

**INDEPENDENT AUDITORS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**

The Board of Directors and the Stockholders
FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
116 E. Main Avenue, Phase V, SEZ Laguna Technopark
Binan, Laguna

We have completed our assurance engagement to report on the compilation of pro forma condensed consolidated financial information of Figaro Coffee Group, Inc. (Parent Company) and subsidiary. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position, pro forma consolidated statements of comprehensive income, pro forma consolidated statements of changes in equity, and pro forma consolidated statements of cash flows for the years ended June 30, 2021, 2020 and 2019; and the related notes as set out on the prospectus issued by the Group. The applicable criteria on the basis of which the Management has compiled the pro forma condensed consolidated financial information are specified in Section 9, Part II of the Revised Securities Regulation Code Rule 68, (Revised SRC Rule 68), *Pro forma Financial Information* and described in Note 3.

The pro forma condensed consolidated financial information have been compiled by the Parent Company's Management to illustrate the impact of the transaction set out in Note 3 on the Group's financial position, financial performance and cash flows for the years ended June 30, 2021, 2020 and 2019 as if the transaction had taken place at July 1, the beginning of the years presented. As part of this process, information about the Parent Company's financial position, financial performance and cash flows has been extracted from the Parent Company's balances as at June 30, 2021 on which an unqualified audit opinion has been issued and information about the Subsidiary's financial position, financial performance and cash flows has been extracted from the Subsidiary's balances as at June 30, 2021 on which a review report has been published.

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

Management of Parent Company is responsible for applying the process to compile the pro forma financial information in accordance with the applicable criteria set out in Note 2 of the notes to pro forma consolidated financial information.

Auditors' Responsibilities for the Audit of the Pro forma Consolidated Financial Statements

Our responsibility is to express an opinion as required by Section 9, Part II of the Revised Securities Regulation Code Rule 68, (Revised SRC Rule 68), *Pro forma Financial Information* about whether the pro forma condensed consolidated financial information has been compiled, in all material respects, by the Management of Parent Company on the basis of the applicable criteria.



We conducted our engagement in accordance with Philippine Standard on Assurance Engagements (PSAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Management of Parent Company has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction after June 30, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by Management of Parent Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information

The procedures selected depend on the practitioner's judgment, having regard to the auditors' understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Modified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Modified Opinion* section of our report the pro forma financial information has been properly compiled on the basis stated.

Basis for Modified Opinion

The period presented in the Group's pro forma condensed consolidated financial statements is as of June 30, 2021, 2020, and 2019 to comply with the requirements for an initial public offering and listing of the shares. The period presented was not compliant with the requirements of Section 9, Part II of the Revised Securities Regulation Code Rule 68, (Revised SRC Rule 68), *Pro forma Financial Information*.

Section 9, Part II of the Revised Securities Regulation Code Rule 68, (Revised SRC Rule 68), *Pro forma Financial Information* prescribed that the period presented on the pro forma condensed consolidated statement of financial position should be as of the end of the most recent period or as of June 30, 2021; and the pro forma condensed consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows should be as of the most recent fiscal year or for the year ended June 30, 2021 and comparative periods as of June 30, 2020 which is in effect a restatement of the historical statements of comprehensive income as if the business combination had been consummated beginning July 1, 2019.

R.S. BERNALDO & ASSOCIATES

BOA/PRC No. 0300

Valid until May 28, 2024

SEC Group A Accredited

Accreditation No. 0300-SEC

Valid until 2024 audit period

BSP Group B Accredited

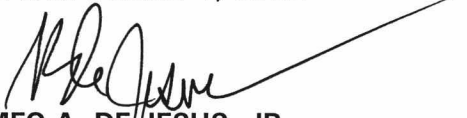
Valid until 2021 audit period

BIR Accreditation No. 08-007679-000-2020

Valid from February 24, 2020 until February 23, 2023

IC Accreditation No. F-2019-004-R

Valid until October 1, 2022



ROMEO A. DE JESUS, JR.

Managing Partner

CPA Certificate No. 86071

SEC Group A Accredited

Accreditation No. 86071-SEC

Valid until 2024 audit period

BIR Accreditation No. 08-004744-001-2021

Valid from January 25, 2021 until January 24, 2024

Tax Identification No. 109-227-897

IC Accreditation No. SP-2019-004-R

Valid until October 1, 2022

PTR No. 8539809

Issued on January 7, 2021 at Makati City

August 28, 2021

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO-FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021, 2020 and 2019

(In Philippine Peso)

