

May 15, 2026



THE SECURITIES AND EXCHANGE COMMISSION

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

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

PHILIPPINE STOCK EXCHANGE

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

Attention: **Atty. Johanne Daniel M. Negre**
Officer-in-Charge, Disclosure Department

Subject: **Balai Ni Frutas Inc.: Quarterly Report Ending March 31, 2026**

Dear Sir/Madam:

We hereby submit the SEC Form 17Q for the Quarter Report ending March 31, 2026 of Balai Ni Frutas Inc. (BALAI).

Attached here is the Unaudited Financial Statement as of March 31, 2026.

Hope you find everything in order.

Thank you.

Very truly yours,

BALAI NI FRUITAS INC.

By:

Ralph Hector P. Adricula
Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended- 31 MARCH 2026
2. SEC Identification Number- CS200508386
3. BIR Tax Identification No.- 238-383-045-000
4. BALAINI FRUITAS, INC
Exact name of issuer as specified in its charter
5. QUEZON CITY, PHILIPPINES
Province, country or other jurisdiction
of incorporation
6. (SEC Use Only)
Industry Classification Code
7. 68 DATA ST. BRGY. DON MANUEL QUEZON CITY
Address of principal office
- 1113
Postal Code:
8. (02)8243-1741
Issuer's telephone number, including area code
9. N/A
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding |
|---------------------|---|
| <u>Common</u> | <u>1,495,005,000</u> |
11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No []
- If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
- PHILIPPINE STOCK EXCHANGE/COMMON SECURITIES
12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [] No []
- (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [] No []
-

SIGNATURES

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

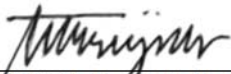
BALAI NI FRUITAS, INC.



ROGELIO M. GUADALQUIVER



LESTER C. YU
President and Chief Executive Officer



MA. TERESA B. TRUJILLO
Chief Finance Officer and Treasurer

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

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

Results of Operations for Three months ending March 2026 vs Three months ending March 2025

Key Highlights

Revenues

The Company generated revenues of ₱169.0 million for the three months ending March 31, 2026, a 5.7% or ₱9.1 million increase from the same period in 2025, which closed at ₱160.0 million. The increase was driven by stronger performance of the stores.

Cost of Sales

Cost of sales for the three months ended March 31, 2026 closed at ₱84.5 million, 7.4% or ₱6.0 million increase from the same period in 2025 which closed at ₱78.6 million. The increase is mainly attributable to the increase in revenues.

Operating Expenses

The Company's operating expenses settled at ₱67.0 million at the close of the three months of 2026, a 7.0% or a ₱4.4 million increase from the same period in 2025 which settled at ₱62.6 million. The increase was mainly attributed to the increased business volume in 2026 and expansion undertaken by the Company.

Income Tax Expense/ Benefits

From ₱3.4 million current income tax last first quarter of 2025 to ₱3.5 million income tax for the same period in 2026. Increase in Income tax for the period ending March 31, 2026 was primarily due to the increase in revenues.

Net income

Net income for the period ending March 31, 2026 closed at ₱15.2 million compared to the same period of the prior year of ₱14.9 million net income driven by the increase in revenue due to business expansion and continued same store sales growth.

Financial Condition as of MARCH 31, 2026 versus DECEMBER 2025

BALAI had consolidated total assets of ₱688.1 million as of March 31, 2026, a decrease of ₱14.2 million from the total assets of ₱702.3 million last December 31, 2025.

Cash and cash equivalents

As of end March 2026, cash and cash equivalents totaled ₱226.6 million, decreased from ₱249.3 million as of end-2025. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables were at ₱90.4 million as of March 31, 2026 compared to ₱87.8 million as of end-2025, higher by 3.0% due to increased third party trade receivables.

Inventories

As of March 31, 2026, inventories increased to ₱19.3 million, from ₱15.1 million as of end of 2025. The increase was attributed to the Company's continuous opening of stores.

Property and Equipment

Consolidated net property and equipment stood at ₱217.5 million as of March 31, 2026. Acquisition of property and equipment for the last three months of the year reached ₱11.4 million, which was invested in the transfer of land, building of new stores, new store equipment and additional transportation equipment.

Intangible assets

Intangible assets stood at ₱9.2 million for the period ending March 31, 2026.

Trade and other payables

Trade and other payables decreased by 15.0% for the period ending March 31, 2026 to ₱22.9 million driven by the payment of trade payables for the purchase of inventories towards the end of 2025.

Equity

As of March 31, 2026, the Company's consolidated equity increased to ₱599.9 million from ₱584.7 million as of end-2025 which was driven by the net income generated in the first quarter of 2026.

Cash Flow Summary

Net cash provided by operating activities amounted to ₱12.1 million for the three months of 2026.

Net cash used in investing activities was ₱5.5 million for the three months of 2026, driven by CAPEX.

Net cash used in financing activities was ₱29.3 million for the three months of 2026, as a result of payment of promissory notes.

	Interim Three Months Ended March 31, 2026	Interim Three Months Ended March 31, 2025
Revenue Growth	5.7%	10.5%
Gross Profit Margin	50.0%	50.8%
Net Income (in million)	15.2	14.9
	As of March 2026	As of December 2025
Current Ratio	6.04x	4.55x
Debt to Equity Ratio	14.7%	20.0%

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 5 0 8 3 8 6

COMPANY NAME

B A L A I N I F R U I T A S , I N C . D o i n g b u s i n e s s u
n d e r t h e n a m e s a n d s t y l e s o f B a l a i P a n d
e s a l , B u k o N i F r u i t a s a n d F r u i t a s H o u s e
o f D e s s e r t s , (F o r m e r l y B u k o n i F r u i t a s
, I n c .) [A S u b s i d i a r y o f F R U I T A S H O L D I N
N G S , I N C .]

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

6 8 D a t a S t . B r g y . D o n M a n u e l , Q u e z o n C i
t y , P h i l i p p i n e s

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

ipo.compliance@balainifruitas.com

Company's Telephone Number/s

(02) 8-243-1741

Mobile Number

09156427243

No. of Stockholders

81

Annual Meeting (Month / Day)

Third Monday of June

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Madelene Timbas-Sayson

Email Address

madelene.sayson@fruitasholdings.com

Telephone Number/s

(02) 8-243-1741

Mobile Number

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.

