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SEC eFast Initial Acceptance

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph> Sun, Apr 14, 2024 at 7:29 PM

Greetings!

SEC Registration No: CS200508386
Company Name: BALAI NI FRUITAS INC.
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER: TO ALL FILERS OF REPORTS IN THE e-FAST Please strictly follow the instruction stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer. 1. General Information Sheet (GIS-Stock) 2. General Information Sheet (GIS-Non-stock) 3. General Information Sheet (GIS- Foreign stock & non-stock) 4. Broker Dealer Financial Statements (BDFS) 5. Financing Company Financial Statements (FCFS) 6. Investment Houses Financial Statements (IHFS) 7. Publicly – Held Company Financial Statement 8. General Form for Financial Statements 9. Financing Companies Interim Financial Statements (FCIF) 10. Lending Companies Interim Financial Statements (LCIF) Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200508386

COMPANY NAME

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

COMPANY INFORMATION

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 ______
AFFIANT EXHIBITING TO ME
WITH VALID I.D. NO. 11 APR 2024

DOC. NO. 177
PAGE NO. 06
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

			Years Ended December 31	
	Note	**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.

Financial Assets and Liabilities

Recognition and Measurement

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

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

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

Classification

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

As at December 31, 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**

Capital Stock and APIC

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*

Terms and Conditions

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

Liquidity Risk

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

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

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

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: Category F: 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.]

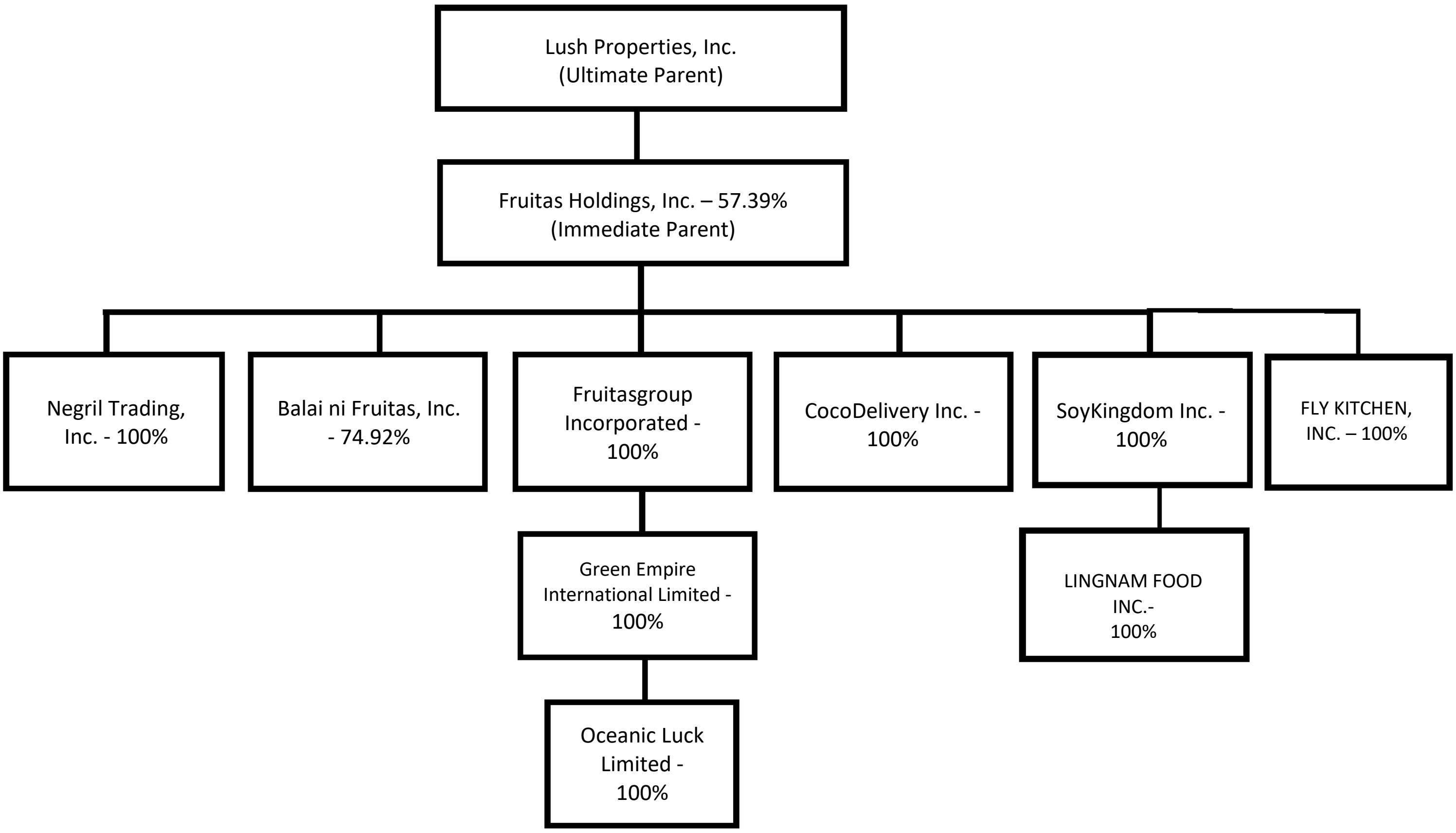
SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

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

BDO Towers Valero
8741 Paseo de Roxas
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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