	NOTES	2021	2020	2019
A S S E T S				
Current Assets				
Cash	7	281,145,694	88,313,222	33,714,671
Trade receivables	8	56,651,759	59,381,324	75,247,786
Inventories	9	59,452,449	26,471,689	34,362,884
Due from related parties	18	68,443,435	9,945,999	9,375,500
Prepayments and other current assets	10	31,979,275	15,888,789	1,205,662
		497,672,612	200,001,023	153,906,503
Non-current Assets				
Property and equipment – net	11	487,214,072	378,002,816	278,378,048
Intangible assets – net	12	4,882,312	375,760	-
Right-of-use assets – net	13	7,369,323	-	-
Other non-current assets	14	9,425,037	6,762,351	77,164,658
Deferred tax assets	28	4,666,152	4,565,839	2,925,170
		513,556,896	389,706,766	358,467,876
TOTAL ASSETS		1,011,229,508	589,707,789	512,374,379
LIABILITIES AND STOCKHOLDERS' EQUITY				
L I A B I L I T I E S				
Current Liabilities				
Trade and other payables	15	161,057,390	125,545,296	93,988,710
Due to a related party	18	40,784,508	194,361,528	268,900,141
Loans payable	16	80,000,000	60,000,000	60,000,000
Lease liabilities	17	2,540,057	-	-
Income tax payable		66,985,901	43,916,257	-
		351,367,856	423,823,081	422,888,851
Non-current Liabilities				
Retirement benefits obligation	24	17,949,555	15,219,460	9,750,565
Lease liabilities- net of current portion	17	5,038,691	-	-
		22,988,246	15,219,460	9,750,565
TOTAL LIABILITIES		374,356,102	439,042,541	432,639,416
S T O C K H O L D E R S ' E Q U I T Y				
Capital Stock	19	322,500,500	9,375,500	9,375,500
Additional Paid-in Capital	19	186,938,000	-	-
Retained Earnings		130,061,816	143,833,926	71,065,206
Remeasurements – net	24	(2,626,910)	(2,544,178)	(705,743)
TOTAL STOCKHOLDERS' EQUITY		636,873,406	150,665,248	79,734,963
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		1,011,229,508	589,707,789	512,374,379

(See Notes to Pro-forma Consolidated Financial Statements)

Key Assumptions:

- 1 Corporate restructuring activities transpired in 2021
- 2 Ownership interest of F Coffee Holdings, Inc. in FCSI amounting to ₱125,000 as of June 30, 2020 and 2019, was offset to due from related parties to eliminate.

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO-FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Periods Ended June 30, 2021, 2020 and 2019

(In Philippine Peso)

	NOTES	2021	2020	2019
REVENUES				
Net sales	21	1,333,523,303	853,013,082	785,020,040
Royalty and franchise fees	21	21,177,475	13,567,588	17,658,256
		1,354,700,778	866,580,670	802,678,296
DIRECT COSTS	22	761,163,996	587,186,668	581,949,685
GROSS PROFIT		593,536,782	279,394,002	220,728,610
OPERATING EXPENSES	23	331,956,673	172,621,209	149,244,536
FINANCE COSTS	16,17	488,136	2,783,193	2,102,765
PROFIT BEFORE TAX		261,091,973	103,989,600	69,381,309
INCOME TAXES	27	66,726,083	31,220,880	20,838,393
PROFIT		194,365,890	72,768,720	48,542,916
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEM THAT WILL NOT BE RECLASSIFIED				
SUBSEQUENTLY TO PROFIT OR LOSS:				
REMEASUREMENT GAIN (LOSS)	24	131,995	(2,626,336)	(3,215,723)
INCOME TAX RELATING TO				
OTHER COMPREHENSIVE INCOME (LOSS)	24	(214,727)	787,901	964,717
		(82,732)	(1,838,435)	(2,251,006)
TOTAL COMPREHENSIVE INCOME		194,283,158	70,930,285	46,291,910
EARNINGS PER SHARE				
Basic Earnings per Share	29	0.06	0.78	0.52

(See Notes to Pro-forma Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO-FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Periods Ended June 30, 2021, 2020 and 2019

(In Philippine Peso)

	Notes	Capital Stock	Additional Paid-in Capital	Retained Earnings	Remeasurement	Total
Balance at July 1, 2018	19	9,375,500	-	22,522,290	1,545,263	33,443,053
Profit				48,542,916		48,542,916
Remeasurement loss	24				(2,251,006)	(2,251,006)
Balance at June 30, 2019	19,24	9,375,500	-	71,065,206	(705,743)	79,734,963
Profit				72,768,720		72,768,720
Remeasurement loss	24				(1,838,435)	(1,838,435)
Balance at June 30, 2020	19,24	9,375,500	-	143,833,926	(2,544,178)	150,665,248
Profit				194,365,890		194,365,890
Remeasurement loss	24				(82,732)	(82,732)
Issuance of shares	19	313,125,000	186,938,000			500,063,000
Dividend declaration	19			(208,138,000)		(208,138,000)
Balance at June 30, 2021	19,24	322,500,500	186,938,000	130,061,816	(2,626,910)	636,873,406

(See Notes to Pro-forma Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO-FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Periods Ended June 30, 2021, 2020 and 2019

(In Philippine Peso)