BALAI NI FRUITAS INC.
(A Subsidiary of FRUITAS HOLDINGS, INC.)

STATEMENTS OF FINANCIAL POSITION

	Note	Mar 2026	Dec 2025
ASSETS			
Current Assets			
Cash and cash equivalents	5	P226,601,554	P249,347,047
Financial assets at fair value through profit or loss (FVPL)	6	13,177,478	10,636,272
Trade and other receivables	7	90,361,820	87,752,192
Due from related parties	21	67,694,094	73,610,440
Inventories	8	19,337,526	15,127,104
Other current assets	9	25,434,377	19,920,213
Total Current Assets		442,606,849	456,393,268
Noncurrent Assets			
Property and equipment	10	217,504,499	216,535,985
Right-of-use (ROU) assets	23	15,584,194	16,919,166
Intangible assets	4	9,247,150	9,247,150
Rental deposits	23	2,279,111	2,279,111
Deferred tax assets	24	898,045	898,045
Total Noncurrent Assets		245,512,999	245,879,457
		P688,119,848	P702,272,725
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	P 22,944,314	P27,000,181
Current portion of:			
Notes payable	12	24,583,333	53,300,000
Lease liabilities	23	4,552,218	4,552,218
Mortgage payable	13	2,988,869	854,309
Income tax payable		18,185,442	14,676,594
Total Current Liabilities		73,254,176	100,383,302
Noncurrent Liabilities			
Noncurrent portion of:			
Lease liabilities	23	12,341,017	13,512,528
Notes payable	12	-	833,333
Mortgage payable	13	-	423,176
Retirement benefits liability	14	2,659,379	2,446,600
Total Noncurrent Liabilities		15,000,396	17,215,637
Total Liabilities		88,254,572	117,598,939

(Forward)

	Note	Mar 2026	Dec 2025
Equity			
Capital stock	15	₱74,750,250	₱74,750,250
Additional paid-in capital	15	286,843,181	286,843,181
Retained earnings		238,063,841	222,872,352
Other comprehensive income (loss)	14	208,003	208,003
Total Equity		599,865,275	584,673,786
		₱688,119,848	₱702,272,725

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS INC.
(A Subsidiary of FRUITAS HOLDINGS, INC.)

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Quarters Ended March 31	
		2026	2025
REVENUE	16	₱ 169,013,320	₱159,908,903
DIRECT COSTS	17	(84,495,334)	(78,643,129)
GROSS PROFIT		84,517,985	81,265,775
SELLING AND DISTRIBUTION EXPENSES	18	(59,788,045)	(55,984,555)
GENERAL AND ADMINISTRATIVE EXPENSES	19	(7,223,415)	(6,610,976)
INTEREST INCOME	5	1,601,632	573,695
INTEREST EXPENSE	12	(841,685)	(948,661)
OTHER INCOME	20	433,865	(9,241)
INCOME BEFORE INCOME TAX		18,700,338	18,286,036
PROVISION FOR (BENEFIT FROM) INCOME TAX	24		
Current		3,508,848	3,431,110
Deferred		-	-
		3,508,848	3,431,110
NET INCOME		15,191,490	14,854,926
OTHER COMPREHENSIVE INCOME			
<i>Not to be reclassified subsequently to profit or loss -</i>	14		
Remeasurement gain on retirement benefits liability, net of deferred tax		-	-
TOTAL COMPREHENSIVE INCOME		₱ 15,191,490	₱ 14,854,926
BASIC EARNINGS PER SHARE	22	₱0.010	₱0.010

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS INC.
(A Subsidiary of FRUITAS HOLDINGS, INC.)

STATEMENTS OF CHANGES IN EQUITY

	Note	Quarters Ended March 31	
		2026	2025
CAPITAL STOCK	15	₱74,750,250	₱74,750,250
ADDITIONAL PAID-IN CAPITAL	15	286,843,181	286,843,181
RETAINED EARNINGS			
Balance at beginning of year		222,872,352	159,023,098
Net income		15,191,490	14,854,926
Cash dividends	15	-	-
Balance at end of year		238,063,842	173,878,024
OTHER COMPREHENSIVE INCOME (LOSS)	14		
Cumulative remeasurement gains (losses) on retirement benefits liability, net of deferred tax			
Balance at beginning of year		208,003	(200,155)
Remeasurement gain		-	-
Balance at end of year		208,003	(200,155)
		₱599,865,275	₱460,055,460

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS INC.
(A Subsidiary of FRUITAS HOLDINGS, INC.)

STATEMENTS OF CASH FLOWS

	Note	Quarters Ended March 31	
		2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱18,700,338	₱18,286,036
Adjustments for:			
Depreciation and amortization	10	11,788,689	11,034,437
Interest income	5	(1,601,632)	(573,695)
Interest expense	12	841,685	948,661
Changes of financial assets at FVPL	20	(2,541,206)	(792,564)
Retirement benefits cost	14	212,779	150,000
Dividend income	6		-
Operating income before working capital changes		27,400,652	29,052,875
Decrease (increase) in:			
Trade and other receivables		(2,609,628)	(2,301,975)
Inventories		(4,210,422)	(1,680,000)
Other current assets		(5,514,164)	(17,395,720)
Rental deposits		-	-
Increase (decrease) in trade and other payables		(4,055,867)	(4,713,943)
Net cash generated from operations		11,010,571	2,961,237
Income tax paid		-	-
Interest received		1,601,632	(467,114)
Interest paid		(543,861)	573,695
Retirement benefit paid		-	-
Net cash provided by operating activities		12,068,343	3,067,818
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	10	(11,422,231)	(3,616,929)
Intangible assets			-
Due from related parties	21	5,916,346	(500,000)
Proceeds from redemptions of financial assets			
at FVPL	6		-
Dividends received	6	-	-
Collections of note receivable		-	-
Net cash used in investing activities		(5,505,885)	(4,116,929)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	12	(49,550,000)	(25,250,000)
Lease liabilities	23	(1,469,335)	(2,992,768)
Cash dividends	15	-	-
Mortgage payable	13	(1,088,616)	(173,561)
Due to related parties	25	-	-
Availment of Mortgage Loan		2,800,000	
Proceeds from issuance of notes payable	12	20,000,000	-
Net cash provided by (used in) financing activities		(29,307,951)	28,416,329

