614**	₱37,133,169
Average equity	**434,294,418**	286,686,450
Return on Equity	**0.14**	0.13

	2023	2022
RETURN ON ASSETS		
Net income	**₱58,641,614**	₱37,133,169
Average assets	**506,168,435**	325,753,504
Return on Assets	**0.12**	0.11
NET PROFIT MARGIN		
Net income	**₱58,641,614**	₱37,133,169
Revenue	**535,205,651**	341,159,284
Net Profit Margin	**0.11**	0.11

ANNEX B

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	+(632) 8731-8886
Contact Person	Company Telephone Number

SEC FORM 17-C

1 2	3 1		0 8	1 5
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

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

January 10, 2024

THE SECURITIES AND EXCHANGE COMMISSION
Markets and Securities Regulation Department
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

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

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

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

Subject : **List of Top 100 Stockholders as of December 31, 2023**

Dear Sir/Madam:

We hereby submit the List of Top 100 Stockholders of Balai Ni Fruitas Inc. (BALAI) as of December 31, 2023 both certificated and shares lodged to PCD.

Number of Issued and Outstanding Common Shares	1,495,005,000
Number of Treasury Common Shares, if any	-
Number of Outstanding Common Shares	1,495,005,000
Number of Listed Common Shares	1,495,005,000
Number of Lodged Common Shares	412,500,000
PCD Nominee - Filipino	407,140,870
PCD Nominee - Non-Filipino	5,359,130
Number of Certificated Common Shares	1,082,505,000

Very truly yours,

BALAI NI FRUITAS INC.

By:

Ralph Hector Adricula
Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **January 10, 2024**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number- **CS200508386**

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

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

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

6. (SEC Use Only)
   Industry Classification Code

6. **68 DATA ST. BRGY. DON MANUEL QUEZON CITY** **1113**
   Address of principal office Postal Code:

7. **(02)8243-1741**
   Issuer's telephone number, including area code

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

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

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

11. Indicate the item numbers reported herein:

Item 9- Other Events

We hereby submit the List of Top 100 Stockholders of Balai Ni Fruitas Inc. (BALAI) as of December 31, 2023. There are 412,500,000 lodged common shares out of 1,495,005,000 outstanding common shares, consisting of 407,140,870 PCD Nominee - Filipino and 5,359,130 PCD Nominee - Non-Filipino. And a total of 1,082,505,000 certificated common shares.

SIGNATURES

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

BALAI NI FRUITAS INC.	
Issuer	Date
RALPH HECTOR P. ADRICULA	**January 10, 2024**
Compliance Officer	

TRUST BANKING GROUP
Fiduciary Services Division
3F Trust Banking Group
PNB Financial Center Pres. D. Macapagal Boulevard
Pasay City, Philippines
Trunk Lines: (632) 8891-6040 to 70 local 4649
Direct Line: (632) 8573-4649
Fax: (632) 8526-3379

CONFIDENTIAL

January 03, 2024

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

Attention : **MR. LESTER C. YU**
President and CEO

Subject : **REPORT ON THE LIST OF TOP 100 STOCKHOLDERS**

Gentlemen:

As Transfer Agent for Balai ni Fruitas Inc., we submit herewith the report on the list of Top 100 stockholders as of December 31, 2023 as follows:

Count	Name		No. of Shares	Percentage
1	FRUITAS HOLDINGS, INC.		1,082,488,000	72.4069819164
2	PCD Nominee Corporation - Filipino		407,156,809	27.2344780787
3	PCD Nominee Corporation - Non Filipino		5,343,191	0.3574028849
4	Lester C. Yu		4,000	0.0002675576
5	Roselyn A. Legaspi		2,000	0.0001337788
6	Madelene Sayson		2,000	0.0001337788
7	Marvin C. Yu		2,000	0.0001337788
8	Jennifer T. Ramos		2,000	0.0001337788
9	David Jonathan Y. Bayot		1,000	0.0000668894
10	Calvin F. Chua		1,000	0.0000668894
11	Rogelio M. Guadalquiver		1,000	0.0000668894
12	Lee Ceasar S. Junia		1,000	0.0000668894
13	Bernardino M. Ramos		1,000	0.0000668894
Total			**1,495,005,000**	**100.0000000000**

Very truly yours,
Philippine National Bank
Acting Through Its Trust Banking Group
As Transfer Agent
By:

MARIA VICTORIA C. MENDOZA
Senior Assistant Vice President

LILIAN L. RUGA
Manager

BALAI0000000 December 31, 2023

OUTSTANDING BALANCES FOR SPECIFIC COMPANY

December 31, 2023

BALAI0000000

BPNAME	QUANTITY
UPCC SECURITIES CORP.	100,000
A & A SECURITIES, INC.	10,000
ABACUS SECURITIES CORPORATION	14,454,501
PHILSTOCKS FINANCIAL INC	8,887,899
ALPHA SECURITIES CORP.	350,000
AP SECURITIES INCORPORATED	2,640,000
ANSALDO, GODINEZ & CO., INC.	1,717,000
AB CAPITAL SECURITIES, INC.	151,203,324
SB EQUITIES,INC.	900,000
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	13,000
ASIASEC EQUITIES, INC.	481,000
CHINA BANK SECURITIES CORPORATION	677,000
BELSON SECURITIES, INC.	384,000
BPI SECURITIES CORPORATION	13,678,712
SINCERE SECURITIES CORPORATION	300,000
IGC SECURITIES INC.	1,620,000
DAVID GO SECURITIES CORP.	566,000
E. CHUA CHIACO SECURITIES, INC.	250,000
EAST WEST CAPITAL CORPORATION	50,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	594,000
EQUITIWORLD SECURITIES, INC.	30,000
EVERGREEN STOCK BROKERAGE & SEC., INC.	8,030,000
FIRST ORIENT SECURITIES, INC.	2,000
F. YAP SECURITIES, INC.	2,823,000
AURORA SECURITIES, INC.	5,650,000
GLOBALINKS SECURITIES & STOCKS, INC.	200,000
GOLDSTAR SECURITIES, INC.	20,000
GUILD SECURITIES, INC.	2,000
HDI SECURITIES, INC.	798,000
I. B. GIMENEZ SECURITIES, INC.	260,000
INVESTORS SECURITIES, INC,	119,000
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	157,000
STRATEGIC EQUITIES CORP.	500,000
LUYS SECURITIES COMPANY, INC.	1,550,000
COL Financial Group, Inc.	45,736,955
DA MARKET SECURITIES, INC.	20,000
MERCANTILE SECURITIES CORP.	2,000
MDR SECURITIES, INC.	726,000
NEW WORLD SECURITIES CO., INC.	310,000
OPTIMUM SECURITIES CORPORATION	120,000
RCBC SECURITIES, INC.	2,876,000

PAPA SECURITIES CORPORATION	195,000
MAYBANK SECURITIES, INC.	2,637,000
PNB SECURITIES, INC.	622,000
QUALITY INVESTMENTS & SECURITIES CORPORATION	2,922,000
R. COYIUTO SECURITIES, INC.	475,000
REGINA CAPITAL DEVELOPMENT CORPORATION	447,000
R. NUBLA SECURITIES, INC.	2,055,500
AAA SOUTHEAST EQUITIES, INCORPORATED	2,719,000
RTG & COMPANY, INC.	33,000
S.J. ROXAS & CO., INC.	30,000
SECURITIES SPECIALISTS, INC.	400,000
SUMMIT SECURITIES, INC.	671,000
STANDARD SECURITIES CORPORATION	250,000
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	530,000
TOWER SECURITIES, INC.	8,327,000
DRAGONFI SECURITIES, INC.	52,000
LANDBANK SECURITIES, INC.	352,000
VENTURE SECURITIES, INC.	365,000
FIRST METRO SECURITIES BROKERAGE CORP.	78,483,379
WEALTH SECURITIES, INC.	322,000
WESTLINK GLOBAL EQUITIES, INC.	1,860,000
BERNAD SECURITIES, INC.	190,000
YAO & ZIALCITA, INC.	3,490,000
YU & COMPANY, INC.	120,000
BDO SECURITIES CORPORATION	13,846,730
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	610,000
SOLAR SECURITIES, INC.	150,000
G.D. TAN & COMPANY, INC.	3,016,000
PHILIPPINE EQUITY PARTNERS, INC.	15,895,000
UNICAPITAL SECURITIES INC.	550,000
TIMSON SECURITIES, INC.	2,076,000
TOTAL	**412,500,000**

Annex C to the SEC Form 17-A: BALAI Sustainability Report

Contextual Information

Company Details	
Name of Organization	Balai Ni Fruitas Inc. (BALAI)
Location of Headquarters	68 Data St., Brgy. Don Manuel, Quezon City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report mainly covers Balai ni Fruitas Inc. and it's operations within the Philippines
Business Model, including Primary Activities, Brands, Products, and Services	BALAI is a food and beverage community store and kiosk operator with having three active brands namely Buko Ni Fruitas, Fruitas House of Desserts, and Balai Pandesal. Through its brands, BALAI serves a wide-range of products such as coconut-based desserts, boba shakes, fresh fruit shakes, baked goods, and more through its stores located in strategic locations and through the store network of Fruitas Holdings Inc. group.
Reporting Period	January 1 to December 31, 2023
Highest Ranking Person responsible for this report	Lester C. Yu – President and Chief Executive Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