	NOTES	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		261,091,973	103,989,600	69,381,309
Adjustments for:				
Depreciation	11,13,22,23	11,994,315	9,901,958	18,419,933
Retirement benefits	23,24	2,862,089	2,842,559	1,381,169
Amortization	12,23	949,153	885,341	1,135,692
Finance costs	16,17	243,789	2,783,193	2,102,765
Operating cash flows before changes in working capital		277,141,318	120,402,651	92,420,869
Decrease (Increase) in operating assets:				
Trade receivables		2,729,565	15,866,462	(48,489,763)
Inventories		(32,980,760)	7,891,195	(19,261,113)
Prepayments and other current assets		(16,090,486)	(3,628,419)	5,907,373
Other non-current assets		(2,599,476)	71,190,206	78,065,960
Increase in trade and other payables		35,512,098	31,556,587	32,972,460
Cash generated from operations		263,712,259	243,278,682	141,615,786
Income taxes paid		(43,971,480)	-	(23,763,563)
Net cash from operating activities		219,740,779	243,278,682	117,852,224
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances collected from related parties	18	104,002,564	-	-
Advances granted to related parties	18	(162,500,000)	(570,499)	(9,375,500)
Additions to intangible assets	12	(5,455,705)	(1,261,101)	(1,135,692)
Additions to property and equipment	11	(118,795,268)	(109,526,725)	(225,542,783)
Net cash used in investing activities		(182,748,408)	(111,358,325)	(236,053,976)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	19	500,063,000	-	-
Proceeds from availment of loan	16	50,000,000	-	60,000,000
Advances received from related parties		-	-	73,814,449
Finance costs paid	16,17	(243,614)	(2,783,193)	(2,102,765)
Payments of lease liabilities	17	(2,264,265)	-	-
Payments of loans	16	(30,000,000)	-	-
Payment of advances to a related party	18	(153,577,020)	(74,538,613)	-
Dividend declared and paid	19	(208,138,000)	-	-
Net cash from (used in) financing activities		155,840,101	(77,321,806)	131,711,684
NET INCREASE IN CASH		192,832,472	54,598,551	13,509,932
CASH AT BEGINNING OF YEAR		88,313,222	33,714,671	20,204,739
CASH AT END OF YEAR		281,145,694	88,313,222	33,714,671

(See Notes to Pro-forma Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
NOTES TO PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021, 2020 and 2019

1. CORPORATE INFORMATION AND STATUS OF OPERATION

Figaro Coffee Group, Inc. and Subsidiary (the Group) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 6, 2018. The principal activities of the Parent Company are to process, manufacture, and package all kinds of food products; to establish, invest, develop, operate and maintain restaurants, coffee shops, and refreshment parlors; to serve, arrange and cater foods, drinks, refreshments and other food or commodities; to partner and/or collaborate with other players in the food industry for the management and operation of food establishments; to acquire, invest, organize, develop, promote, or otherwise undertake the management and operation of commercial franchises in the food industry; to provide facilities and commissaries and perform all other activities and services incidental thereto, necessary or desirable in relation thereto, and offer and sell to public such products, franchises, services other operation thereof, and to own shares in companies which are in furtherance of its purposes, and to guarantee for and in behalf of the Corporation obligations of other corporations or entities in which it has lawful interest in. On March 31, 2021, the Parent Company's Board of Directors and Stockholders approved the following:

- a. The Parent Company's change in registered office address from No. 33 Mayon St., Brgy. Malamig, Mandaluyong City, Metro Manila, Philippines to 116 E. Main Avenue, Phase V, SEZ Laguna Technopark, Binan, Laguna.
- b. The Parent Company's change in reporting period from calendar year to fiscal year which shall begin on the first day of July and end on the last day of June.

The change in registered office address and reporting period was approved by SEC on June 23, 2021.

The Parent Company

On March 31, 2021, the Parent Company's Board of Directors and Stockholders approved: (a) the increase in authorized capital stock from ₱150,000,000 to ₱500,000,000; and (b) the stock split through the reduction of the par value of the shares of the Parent Company from ₱100.00 per share to ₱0.10 per share. SEC approved the Parent Company's application to increase authorized capital stock on June 23, 2021.

At incorporation, Camertheus Holdings, Inc. (CHI) subscribed to ₱37,500,000 worth of shares in the Parent Company. Out of such subscription, ₱9,375,000 had been paid by CHI at incorporation of the Parent Company. During the period, CHI fully paid its subscription receivable amounting to ₱28,125,000.¹

¹ **[Event after the reporting period]** DST was paid on or before July 5, 2021. Amended GIS was filed to SEC to reflect the subscribed and issued shares. The subscription and issuance were recorded in the stock and transfer book of FCGI and stock certificates were issued to Carmetheus, Inc.

Camerton, Inc. (CI) subscribed to the following shares of the Parent Company:

- a. In support of the application for increase in authorized capital stock, Camerton, Inc. (CI), on March 31, 2021, subscribed to 1,250,000,000 shares of the Parent Company for a total subscription price of ₱125,000,000. The subscribed shares were fully paid and issued on June 22, 2021.²
- b. On June 20, 2021, the board of the Parent Company approved the additional paid-in capital in the amount of ₱83,138,000 paid by CI into the Parent Company.³
- c. 1,250,000,000 shares with par value of ₱0.10 per share for a total subscription price of ₱228,800,000, or ₱0.18304 price per share. The said subscription resulted to an additional capital stock of ₱125,000,000 and an additional paid-in capital of ₱103,800,000 in the Parent Company; and⁴
- d. 350,000,000 shares of the Parent Company with par value of ₱0.10 per share for a total subscription price of ₱35,000,000.⁵

As of June 30, 2021, the Parent Company is 88.37% owned by CI and 11.63% owned by CHI.

The Subsidiary

The Parent Company's subsidiary is as follows:

Subsidiary	Principal Activities	Country of Incorporation	Functional Currency	Effective Percentage of Ownership
Figaro Coffee Systems Inc.	Food business including but not limited to operation of retail food stores and restaurants	Philippines	Philippine Peso	100%

² **[Event after the reporting period]** DST was paid on or before July 5, 2021. Amended GIS was filed to SEC to reflect the subscribed and issued shares. The subscription and issuance were recorded in the stock and transfer book of FCGI and stock certificates were issued to Camerton, Inc.