(Forward)

		Quarters Ended March 31	
	Note	2026	2025
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		₱(22,745,493)	(₱29,465,439)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		249,347,047	273,151,441
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱226,601,554	₱243,686,002

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS INC.
(A Subsidiary of FRUITAS HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2026 AND 2025
AND FOR THE YEAR ENDED DECEMBER 31, 2025

1. General Information

Corporate 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 business of processing, manufacturing, packaging, servicing, repacking, marketing, buying, selling, trading, or otherwise dealing in, (on wholesale and/or to the extent allowed under Philippine law, on retail basis) wet and dry goods such as fresh fruit drinks, baked goods and other related products, and conduct, maintain, and carry on the general business of bakery, restaurant, cafeteria, kiosk, supermarket, and any articles of food products; and to engage in such other activities as may be reasonably incidental to or necessary in connection with the conduct of the business of the corporation as aforementioned.

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

The Company is 74.92% owned subsidiary of FRUITAS HOLDINGS, INC. (FHI or the Parent Company), a company incorporated and domiciled in the Philippines, whose shares of stock are listed and traded in the PSE. FHI is primarily engaged in investing, holding and owning real and personal properties of any kind. The Ultimate Parent of the Company is Lush Properties, Inc., an entity incorporated in the Philippines and is engaged in leasing or 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.

2. Summary of Material Accounting Policy Information

The material accounting policy information that have been 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) Accounting Standards. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including the SEC pronouncements.

Measurement Bases

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

The financial statements of the Company have been prepared on the historical cost basis of accounting except for financial assets at FVPL which are measured at fair value, and retirement benefits liability and lease liabilities which are 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 valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Further information about the assumptions made in measuring fair value are included in the following notes to financial statements:

- Note 6, Financial Assets at FVPL
- Note 27, Fair Value Measurement

Adoption of Amendments to PFRS Accounting Standards

The adoption of the amendments to PFRS Accounting Standards that took effect in 2025 did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective or Adopted

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have not been applied in preparing the financial statements, are summarized below:

Effective for annual periods beginning on or after January 1, 2027 -

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS Accounting Standards 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 account in the statements of comprehensive income.

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 statements 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 Accounting Standards. 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 on 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 statements of comprehensive income in the year of acquisition.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements 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 FVPL, includes transaction costs.

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

As at March 31, 2026 and December 31, 2025, the Company does not have financial assets at FVOCI and financial liabilities at FVPL.

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

- The financial assets are 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 assets 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, impaired or through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2026 and December 31, 2025, the Company’s cash and cash equivalents, trade and note receivables (presented as part of “Trade and other receivables” account), due from related parties and construction bond (presented as part of “Other current assets” account) are classified under this category.

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 assets and is included as part of "Others" under "Other income" account in the statements of comprehensive income.

The Company's investments in quoted shares listed in the PSE 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. Financial liabilities at amortized cost are included under current liabilities if maturity is within 12 months after the reporting period. Otherwise, these are classified as noncurrent liabilities.

As at March 31, 2026 and December 31, 2025, the Company's trade and other payables (excluding statutory payables), notes payable, lease liabilities and mortgage payable 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).

Impairment of Financial Assets at Amortized Cost

The Company records an allowance for expected credit losses (ECL) which is 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 (presented as part of "Trade and other receivables" account), 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, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that results from default events on the financial assets 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 the financial assets has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial assets as at the reporting date with the risk of a default occurring on the financial assets 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.

The Company considers financial assets to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions. In assessing whether a borrower is in default, the Company considers qualitative and quantitative factors.

Derecognition of Financial Assets and Liabilities

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 of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements 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 statements of financial position.

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. Otherwise, the financial instrument is classified as equity.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of inventories includes all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out method.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amounts are reduced to its NRV. NRV is determined as the probable selling price to willing buyers as at reporting date. Impairment loss is recognized immediately in profit or loss. When the circumstances that previously caused inventories to be impaired no longer exist, or when there is clear evidence of an increase in NRV because of changed economic circumstances, the entity shall reverse the amount of the impairment. The amount of reversal of any write-down of inventories is recognized in profit or loss.

When inventories are sold, the carrying amount of those inventories are recognized in profit or loss in the period in which the related revenue is recognized.

Rental Deposits and Advance Rentals

Rental deposits and advance rentals pertain to amounts paid in advance by the Company to the lessors which will be applied against unpaid rentals, utilities and other charges upon the expiration of the lease term. These are recognized at transaction price including transaction costs and subsequently measured at face amount less any impairment in value. Rental deposits are included under current assets if realizability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Property and Equipment

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

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property and equipment:

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

The assets' estimated useful lives and depreciation and amortization method are reviewed annually, and adjusted prospectively, as appropriate, if there is an indication of a significant change since the last reporting date.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization, and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized 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 Balai Pandesal and Sugarhouse brands, practices, recipes and supply chain. The cost of intangible assets 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 lives of the brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are 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 lives of intangible assets with indefinite lives are reviewed annually to determine whether the indefinite lives assessment continues to be supportable. If not, the change in the useful lives assessment from indefinite to finite is made on a prospective basis.

The Relief-from-Royalty method was used in the valuation of brand names at initial recognition and for impairment testing. Under this method, the value of an intangible asset is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the asset, as compared with licensing the intangible asset from a third party. The hypothetical royalty payments are adjusted for tax and discounted to present value at the valuation date. Conceptually, the method may also be viewed as a discounted cash flow method applied to the cash flow that the owner of the intangible asset could receive through licensing the intangible asset to third parties.

Impairment of Nonfinancial Assets

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an orderly transaction between market participants less the costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash 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. If that is the case, 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 (in the case of 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 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 and paid.