Balai Ni Fruitas Inc. is a food and beverage community store and kiosk operator with having three active brands namely Buko Ni Fruitas, Fruitas House of Desserts, and Balai Pandesal. The company sells a wide-range of products such as coconut-based desserts, boba shakes, fresh fruit shakes, baked goods and more through its vast store network and through the store network of the Fruitas Holdings Inc. group. The sustainability of the company is emphasized on the strength of its stores, distribution channels, and product offerings. The report focuses on material topics relating to macroeconomic impact and the actions performed by the Company to manage risk and capitalize on possible opportunities.

In succeeding Sustainability Reports, the 3P's principles will be employed to identify other material topics:

a.) People – this involves the employees, stakeholders, external customers, and other related groups and individuals directly involved in the Company.

b.) Planet – this involves the environment and how the Company directly and indirectly impacts through its operations

c.) Profit – this involves the financial health of the Company to ensure sustainability of operations

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	535,205,651	PhP
Direct economic value distributed:		
a. Operating costs	204,611,173	PhP
b. Employee wages and benefits	59,797,697	PhP
c. Payments to suppliers, other operating costs	262,102,883	PhP
d. Taxes given to government	17,894,241	PhP
e. Interest payments to loan providers	2,155,447	PhP
f. Dividends given to stockholders	7,294,940	PhP

Direct Economic Value
Discussion on Impact, Risks, and Management Approach

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 recognizes the following risks and implements several management approaches to mitigate the identified risks.

1. Macro-environmental Risks in the Philippines

The Philippines as a developing economy, is vulnerable to various macro-environmental risks such as politics, economy, social, and technology which can affect the operations of the Company. Several issues, including the global pandemic, have plagued the country over the year which significantly affected the health of the economy as represented by the decreased GDP growth, increased unemployment, higher interest rates, greater volatility, high interest days, and low levels in the stock exchange. The health of the economy and current environmental situation may affect the financial performance of the Company.

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

3. Financial Risk

The Company relies on its relationship with key suppliers for raw materials and key products. Any material interruptions, including failure or delays in delivering the products, such as, poor infrastructure or delays in third party transit can affect the timeliness of the supply operation. These can be detrimental to the distribution channel which may cause a shortage in products thus affecting sales and growth prospects. Furthermore, the Company may not be able to find alternative distributors or suppliers on time or at all which will affect the stores. Insolvency of key suppliers or losing a relationship with key suppliers may be detrimental to the Company's competitive position. Further, considering that the Company provides affordably priced goods, it may opt to not pass along the price increase of its supplies to the consumers thus affecting its profit margins. On the other hand, any price increase passed to the consumers may adversely affect our sales and those of our franchise owners.

Discussion of Opportunities

BALAI hopes to lessen the negative impact of fluctuations in the cost of goods and disruption in supply by continuing to maintain a strong relationship with its suppliers as this allows the Company to have consistent supply of its raw materials at competitive costs. The Company also leverages on the wide network of suppliers of its affiliates to maintain an optimal level of raw material purchases. On a regular basis, the Company evaluates the major expenses relative to its operations. BALAI takes necessary actions to ensure operational efficiency.

<u>Climate-related risks and opportunities</u>

The Company's business is susceptible to natural phenomena, such as weather disturbances and other natural disasters. The Philippines, which is located along the Pacific Ring of Fire and a typhoon belt, has experienced a number of major natural catastrophes over the past years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather event, which may adversely affect the Company's business operations. At present, BALAI does not have formal climate-related risk strategies and metrics. The Company will consider adopting a formal enterprise risk management program.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100%	100%

BALAI procurements are 100% sourced locally. The company also advocates small entrepreneurs and patronizing local products and dealing with local suppliers.

Anti-corruption

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	%
Percentage of directors and management that have received anti-corruption training	N/A	%
Percentage of employees that have received anti-corruption training	N/A	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Currently, the Company does not have a specific program on Anti-corruption aside from the Whistle- Blowing Policy and Insider Trading Policy in which each employee in the organization if made aware of including the directors and officers. Over the years until the end of 2023, the Company did not have any instances of corruption within the organization. Despite the clean record on corruption, the Company strengthen employee awareness within the organization and with business partners to prevent this malicious practice from happening.