³ **[Event after the reporting period]** DST was paid on or before July 5, 2021. Amended GIS was filed to SEC to reflect the subscribed and issued shares. The subscription and issuance were recorded in the stock and transfer book of FCGI and stock certificates were issued to Camerton, Inc.

⁴ **[Event after the reporting period]** DST was paid on or before July 5, 2021. Amended GIS was filed to SEC to reflect the subscribed and issued shares. The subscription and issuance were recorded in the stock and transfer book of FCGI and stock certificates were issued to Camerton, Inc.

⁵ **[Event after the reporting period]** DST was paid on or before July 5, 2021. Amended GIS was filed to SEC to reflect the subscribed and issued shares. The subscription and issuance were recorded in the stock and transfer book of FCGI and stock certificates were issued to Camerton, Inc.

The summarized financial information of the subsidiary is as follows:

	2021	2020	2019
Total assets	P 938,728,621	P 580,303,489	P 506,579,679
Total liabilities	682,702,387	439,848,739	432,335,216
Net assets	256,026,232	140,454,749	84,644,463
Revenue	1,354,700,778	866,580,670	802,678,296
Direct costs	761,163,996	587,186,668	581,949,685
Operating expense	331,956,673	172,621,209	149,244,536
Finance cost	488,136	2,783,193	2,102,765
Profit before tax	261,091,973	103,989,600	69,381,309

On June 21, 2021, F Coffee Holdings Corporation, the 'Seller' agreed to sell and the Parent Company, the 'Buyer' agreed to buy, all the seller's rights, title and interests in 2,500 common shares with a par value of P50.00 per share or an aggregate par value of P125,000 in Figaro Coffee Systems Inc. (FCSI) for and in consideration of P1,851.0256 per share or a total purchase price of P4,627,564. The difference between the consideration paid and the fair value of the interest acquired in FCSI was recognized as goodwill amounting to P4,502,564, as disclosed in Notes 12 and 20.

On June 23, 2021, the Parent Company subscribed to 7,500 shares of FCSI with P50.00 par value per share at the subscription price of P27,751.73 per share for a total subscription price of P208,138,000. The said subscription resulted to an additional capital stock of P375,000 and additional paid-in capital of P207,763,000 in FCSI.

On June 27, 2021, the Parent Company subscribed additional 4,576,000 shares of FCSI at P50.00 par value resulting to capital stock of P228,800,000.

Effect of Corona Virus Disease (COVID-19)

The COVID 19 Pandemic is both a wake-up call and a blessing in disguise for the Group and for the nation as a whole. A blessing in disguise in the sense that, though 2020 was the first drop in Sales and in Net Income for the past 5 consecutive years, the last twelve (12) months performance, July 2020 to June 30, 2021, was the Group's best performing 12 months, all time, in terms of Revenue and Income. It was also a wake-up call as the Group was forced to put health concerns, family and team members at the forefront of focus and priorities. The Group was accelerated to right size operations and streamline processes to meet the demands of the new normal.

At the onset of this pandemic, everything was in disarray and full of uncertainty. Mobility and supply chain were challenged, sales were going down, additional costs related to safety and security were popping up and a lot of regulatory measures were being implemented. There were biweekly adjustments and re-adjustments in community quarantine. The Group was forced to align and realign with these IATF measures. As the operation adjusts, the Group needed to act fast in adjusting to the requirements of customers and maintaining safety and security of employees while looking out for the Group's profitability and viability. The Group did not wait for the new normal. At of this date, the Group have 100% inoculations for all employees as to the first dose and inoculated 50% of the employees for the second dose. Delivery business significantly increased over the past twelve (12) months and has been breaking historical sales records. The Group's brand became one of the top food delivery brands identified by Grab. The Group's top selling Pizza variant, Creamy Spinach, is gaining some traction in the social media.

This Covid 19 Pandemic is a positive wake up call to be more vigilant in growing the Group's market, improving service to clients and being more resilient in addressing the challenges of tomorrow and converting these challenges into opportunities on what will make the Group better and stronger brand for the new normal.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Group. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The following are the amendments to PFRS 16:

- provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Group will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- Amendments to PFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The following are the amendments to PFRS 16:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;

- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The following are the amendments in reference to the conceptual framework:

- update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
- add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit a Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, a Group will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1, *Subsidiary as a first-time adopter* - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to PFRS 16, *Lease Incentives* - The amendment to Illustrative Example 13 acGrouping IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to PAS 41, *Taxation in fair value measurements* - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments to PAS 1 are the following:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

- Amendments to PAS 8, Definition of Accounting Estimates

The definition of accounting estimates has been amended as follows: accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period., with earlier application permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

The amendments to PAS 1 are the following:

- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

The amendments also clarify the following:

- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements; and
- if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information in order to support the amendments to PAS 1.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- PFRS 17, *Insurance Contracts*

PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

The amendments cover the following areas:

- Insurance acquisition cash flows for renewals outside the contract boundary;
- Reinsurance contracts held—onerous underlying insurance contracts;
- Reinsurance contracts held—underlying insurance contracts with direct participation features; and
- Recognition of the contractual service margin in profit or loss in the general model.

The amendments are effective to annual reporting periods beginning on or after January 1, 2023.

2.02.02 Deferred

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The pro forma condensed consolidated financial information has been prepared in conformity with Section 9, Part II of the Revised Securities Regulation Code Rule 68, (Revised SRC Rule 68), *Pro forma Financial Information*.