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 Income (Loss). Other comprehensive income (loss) pertains to the cumulative remeasurement gains and losses on the Company's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurement on retirement benefits liability and the corresponding deferred tax component are recognized immediately in other comprehensive income and are included under equity. This will not be reclassified subsequently to profit or loss.

Earnings Per Share

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

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

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

Sale of Goods. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed on to the customer.

Franchise Fees. Franchise fees pertain to initial franchise and continuing royalty fees. Initial franchise fee is recognized upon opening of a store when the Company has performed substantially all of the performance obligations required under the franchise agreement. Royalty fee is recognized in the period earned.

Interest Income. Interest income is recognized as it accrues, net of final tax, using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

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.

Direct Costs. Direct costs are costs directly related to the production and sale of goods and are recognized as expense when the related goods are sold or the related services are rendered.

Selling and Distribution Expenses. Selling and distribution expenses constitute costs of selling and marketing the goods. These are expensed when incurred.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed when incurred.

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

Employees' Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefits cost 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 retirement benefits liability is performed regularly by a qualified actuary.

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

The Company determines the interest cost 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 will not be 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

At the commencement date, the Company recognizes right-of-use (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. ROU assets are recognized under the same basis with property and equipment 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 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 is the expected tax payable on the taxable income for the year, using the tax rate enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is recognized on all temporary differences at the reporting date between the carrying amount of the assets and liabilities in the financial statements and their corresponding tax bases.

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 sufficient future 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 future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws in effect at 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 other comprehensive income.

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

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

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

Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements. These 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 disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, accounting estimates and assumptions 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 accounting 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, accounting estimates and assumptions made by the Company:

Accounting for Business Combination. At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets. In May 2024, the Company accounted for the acquisition of the assets of Sugarhouse from Golden Spatula Corporation (GSC) 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 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 accounting estimates and assumptions concerning the determination of the fair values of acquired property and equipment, intangible asset and inventories, as well as liabilities assumed at the acquisition date. There is also a requirement to determine the useful lives of the acquired property and equipment and intangible asset. The valuations are based on information available at the acquisition date. The Company's acquisitions have resulted in the recognition of an intangible asset with indefinite life.

The Company recognizes a gain on a bargain purchase when the fair value of the net assets acquired exceeds the consideration transferred. Such gain is recognized in the statements of comprehensive income in the year of acquisition.

Details and information on the Company's business combination transactions are 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:

- Similar nature of products or services offered and methods to distribute products and provide services;
- Similar class of target customers; and

- Primary place of operations is in the Philippines.

Revenue in 2026 and 2025 is disclosed in Note 16.

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

For franchise fees, 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.

Revenue in 2026, and 2025 is disclosed in Note 16.

Classifying Lease Agreements - Company as a Lessee. The Company has entered into commercial property leases for its store spaces and warehouses. For the Company's non-cancellable leases, 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 as at March 31, 2026 and December 31, 2025 and the lease-related transactions charged to operations in 2026 and 2025 are disclosed in Note 23.

Estimating 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, incremental borrowing rate and the term of each lease agreement. The Company determined that the implicit rate in the lease agreements is not readily available and used the incremental borrowing rate instead to determine the present value of ROU assets and lease liabilities. The Company estimated the incremental borrowing rate using observable inputs available.

The carrying amounts of ROU assets and lease liabilities as at March 31, 2026 and December 31, 2025 and the incremental borrowing rates used in the recognition of ROU assets and lease liabilities are disclosed in Note 23.

Assessing ECL on Financial Assets at Amortized Cost. The Company estimates ECL on trade receivables (presented as part of "Trade and other receivables" account) based on specific valuation of accounts and where the Company has information that the counter parties are unable to meet their financial obligations. In these cases, the use of estimate is based on the best available facts and circumstances, including but not limited to, the length of relationship with the counter parties and known market factors, to record specific reserves against the amount of trade receivables and to reduce the amount that is expected to be collected.

For other financial assets at amortized cost, the PFRS 9 impairment requirements did not result to significant credit risk primarily because the Company transacts with reputable counterparties that possess good credit ratings.

No provision for ECL on financial assets at amortized cost was recognized in 2026 and 2025.

The carrying amounts of the Company's financial assets at amortized cost as at March 31, 2026 and December 31, 2025 are disclosed in Notes 5, 7, 9 and 21.

Determining NRV of Inventories. The Company writes down inventories to NRV whenever the NRV of the inventories becomes lower than cost due to physical deterioration, changes in price levels or other causes. Management reviews the NRV of inventories on a regular basis.

As at March 31, 2026 and December 31, 2025, the cost of inventories is lower than NRV.

No inventory write-down was recognized by the Company in 2026 and 2025.

Inventories carried at cost as at March 31, 2026 and December 31, 2025 are disclosed

in Note 8.

Estimating Useful Lives of Property and Equipment. The useful lives of property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed and updated if expectations differ from previous estimates.

There were no changes in the estimated useful lives of property and equipment in 2026 and 2025.

The carrying amount of depreciable and amortizable property and equipment as at March 31, 2026 and December 31, 2025 and the related depreciation and amortization in 2026, and 2025 are disclosed in Note 10.

Assessing Impairment of Nonfinancial Assets. The Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount 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 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 value in use, 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 assessed for impairment annually and more frequently, when circumstances indicate that the carrying amount may be impaired.

No impairment loss on nonfinancial assets was recognized in 2026 and 2025.

The carrying amounts of the Company's nonfinancial assets as at March 31, 2026 and December 31, 2025 are disclosed in Notes 4, 7, 9, 10, and 23.

Estimating Retirement Benefits Liability. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees and incorporates assumptions concerning employees' projected salaries and use of discount rates. The management believes that the estimation made is reasonable of future retirement obligations. These assumptions are disclosed in Note 14.

Retirement benefits cost and remeasurement gain recognized in profit or loss and other comprehensive income, respectively, in 2026, and 2025, and the carrying amount of retirement benefits liability as at March 31, 2026 and December 31, 2025 are disclosed in Note 14.

Recognizing Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date is reviewed and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenue and expenses.