ENVIRONMENT

Resource Management

BALAI follows best practices in environmental management to manage and mitigate impacts in the environment. The Company implements waste reduction and proper waste disposal protocols to minimize adverse effects in its respective locations. Energy, Water and Supplies conservation drive and awareness have also been implemented across the organization. However, current levels of consumptions are not yet monitored by BALAI. The Company is set to gather and consolidate data of its different consumption levels and will report on these in the succeeding Sustainability Reports.

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	N/A	GJ
Energy consumption (diesel)	N/A	GJ
Energy consumption (electricity)	N/A	kWh

Reduction of energy consumption:

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	N/A	Cubic meters
Water consumption	N/A	Cubic meters
Water recycled and reused	N/A	Cubic meters

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	N/A	
• renewable	N/A	kg/liters
• non-renewable	N/A	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

Ecosystem and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha

IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

Environmental Impact Management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	N/A	Tonnes

Air pollutants

Disclosure	Quantity	Units
NO_x	N/A	kg
SO_x	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	N/A	kg
Reusable	N/A	kg
Recyclable	N/A	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	N/A	kg

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	kg

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	N/A	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	N/A	#
No. of cases resolved through dispute resolution mechanism	N/A	#

[1] International Union for Conservation of Nature

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[2]	233	#
a. Number of female employees	128	#
b. Number of male employees	105	#
Attrition rate[3]	8.11%	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
Maternity	Y	2%	0%
Sickness	Y	3%	1%
Salary Loan	Y	13%	11%
Calamity Loan	Y	0%	0%
PhilHealth	Y	3%	0%
Pag-ibig	Y	12%	10%
Parental leaves	N	0%	0%
Vacation leaves	Y	22%	14%
Sick leaves	Y	36%	24%
Medical benefits (aside from PhilHealth))	N		
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	N		
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		
(Others)			

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	88	hours
b. Male employees	88	hours
Average training hours provided to employees		
a. Female employees	88	hours/employee
b. Male employees	88	hours/employee

[2] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[3] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	24	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	54.94%	%
% of male workers in the workforce	45.06%	%
Number of employees from indigenous communities and/or vulnerable sector*	N/A	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours		Man-hours
No. of work-related injuries	4	#
No. of work-related fatalities	N/A	#
No. of work related ill-health	N/A	#
No. of safety drills	2	#

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	POLICY AND DATA RELATION TO HEALTH, SAFETY, AND WELFARE OF EMPLOYEES INCLUDING COMPANY SPONSORED TRAININGS
Child labor	N	
Human Rights	Y	POLICY AND DATA RELATION TO HEALTH, SAFETY, AND WELFARE OF EMPLOYEES INCLUDING COMPANY SPONSORED TRAININGS

The Company continues to develop its Human Resource management systems to further track developments of the department. Data on workforce activities shall be collated and reported on the succeeding sustainable report.

There are no specific company policies which disallow violation of labor laws and human rights but the Company practices professionalism in all business endeavors. The Company values the importance of a secure and safe working environment which is reflected in the Company policies. The policies imposed and followed by the Company are bounded by the Philippine law which includes protection of workers and human rights.

Supply Chain Management

BALAI considers sustainability factors and encourages its suppliers to comply to such practices The Company acknowledges the relevance of good business practices to ensure the continuity of its supply chain. Currently, the Company does not have formal guidelines on sustainable supplier engagement practices however is set to craft policies and will report on these in the succeeding Sustainability Reports.

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N/A	
Forced labor	N/A	
Child labor	N/A	
Human rights	N/A	
Bribery and corruption	Y	Business Integrity and Ethics Agreement

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

Customer Management

Currently, the Company does not formally monitor customer-relationship engagements. However, BALAI ensures quality of service to its customers through quality sold products and active customer service. The Company collects feedback from various channels and is set to consolidate data of customer interactions and will report these on succeeding Sustainability Reports.

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	N/A	#
No. of complaints addressed	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	N/A	#
No. of complaints addressed	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	N/A	#

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Fresh and healthy food and beverage	BALAI manufactures and serves fresh and healthy products which contribute to SDG 2 and 3 by promoting good health and well-being.	Mismanagement of fresh and healthy products may result to negative impacts in health upon consumption	BALAI makes sure to serve products at its optimum state always. The companies also provide specific nutritional facts and proper product maintenance to ensure the quality of the products.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*