Purpose of Pro Forma Financial Information Included in a Prospectus

The purpose of this unaudited pro forma financial information included in the prospectus prepared by Figaro Coffee Group, Inc. and Subsidiary in connection with its planned follow-on offering is to illustrate the impact of significant events or transactions on unadjusted financial information of the entity, had the events occurred or the transactions been undertaken at an earlier date selected for purposes of the illustration. This is achieved by applying pro forma adjustments to the unadjusted financial information. Pro forma financial information in and of itself does not represent the Group's actual financial position, financial performance, or cash flows prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and it is not necessarily indicative of the results that would have been attained had the transactions or events actually taken place earlier.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the related historical information such as audited short-term separate financial statements of Figaro Coffee Group, Inc., the Parent Company, as at and for the period ended June 30, 2021 and reviewed interim financial statements of Figaro Coffee Systems Inc. as at and for the period ended June 30, 2021.

Entities involved

The entities involved are Figaro Coffee Group, Inc., the Parent Company and Figaro Coffee Systems Inc., the Subsidiary.

Significant Transactions

The significant transactions below are expected to occur subsequent to June 30, 2021:

Accounting under acquisition method

In relation to the business combination as a result of the Parent Company's acquisition of the subsidiary on June 21, 2021 and additional cash infusion on June 23 and June 27, 2021, the pro forma condensed financial information shows the following:

- a. The consolidated assets and liabilities of Parent Company are recognized and measured at carrying amounts and the assets and liabilities of Subsidiary are recognized and measured at the carrying amounts as presented in its separate financial statements prior to acquisition.
- b. The equity in pro forma consolidated financial information shows the transactions of Parent Company only.

Transfer of the additional investments of Parent Company to Subsidiary from deposit for future stocks subscription to capital stock and additional paid-in-capital

On March 31, 2021, the Parent Company's Board of Directors and Stockholders approved the increase in authorized capital stock from ₱500,000 divided into 10,000 shares with par value of ₱50.00 per share to ₱500,000,000 divided into 10,000,000 shares with par value of ₱50 per share.

The pro forma consolidated financial information shows that the deposit for future stocks subscription of Parent Company to Subsidiary was transferred to capital stock and additional paid in capital should the approval of SEC on Subsidiary's application to increase authorized capital stock was approved at an earlier date.

Periods presented

Pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position was presented as of the end of the most recent period required or as of June 30, 2021.

Pro forma consolidated statements of comprehensive income

The pro forma consolidated statements of comprehensive income was presented as of the most recent fiscal year or for the year ended June 30, 2021 and comparative periods as of June 30, 2020 which is in effect a restatement of the historical statements of comprehensive income as if the business combination had been consummated beginning July 1, 2019.

The pro forma consolidated statements of comprehensive income was presented using the Parent Company's fiscal year end. Since the fiscal year end of the subsidiary differs from the Company's most recent fiscal year end by 180 days, the Subsidiary's statements of comprehensive income was brought up to within the fiscal year end of the Parent Company.

The following periods were combined to show the comparable fiscal year end:

<u>Periods combined</u>	<u>Fiscal Year</u>
July 1, 2019 to June 30, 2020	June 30, 2020
July 1, 2020 to June 30, 2021	June 30, 2021

No sales, revenues, expenses and income for any periods were excluded from or included more than once in the pro forma consolidated statements of comprehensive income.

The pro forma consolidated statements of comprehensive income include the income from continuing operations before non-recurring charges or credits directly attributable to the transaction. Additional charges such as professional fees, tax payments, penalties or compromise, if any, and other expenses incurred for the registration process were not considered in the pro forma consolidated statements of comprehensive income.

Unusual events

There are no unusual events entered into the determination of the results shown for the most recently completed fiscal year.

The transactions are not structured in such a manner that significantly different results may occur.

Pro forma adjustments

The pro forma consolidated financial information was prepared by applying pro forma adjustments to the historical financial information. Pro forma adjustments were based on Management's assumptions believed to be reasonable under the circumstances including significant impact directly attributable to the transaction (or event).

The unaudited pro forma consolidated financial information does not represent what the results of operations and financial position of the Group would have been had the significant transactions occurred as at July 1, 2020 nor does it project the results of operations of the Group for any future period or date.

Below pro forma adjustments related to the pro forma consolidated statements of comprehensive income was computed assuming that the transaction was consummated at the beginning of the fiscal year presented. These adjustments give effect to events that are directly attributable to the transaction, expected to have a continuing impact on the registrant and factually supportable.

3.01 Pro forma adjustments in the pro forma condensed consolidated statement of financial position as at June 30, 2021

For the purpose of showing that the significant transactions are assumed to have transpired on July 1, 2020, the following pro-forma adjustments have been made:

1. Issuance of capital stock by the Parent Company to Camerton, Inc. and Carmetheus, Inc.

The following transactions actually occurred on March 31 to June 23, 2021, however, for the purposes of showing the pro forma consolidated statements of financial position, the following issuances of shares were assumed to have transpired on July 1, 2020:

- c. At incorporation, Camertheus Holdings, Inc. (CHI) subscribed to ₱37,500,000 worth of shares in the Parent Company. Out of such subscription, ₱9,375,000 had been paid by CHI at incorporation of the Parent Company. During the period, CHI fully paid its subscription receivable amounting to ₱28,124,500.
- d. Camerton, Inc. (CI) subscribed to the following shares of the Parent Company:
 - 1,250,000,000 shares of the Parent Company for a total subscription price of ₱125,000,000.
 - The Board of Directors of the Parent Company approved the additional paid-in capital in the amount of ₱83,138,000 paid by CI into the Parent Company.
 - 1,250,000,000 shares with par value of ₱0.10 per share for a total subscription price of ₱228,800,000, or ₱0.18304 price per share. The said subscription resulted to an additional capital stock of ₱125,000,000 and an additional paid-in capital of ₱103,800,000 in the Parent Company; and

- 350,000,000 shares of the Parent Company with par value of ₱0.10 per share for a total subscription price of ₱35,000,000.