4. Accounting for Business Combination

Sugarhouse

In May 2024, the Company acquired the assets and the brand name Sugarhouse from GSC. The acquisition was completed following the execution of Deeds of Absolute Sale of Assets and the payment of the related consideration amounting to ₱9.0 million. Under the agreement, the Company acquired the trademark, recipes and other technical know-how relating to Sugarhouse business, leasehold improvements, certain equipment, inventories, among others. Consequently, the business combination resulted in a gain on bargain purchase amounting to ₱5.2 million, as the fair values of the assets acquired exceeded the total consideration by the same amount (see Note 20).

The following are the fair values of the identifiable assets acquired at the acquisition date:

Intangible asset	₱6,247,150
Leasehold improvement and equipment	5,760,000
Inventories	1,200,000
Transportation equipment	1,000,000
	<u>₱14,207,150</u>

The fair value of the Sugarhouse brand was determined using the Relief-from-Royalty method. Under this method, the value of the brand is estimated by reference to the present value of the hypothetical royalty payments that would be saved through owning the asset, rather than licensing it from a third party.

Key assumptions used in the fair value determination at the acquisition date includes royalty rate of 1% based on observed market transactions for comparable brands in the food and beverage industry, revenue projections over a five-year period based on management's expectations for the brand, long-term growth rate of 5% for terminal value calculation, consistent with industry averages and post-tax discount rate of 12.7% reflecting the time value of money and the specific risks related to the asset.

The fair value measurement is categorized as Level 3 in the fair value hierarchy due to the significance of unobservable inputs used in the valuation.

Leasehold improvement and equipment and inventories were valued using market comparison and cost approaches, adjusting for physical condition, remaining useful life, and costs to complete or sell.

Balai Pandesal

The Company acquired the brand name Balai Pandesal from Balai Pandesal Corp. for a consideration of ₱3.0 million. The fair value of the acquired brand name was assessed to be equal to the consideration paid.

5. **Cash and Cash Equivalents**

This account consists of:

	2026	2025
Cash on hand	₱1,496,970	₱1,497,470
Cash in banks	126,248,259	121,652,473
Cash equivalents	98,856,325	126,197,104
	₱226,601,554	₱249,347,047

Cash in banks earn interest at the prevailing respective bank deposit rates and are immediately available for use in the current operations.

Cash equivalents are short-term placements made for three (3) months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term placement rates ranging from 5.00% to 5.45% in 2026 and 2025.

6. Financial Assets at FVPL

Investments in quoted shares listed in the PSE are held for trading. Accordingly, these have been classified as financial assets at FVPL.

Movements and balances in this account are as follows:

	Note	2026	2025
Balance at beginning of year		₱10,636,272	₱11,945,818
Reclassification from receivables		2,541,206	-
Redemptions		-	(3,038,668)
Unrealized gain from fair value changes	20	-	1,729,122
Balance at end of year		₱13,177,478	₱10,636,272

Dividend income earned from financial assets at FVPL amounted to ₱0.7 million in 2025.

Various financial assets at FVPL were redeemed for ₱3.2 million and ₱4.4 million in 2025 and 2024, respectively, resulting to a gain of ₱0.2 million in 2025 and loss of ₱13,706 in 2024.

Any dividend income from and gain or loss on the redemptions of financial assets at FVPL in 2025, 2024 and 2023 are included as part of "Others" under "Other income" account in the statements of comprehensive income.

7. Trade and Other Receivables

This account consists of:

	Note	2026	2025
Trade receivables		₱50,361,820	₱47,460,919
Note receivable	21	40,000,000	40,000,000
Advances to officers and employees		-	291,273
		₱90,361,820	₱87,752,192

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

Advances to officers and employees represent the cash advances and operations' revolving fund. These are non-interest-bearing and are normally settled through salary deductions and liquidations within one (1) year.

Below is the Aging of Receivables:

As at March 2026					
	Total	Neither past Due of impaired	Less than one year	One year and over	Past Due and Impaired
Trade receivables	50,361,820	39,785,838	10,575,982		-
Notes receivable	40,000,000	40,000,000	-		-
	90,361,820	79,785,838	10,575,982	-	-

As at December 2024					
	Total	Neither past Due of impaired	Less than one year	One year and over	Past Due and Impaired
Trade receivables	47,460,919	41,291,000	6,169,919		-
Notes receivable	40,000,000	40,000,000			-
Other receivable	291,273	291,273	-		-
	87,752,192	81,582,273	6,169,919	-	-

8. Inventories

This account consists of:

	2026	2025
At cost:		
Food and beverages	₱12,962,027	₱10,265,468
Store supplies and others	6,375,499	4,861,636
	₱19,337,526	₱15,127,104

As at March 31, 2026 and December 31, 2025, the cost of inventories is lower than the NRV.

Cost of inventories charged to operations in 2026 and 2025 is disclosed in Note 17.

9. Other Current Assets

This account consists of:

	Note	2026	2025
Rental deposits	23	₱18,300,391	₱18,414,537
Advance rentals	23	1,504,000	1,282,608
Construction bond		223,068	223,068
Prepayments		2,288,870	-
Others		3,118,048	
		₱25,434,377	₱19,920,213

10. Property and Equipment

The movements and balances in this account are as follows:

	2026						Total
	Land	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Store Equipment	Office Equipment	
Cost							
Balances at beginning of year	₱119,683,626	₱40,522,320	₱37,985,342	₱78,144,418	₱56,671,708	₱1,768,131	₱334,775,545
Additions	–	2,179,382	5,442,495	372,635	3,352,720	75,000	11,422,231
Balances at end of year	119,683,626	42,701,702	43,427,837	78,517,053	60,024,428	1,843,131	346,197,776
Accumulated Depreciation and Amortization							
Balances at beginning of year	–	12,721,775	16,446,004	57,542,620	30,758,272	770,889	118,239,560
Depreciation and amortization	–	2,368,425	1,979,603	2,735,500	3,250,977	119,212	10,453,717
Balances at end of year	–	15,090,200	18,425,607	60,278,120	34,009,249	890,101	128,693,277
Carrying Amount	₱119,683,626	₱27,611,502	₱25,002,230	₱18,238,933	₱26,015,179	₱953,030	₱217,504,499