2. Consolidation of net assets at book value of acquired subsidiary

Pro forma adjustments have been made to include the unaudited net assets at book value of the acquired subsidiary as a result of the following transactions that assumed to have transpired on July 1, 2020:

- F Coffee Holdings Corporation, the 'Seller' agreed to sell and the Parent Company, the 'Buyer' agreed to buy, all the seller's rights, title and interests in 2,500 common shares with a par value of ₱50.00 per share or an aggregate par value of ₱125,000 in Figaro Coffee Systems Inc. (FCSI) for and in consideration of ₱1,851.0256 per share or a total purchase price of ₱4,627,564. The difference between the consideration paid and the fair value of the interest acquired in FCSI was recognized as goodwill amounting to ₱4,502,564.
 - The Parent Company subscribed to 7,500 shares of FCSI with ₱50.00 par value per share at the subscription price of ₱27,751.73 per share for a total subscription price of ₱208,138,000. The said subscription resulted to an additional capital stock of ₱375,000 and additional paid-in capital of ₱207,763,000 in FCSI.
 - The Parent Company subscribed additional 4,576,000 shares of FCSI at ₱50.00 par value resulting to capital stock of ₱228,800,000.
3. Recognition of retained earnings resulting from business combination amounting to ₱150,181,816.
 4. Elimination of investment in subsidiary amounting to ₱437,063,000, capital stock amounting to ₱229,300,000 and additional paid-in capital amounting to ₱207,763,000.

3.02 Pro forma adjustments in the pro forma consolidated statements of comprehensive income as of June 30, 2021, 2020 and 2019

For the purpose of the pro-forma consolidated statements of comprehensive income for the years ended June 30, 2021, 2020 and 2019, the transactions are assumed to have occurred on July 1 of the period presented.

Pro forma adjustments have been made to include the unaudited statements of comprehensive income of the subsidiary amounting to ₱158,329,748 as a result of the business combination.

3.03 Pro forma adjustments in the pro forma consolidated statements of changes in equity as of June 30, 2021 and 2020

For the purpose of the pro-forma consolidated statements of comprehensive income for the years ended June 30, 2021 and 2020, the transactions are assumed to have occurred on July 1 of the period presented.

1. Pro forma net income and other comprehensive income

Pro forma adjustments have been made to include the pro forma net income amounting to ₱160,873,926 and other comprehensive loss from remeasurement amounting to ₱2,544,178 of the acquired subsidiary as reflected in the pro forma condensed consolidated statements of comprehensive income for the years ended June 30, 2021 and 2020.

3.04 Pro forma adjustments in the pro forma consolidated statements of changes in cash flows as of June 30, 2021 and 2020

1. Pro forma adjustments to include individual statements of cash flows

Pro forma adjustments have been made to include individual statements of cash flows of the acquired subsidiary as a result of the business combination.

2. Elimination of investment in subsidiary amounting to ₱437,063,000, capital stock amounting to ₱229,300,000 and additional paid-in capital amounting to ₱207,763,000.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Group in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Group considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The Group 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.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Segment Information

An operating segment is a component of the Group: (a) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and inter-segment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments, provided that; (b) the absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and (c) its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the consolidated financial statements.

The business of the Group is currently organized into two (2) geographical areas namely as National Capital Region and Provincial areas. These areas are the basis on which the Group reports its primary segment information.

4.03 Financial Assets

4.03.01 Initial Recognition and Measurement

The Group recognizes a financial asset in its consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Group measures trade receivables that do not have a significant financing component at their transaction price.

4.03.02 Classification

➤ Financial Asset at Amortized Cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortized cost include cash in banks, trade receivables, due from related parties and other non-current assets.

a) Cash in Banks

Cash in banks pertains to cash deposits held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b) Trade Receivables and Due from related parties

Trade receivables and due from related parties are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for expected credit losses of trade receivables and advances to stockholders are established based on individual assessment and available facts and circumstance, including, but not limited to historical loss experience and economic factors. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

c) Other non-current assets

Other non-current assets pertain to refundable deposits, construction bond and others. Refundable deposits pertain to amount given to the lessor as security for future repairs needed on the leased area. These are initially recorded at the amount of cash paid. Subsequently, this is measured at cost using the effective interest method, less any impairment.

The Group does not have financial assets measured at fair value either through profit and loss or through other comprehensive income in both years.

4.03.03 Reclassification

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment losses) or interest.

4.03.04 Effective Interest Method

Finance income is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.03.05 Impairment

The Group measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group adopted the following approaches in accounting for impairment.

➤ Simplified Approach

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

➤ General Approach

The Group applies general approach to cash in banks, due from related parties and other non-current assets. At each reporting date, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Group measures the loss allowance equal to 12-month expected credit losses.

The Group compares the risk of default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, that is available without undue cost or effort, to determine whether there is a significant increase in credit risk or not since initial recognition.

The Group determines that there has been a significant increase in credit risk when there is a significant decline in the factors. The Group assumes that the credit risk on cash in banks has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Group did not apply the 30 days past due rebuttable presumption because the Group determines that there have been no significant increases in credit risk even if collections are more than 30 days past due.

If the Group has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Group performs the assessment of significant increases in credit risk on an individual basis by considering information that is indicative of significant increases in credit risk.

The Group does not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit-impaired or not. Based on the Group's historical experience, customer is in default when it is already past due for 360 days and beyond.

The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.03.06 Derecognition

The Group derecognizes a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.03.07 Write-off

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.04 Prepayments and Other Current Assets

4.04.01 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire through passage of time.

These are classified in the consolidated statements of financial position as current assets when the expenses are expected to be incurred within one year or the group's normal operating cycle, whichever is longer. Otherwise, these are classified as other non-current assets.

4.04.02 Advances to Suppliers

Advances to suppliers represent payments for the goods to be delivered. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are reclassified to inventories upon transfer of ownership of the related goods.

4.04.03 Advances to Contractors

Advances to contractors represent payments for the services to be rendered. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expenses upon the receipt of the services.

4.05 Business Combination

The Group applies the standard on business combination under PFRS 3 as amended and adopted in 2009. The standard outlines the accounting when an acquirer obtains control of a business (e.g. acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at date of acquisition.

PFRS 3 seeks to enhance the relevance, reliability and comparability of information provided about business combinations (e.g. acquisition and mergers) and their effects. It sets out the principles on the recognition and measurement of acquired assets and liabilities, the determination of goodwill and the necessary disclosures.

In determining whether a transaction is a business combination, PFRS 3 provides additional guidance on determining whether a transaction meets the definition of a business combination and accounted for in accordance with its requirements. This guidance includes:

- Business combinations can occur in various ways such as by transferring cash, including liabilities, issuing equity instrument (or any combination thereof), or by not issuing consideration at all (i.e. by contract alone); and
- Business combinations can be structured in various ways to satisfy legal, taxation or other objectives, including one entity becoming a subsidiary of another, the transfer of net assets from one entity to another or to new entity;

The business combination must involve the acquisition of a business, which generally has three elements:

- Inputs – an economic resource (e.g. non-current assets, intellectual property) that creates outputs when one or more processes are applied to it;
- Process – a system standard, protocol, convention or rule that when applied to an input or inputs, creates outputs (e.g. strategic management, operational processes, resource management); and
- Output – the result of inputs and processes applied to those input.

4.05.01 Acquisition Method

In every acquisition of business, the Group determines the acquisition date, recognize and measures all identifiable assets acquired, the liabilities assumed and non-controlling interest (NCI, formerly called minority interest) in the acquiree, and determines if there is goodwill or gain from a bargain purchase if applicable.

The Group recognizes the acquisition date as the date on which the Group obtains control over the acquiree. Generally, this is the date on which the Group legally transfer the consideration, acquires the assets and assumes the liabilities of the acquiree – the closing date. However, the Group as the acquirer may obtain control on a date that is either earlier or later than the closing date depending on what was agreed upon with the acquiree.

In recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, the Group observes the definition of assets and liabilities in accordance with the Framework for the Preparation and Presentation of Financial Statements at the acquisition date. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values.

On income taxes, the Group recognizes and measures a deferred tax asset or liability arising from the assets acquired and liabilities assumed in accordance with PAS 12 while the standard under PAS 19 is relied on for employee benefits.

The Group recognizes and measures goodwill in accordance with PFRS 3, as the difference between:

- Aggregate of (1) the value of the consideration transferred (generally at fair value), (2) the amount of any non-controlling interest in the acquiree, and (3) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and
- The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with PFRS 3).

4.05.02 Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiary.

The consolidated financial statements incorporate the financial statements of the Parent and the entity controlled by the Parent (its subsidiary) up to June 30 of each year. Control is achieved when the Parent has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiary is consolidated from the date when control is transferred to the Parent and ceases to be consolidated from the date when control is transferred out of the Parent.

4.05.03 Measurement

The assets and liabilities and the contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit and loss in the period of acquisition.

4.05.04 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

4.05.05 Inter-group Balances

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Parent Company. All inter-group transactions, balances, income and expenses are eliminated during consolidation.

4.05.06 Loss of Control

Upon the loss of control, the Parent Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of controls is recognized in profit or loss. If the Parent Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost. Subsequently, it is accounted for as entity-accounted investee or as financial assets at FVTPL or FVOCI depending on the level of influence retained.

4.06 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the 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 selling price less costs to complete and sell because of changed economic circumstances, a reversal of the impairment is recognized so that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell. Any impairment reversal is recognized in profit or loss but is limited to the amount of the original impairment loss recognized.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.07 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful life of the office and store equipment which is five (5) to ten (10) years.

Buildings and building improvements are depreciated over ten (10) years.

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.08 Computer Software

Computer software acquired separately is initially carried at cost. Subsequently, intangible asset with definite useful life is carried at cost less accumulated amortization and accumulated impairment losses. Amortization of computer software is recognized on a straight-line basis over its estimated useful life of two (2) years.