	2025						Total
	Land	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Store Equipment	Office Equipment	
Cost							
Balances at beginning of year	₱119,683,626	₱15,044,475	₱32,348,300	₱70,476,292	₱36,417,796	₱713,526	₱274,684,015
Additions	–	25,477,845	5,637,042	7,668,126	20,253,912	1,054,605	60,091,530
Balances at end of year	119,683,626	40,522,320	37,985,342	78,144,418	56,671,708	1,768,131	334,775,545
Accumulated Depreciation and Amortization							
Balances at beginning of year	–	7,142,674	9,716,219	45,634,463	21,451,646	471,750	84,416,752
Depreciation and amortization	–	5,579,101	6,729,785	11,908,157	9,306,626	299,139	33,822,808
Balances at end of year	–	12,721,775	16,446,004	57,542,620	30,758,272	770,889	118,239,560
Carrying Amount	₱119,683,626	₱27,800,545	₱21,539,338	₱20,601,798	₱25,913,436	₱997,242	₱216,535,985

In 2026, the Company obtained a mortgage loan from a local commercial bank to finance its acquisition of transportation equipment amounting to ₱2.8 million (see Note 13). The acquired transportation equipment serves as collateral for the outstanding balance of the mortgage payable.

Depreciation and amortization are summarized as follows:

	Note	Mar 2026	Mar 2025
Property and equipment		₱10,453,717	₱ 8,041,669
ROU assets	23	1,334,972	2,992,768
		₱11,788,689	₱11,034,437

Depreciation and amortization are charged to operations as follows:

	Note	Mar 2026	Mar 2025
Selling and distribution expenses	18	₱11,669,477	₱10,985,497
General and administrative expenses	19	119,212	48,940
		₱11,788,689	₱11,034,437

Fully depreciated items of property and equipment that are still being used by the Company amounted to ₱46.1 million and ₱27.6 million as at December 31, 2025 and 2024, respectively.

11. Trade and Other Payables

This account consists of:

	Note	2026	2025
Trade payables		₱12,200,030	₱10,331,366
Statutory payables		8,272,091	10,242,475
Accrued expenses		2,335,432	6,289,579
Due to related parties	21	136,761	136,761
		₱22,944,314	₱27,000,181

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

Statutory payables pertain to obligations to the government agencies which are normally settled in the following month.

12. Notes Payable

Short-term

The Company issued unsecured promissory notes to various local banks. The notes bear annual interest rates ranging from 5.80% to 6.25% in 2025 and from 6.25% to 7.00% in 2024. The notes have maturities ranging from 30 to 180 days, with varying maturity dates extending until 2026. The proceeds from these notes were used to support the Company's working capital requirements.

The details of the short-term notes are as follows:

	2026	2025
Balance at beginning of year	₱48,300,000	₱32,300,000
Availments	20,000,000	40,000,000
Payments	(48,300,000)	(24,000,000)
Balance at end of year	₱20,000,000	₱48,300,000

Long-term

In 2024, the Company issued an additional unsecured promissory note amounting to ₱15.0 million. The note bears annual interest rates ranging from 5.75% to 6.25% in 2025 and 2024. The note requires monthly installment payments of ₱0.4 million and is expected to mature fully in 2027. The details of the long-term note are as follows:

	2026	2025
Balance at beginning of year	₱5,833,333	₱ 10,833,333
Availments	-	-
Payments	(1,250,000)	(5,000,000)
Balance at end of year	4,583,333	5,833,333
Less current portion	4,583,333	5,000,000
Noncurrent portion	₱-	₱ 833,333

13. Mortgage Payable

In 2026, the Company obtained a mortgage loan from a local commercial bank to finance its acquisition of transportation equipment. The mortgage bears an interest rate of 11.75% per annum. This mortgage is payable on a monthly installment basis of ₱64,239 and is expected to mature in February 2029.

The movements and balances in this account are as follows:

	Note	2026	2025
Balance at beginning of year		₱1,277,485	₱1,995,701
Availments	10	2,800,000	
Payments		(1,088,616)	(718,216)
Balance at end of year		2,988,869	1,277,485
Less current portion		394,208	854,309
Noncurrent portion		₱2,594,661	₱ 423,176

14. Retirement Benefits Liability

The Company's retirement plan is unfunded and noncontributory 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, 2025.

The components of retirement benefits cost presented as part of "General and administrative expenses" account in the statements of comprehensive income are as follows (see Note 19):

	2026	2025
Current service cost	₱212,779	₱150,000
Interest cost	-	-
	₱212,779	₱150,000

The changes in the present value of the retirement benefits liability are as follows:

	2026	2025
Balance at beginning of year	₱2,446,600	₱2,091,964
Retirement benefits cost	212,779	898,847
Remeasurement gain:		
Experience adjustments	-	(377,133)
Changes in financial assumptions	-	(167,078)
Balance at end of year	₱2,659,379	₱2,446,600

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2025	2024
Discount rate	6.55%	6.17%
Future salary increases	3.00%	3.00%

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	2025	2024
Discount rate	+1%	(P382,723)	(P330,241)
	-1%	472,712	413,652
Salary increase rate	+1%	498,221	434,633
	-1%	(406,967)	(350,201)

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

	2025	2024
Less than one year	P93,394	P387,048
One year to less than 10 years	786,534	487,054
More than 10 years	73,263,953	41,391,509

The average duration of the retirement benefits liability as at December 31, 2025 and 2024 is 22.5 years and 22.4 years, respectively.

The cumulative remeasurement gains (losses) on retirement benefits liability classified as “Other comprehensive income (loss)” account in the statements of financial position is as follows:

	2025		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax	Net
Balance at beginning of year	(P266,874)	(P66,719)	(P200,155)
Remeasurement gain	544,211	136,053	408,158
Balance at end of year	P277,337	P69,334	P208,003

	2024		
	Cumulative Remeasurement Losses	Deferred Tax	Net
Balance at beginning and end of year	(P266,874)	(P66,719)	(P200,155)

The plan exposes the Company to the following risks:

- Salary risk - any increase in the retirement plan participants’ salary will increase the retirement benefits liability;
- Longevity risk - any increase in the plan participants’ life expectancy will increase the retirement benefits liability; and

- Interest rate risk - a decrease in discount rate will increase the present value of retirement benefits liability.

15. Equity

Capital Stock

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

	Number of Shares			Amount		
	2026	2025	2024	2026	2025	2024
Authorized Capital Stock - P=0.05						
Balance at beginning and end of year	1,500,000,000	1,500,000,000	1,500,000,000	P=75,000,000	=P75,000,000	=P75,000,000
Issued and Outstanding - P=0.05						
Balance at beginning and end of year	1,495,005,000	1,495,005,000	1,495,005,000	P=74,750,250	=P74,750,250	=P74,750,250

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 APIC 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.

As at March 31, 2026 and December 31, 2025, 1,495,005,000 common shares are listed on the PSE.

APIC

APIC 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 as at December 31, 2022	₱96,532,500
Add proceeds in excess of par value	211,250,000
Less IPO expenses charged against APIC	(20,939,319)
Balance as at March 31, 2026 and December 31, 2025	₱286,843,181

IPO-related expenses were charged as follows:

APIC	₱20,939,319
General and administrative expenses	2,760,681
	₱23,700,000

Retained Earnings

The Company's BOD declared the following cash dividends:

Date of Declaration	Stockholders of Record	Date of Payment	Amount Declared	
			Per Share	Total
June 13, 2025	June 27, 2025	July 10, 2025	₱0.005	₱7,475,025
October 23, 2024	October 24, 2024	November 8, 2024	0.005	7,475,025
May 17, 2023	May 31, 2023	June 26, 2023	0.005	7,294,940

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.

The public ownership is 24.59% as at March 31, 2026 and December 31, 2025.

The total number of stockholders of the Company is 79 as at March 31, 2026.

16. Revenue

This account consists of:

	2026	2025
Sale of goods	₱169,013,320	₱159,673,004
Franchise fees	-	235,899
	₱169,013,320	₱159,908,903

17. Direct Costs

This account consists of:

	2026	2025
Direct materials	₱ 82,383,860	₱78,643,129
Other direct costs	2,111,474	
	-	-
	₱ 84,495,334	₱ 78,643,129

18. Selling and Distribution Expenses

This account consists of:

	Note	2026	2025
Salaries, wages and other employees' benefits		₱14,009,859	₱14,187,932
Rental	23	11,867,041	10,443,907
Utilities		6,707,289	6,562,334
Outside services		4,914,475	4,654,379
Service fees		3,424,783	3,461,959
Advertisement		2,953,814	2,824,791
Depreciation and amortization	10	11,669,477	10,985,497
Transportation and travel		1,252,042	1,354,831
Repairs and maintenance		784,040	619,619
Management fees		910,113	-
Insurance		525,146	208,286
Others		769,966	681,020
		₱59,788,045	₱55,984,555

Management fees include the Company's agreements with third-party service providers for store operations management subject to monthly fees.

19. General and Administrative Expenses

This account consists of:

	Note	2026	2025
Depreciation and amortization	10	₱ 119,212	₱ 48,940
Salaries, wages and other employees' benefits		3,500,000	3,000,000
Taxes and licenses		795,544	985,963
Management fees		1,339,286	1,339,286
Office supplies			-
Professional fees		671,735	464,679
Retirement benefits cost	14	212,779	150,000
Others		584,860	622,109
		₱7,223,415	₱6,610,976

20. Other Income

This account consists of:

	Note	2026	2025
Unrealized gain from fair value changes of financial assets at FVPL	6	₱ -	₱ -
Gain on pre-termination of leases	23	-	-
Gain on bargain purchase	4	-	-
Others		433,865	(9,241)
		₱ 433,865	₱(9,241)

Others include dividend income from and gain or loss on the redemptions of financial assets at FVPL, cash overages from outlets and other miscellaneous income.

21. Related Party Transactions

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

	2026	2025
Due from related parties	67,694,094	73,610,440

No provision for ECL was recognized on trade and note receivables, and due from related parties in 2026 and 2025.

Terms and Conditions

Outstanding balances, except for trade payables that are generally settled on a 15 to 30-day term, are unsecured, noninterest-bearing and are collectible and 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 realizability or collectability of the account is undertaken each financial year through examining financial position of the related parties and the market in which the related parties operate.

Note Receivable

The Company's note receivable is unsecured and collectible in cash upon demand. This note bears an interest rate of 5.00% per annum and is collectible monthly. The note was rolled over for another year with the same terms in 2026 and 2025.

Due from Related Parties

Due from related parties, in the form of cash advances are unsecured, noninterest-bearing and are collectible in cash upon demand.

22. Earnings Per Share

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

	2026	2025
Net income	₱15,191,490	₱14,854,926
Weighted average number of outstanding common shares	1,495,005,000	1,495,005,000
	₱0.010	₱0.010

The Company has no dilutive potential share in 2026 and 2025.

23. Significant Agreements

Company as a Lessee - Short-term Leases

The Company entered into several lease agreements with third parties for its store spaces for varying periods of up to one year and renewable annually. 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 rental, whichever is higher. Lease agreements are generally renewable through a notice of lease renewal and upon mutual agreement with the lessors.

The rental deposits and advance rentals as at March 31, 2026 and December 31, 2025, which will be applied against unpaid rentals, utilities and other charges upon expiration of the lease term are disclosed in Note 9.

Rental expense charged to operations in 2026 and 2025, is disclosed in Note 18.

Company as a Lessee - Long-term Leases

The Company has existing several non-cancellable lease agreements with third parties for its outlet and commissary spaces for a period of three years subject to renewal.

The movements and balances in ROU assets are as follows:

	Note	2026	2025
Cost			
Balance at beginning of year		₱24,089,074	₱23,315,882
Additions		-	17,328,601
Retirement		-	(16,227,690)
Pre-termination		-	(327,719)
Balance at end of year		24,089,074	24,089,074
Accumulated Amortization			
Balance at beginning of year		7,169,908	13,339,989
Amortization	10	1,334,972	10,164,118
Retirement		-	(16,227,690)
Pre-termination		-	(106,509)
Balance at end of year		8,504,880	7,169,908
Carrying Amount		₱15,584,194	₱16,919,166

The movements and balances in lease liabilities are as follows:

	Note	2026	2025
Balance at beginning of year		₱18,064,746	₱10,667,468
Additions		-	17,328,601
Interest	12	297,824	1,391,459
Lease payments		(1,469,335)	(11,075,976)
Pre-termination		-	(256,806)
Balance at end of year		16,893,235	18,064,746
Less current portion		4,552,218	4,552,218
Noncurrent portion		₱12,341,017	₱13,512,528

The incremental borrowing rates applied to the lease liabilities range from 5.92% 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.

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 fee payable upon execution of the agreements. The initial franchise fee payment covers the construction of franchisee's unit, training of staff, signage, promotional materials, and equipment.

Franchise fees in 2026 and 2026 are disclosed in Note 16.

24. Reconciliation of Liabilities Arising from Financing Activities

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

	Financing Cash Flows				Interest Expense	Dividends Declared	2026
	2025	Noncash	Proceeds	Payments			
Notes payable	₱54,133,333	P=	P=20,000,000	(P49,550,000)	P=	P=	P=24,583,333
Lease liabilities	18,064,746	-	-	(1,469,335)	297,824	-	16,893,235
Mortgage payable	1,277,485	-	2,800,000	(1,088,616)	-	-	2,988,869
Due to related parties	136,761	-	-	-	-	-	136,761
Dividends payable	-	-	-	-	-	-	-
	₱73,612,325	P=	P=22,800,000	(P 52,107,951)	P 297,824	P -	P 44,602,198

*Effect of PFRS 16

	Financing Cash Flows				Interest Expense	Dividends Declared	2025
	2024	Noncash	Proceeds	Payments			
Notes payable	₱43,133,333	P=	₱40,000,000	(₱29,000,000)	P=	P=	₱54,133,333
Lease liabilities	10,677,468	17,071,795*	-	(11,075,976)	1,391,459	-	18,064,746
Mortgage payable	1,995,701	-	-	(718,216)	-	-	1,277,485
Due to related parties	136,761	-	-	-	-	-	136,761
Dividends payable	-	-	-	(7,475,025)	-	7,475,025	-
	₱55,943,263	₱17,071,795	₱40,000,000	(₱48,269,217)	₱1,391,459	₱7,475,025	₱73,612,325

*Effect of PFRS 16

**Acquisition of transportation equipment through mortgage payable

25. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and cash equivalents, financial assets at FVPL, trade and note receivables (presented as part of "Trade and other receivables" account), due from related parties, construction bond (presented as part of "Other current assets" account), trade and other payables (excluding statutory payables), notes payable, lease liabilities and mortgage payable.

The main financial risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD and the management regularly review and approve the policies for managing these financial risks as summarized below.

Credit Risk

Credit risk is a risk due to uncertainty in the counterparty's ability to meet its obligations. With respect to credit risk arising from the financial assets, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company transacts and trades mainly with related parties as well as with recognized and credit-worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Company only deals with financial institutions duly evaluated and approved by the BOD.

The carrying amounts of financial assets which represent the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained are as follows:

	2026	2025
Financial Assets at Amortized Cost:		
Cash in banks and cash equivalents*	₱225,104,584	₱247,849,577
Trade and note receivables**	90,361,820	87,460,919
Due from related parties	67,694,094	73,610,440
Construction bond***	223,068	223,068
Financial Assets at FVPL	13,177,478	10,636,272
	₱396,561,044	₱419,780,276

*Presented as part of "Cash and cash equivalents" account (see Note 5)

**Presented as part of "Trade and other receivables" account (see Note 7)

***Presented as part of "Other current assets" account (see Note 9)

The credit quality of the financial assets is managed by the Company using internal credit quality ratings. High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered as standard grade accounts. Financial assets that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts. Past due but not impaired are those with history of frequent default nevertheless the amount due are still collectible. Credit impaired are those that are long outstanding or those that have been provided with an allowance for impairment.

Trade receivables are always subject to lifetime ECL while other financial assets at amortized cost are subject to 12-month ECL and reflect the short maturities of the exposures. The resulting ECL is not significant because the Company transacts and trades with related and reputable third parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and financial liabilities. The Company's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread in refinancing maturities.

26. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's financial instruments as at March 31, 2026 and December 31, 2025:

	2026		2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets at Amortized Cost:				
Cash and cash equivalents	₱ 226,601,554	₱ 226,601,554	₱249,347,047	₱249,347,047
Trade and note receivables*	90,361,820	90,361,820	87,460,919	87,460,919
Due from related parties	67,694,094	67,694,094	73,610,440	73,610,440
Construction bond**	223,068	223,068	223,068	223,068
Financial Assets at FVPL	13,177,478	13,177,478	10,636,272	10,636,272
	₱398,058,014	₱398,058,014	₱421,277,746	₱421,277,746
Financial Liabilities at Amortized Cost:				
Trade and other payables***	₱ 14,672,223	₱ 14,672,223	₱16,757,706	₱16,757,706
Notes payable	24,583,333	24,583,333	54,133,333	54,133,333
Mortgage payable	2,988,869	2,988,869	1,277,485	1,277,485
	₱ 42,244,425	₱ 42,244,425	₱72,168,524	₱72,168,524

*Presented as part of "Trade and other receivables" account (see Note 7)

**Presented as part of "Other current assets" account (see Note 9)

***Excluding statutory payables amounting to =P10.2 million and =P8.2 million as at December 31, 2025 and 2024, respectively (see Note 11)

Cash and Cash Equivalents, Trade and Note Receivables (presented as part of "Trade and other receivables" account), Due from Related Parties, Construction Bond (presented as part of "Other current assets" account) and Trade and Other Payables (excluding statutory payables). The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity.

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

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 liabilities.

There are no significant transfers between levels in the fair value hierarchy in 2026 and 2025.

27. Operating Segment Information

While the Company's operations are organized by brand names for management purposes. These brands share similar economic characteristics including 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. Accordingly, these have been aggregated into a single operating segment for external reporting purposes in accordance with PFRS 8.

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 2026 and 2025.