The estimated useful life, residual value and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.09 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any assets other than inventories, deferred tax assets, and financial assets that are within the scope of PFRS 9, *Financial Instruments* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.10 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.10 Financial Liabilities

4.10.01 Initial Recognition and Measurement

The Group shall recognize a financial liability in its consolidated statements of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Except for trade payables that do not have a significant financing component, at initial recognition, the Group shall measure a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.10.02 Classification

The Group shall classify all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate;
- contingent consideration recognized by an acquirer in a business combination.

The Group's financial liabilities measured at amortized cost include trade and other payables (excluding customers' deposits and due to government agencies), due to a related party, loans payable and lease liabilities.

The Group does not have financial liabilities measured at fair value through profit or loss in both years.

4.10.03 Derecognition

The Group removes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

4.12 Customers' Deposits

Customers' deposits pertain to down payments made by customers on their purchase. These are recorded initially as liability equivalent to the amount of cash received. Subsequently, these are charged to profit or loss upon delivery of food products.

4.13 Employee Benefits

4.13.01 Short-term Benefits

The Group recognizes a liability, net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, SSS, PhilHealth, and HDMF contributions and other employee benefits.

4.13.02 Post-employment Benefits

The Group has an unfunded and noncontributory defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits include current service cost and net interest on defined benefit obligation. Remeasurements which include change on demographic and financial assumption and experience adjustment are recognized directly in other comprehensive income and are also presented as remeasurements under 'equity' in the statement of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The retirement benefit obligation recognized in the statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

4.14 Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

4.15 Revenue Recognition

The Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.15.01 Performance Obligations Satisfied at a Point in Time

The Group recognizes revenue at point in time from its store sales and commissary sales, this is when there is a present right to payment for goods, transfer of physical possession of goods, acceptance of the same by its customers and transfer of significant risk and rewards of the goods.

4.15.02 Royalty

Revenue from royalty is recognized as the royalty accrues based on certain percentages of the franchisees' gross sales.

4.15.03 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.15.04 Principal versus Agent Considerations

The Group should determine whether it is a principal or an agent in a transaction through the nature of its promise in a performance obligation.

The Group determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e. the Group is a principal) or to arrange for the other party to provide those services (i.e. the Group is an agent).

The Group is a principal if it controls a promised service before it transfers the service to a customer. It recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for those services transferred.

The Group is an agent if its performance obligation is to arrange for the provision of services by another party. It recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its services.

4.16 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Group.

The Group recognizes expenses in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.17 Leases

4.17.01 The Group as a Lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Group assesses whether the contract meets three (3) key evaluations, which are whether:

- a. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- b. The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- c. The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Right-of-Use (ROU) Asset

At the commencement date, the Group measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Group depreciates the ROU asset on a straight-line method from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group also assesses the ROU asset for impairment when such indicators exist.

On the consolidated statements of financial position, right-of-use assets have been presented as a separate line item.

Lease Liabilities

At the commencement date, the Group measures the lease liabilities at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not the Group uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Group recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

On the consolidated statements of financial position, lease liabilities have been presented as a separate line item.

4.18 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Group that is preparing its financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group or of a parent of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

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

4.19 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.19.01 Current Tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.19.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.19.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.20 Earnings per Share

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.21 Events after the Reporting Period

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to consolidated financial statements when material.

4.22 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Notes 2.01 and 2.02, was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *"Accounting Policies, Changes in Accounting Estimates and Errors"*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5.01 Critical Judgments in Applying Accounting Policies

The following are critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Assessment of Principal-Agency Arrangement

The Group determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e. the Group is a principal) or to arrange for the other party to provide those services (i.e. the Group is an agent).

In 2021, 2020 and 2019, the Group assessed that it is acting as a principal on its sales derived from third-party food delivery supports because the Group has the primary responsibility for fulfilling the promise to provide goods to customers, bears the risk on the goods and has the discretion in determining the selling price of the goods. The Group recognized commission on its sale through the third-party delivery supports amounting to ₱27,446,244, ₱11,546,240 and nil in 2021, 2020 and 2019, respectively, as disclosed in Note 21. The Group's revenue derived from sales through the third-party delivery supports amounting to ₱384,146,894, ₱175,800,125 and ₱20,661,256 in 2021, 2020 and 2019, respectively, as disclosed in Note 21.

5.01.02 Aggregation of Operating Segments

In accordance with the provisions of PFRS 8, *Operating Segments*, the Group's reporting segment is based on the management approach with regard to the segment identification, under which information regularly provided to the chief operating decision maker for decision-making purposes is considered as decisive. The segments are also evaluated under the management approach.

The Group reports its segment based on the nature of the products and services provided and geographic areas. Management identifies its operating segments as generally based on nature of the products and services such as sale of foods and franchise revenue; and geographic areas such as domestic and international. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of net trading gains (losses), other income, equity in net earnings, operating expenses and income tax.

5.01.03 Determining whether or not a Contract Contains a Lease

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

Management assessed the Group's agreements to use store spaces qualified as lease contracts since the contract contains an identified asset, the Group has the right to obtain substantially all of the economic benefits, and the Group has the right to direct the use of the identified asset throughout the period of use.

5.01.04 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the, which could occur over time or at a point in time.

Management assessed that performance obligation is satisfied at a point in time, this is when there is a present right to payment for goods, transfer of physical possession of goods, acceptance of the same by its customers and transfer of significant risk and rewards of the goods. In 2021, 2020 and 2019, revenues recognized amounted to P1,354,700,778, P866,580,670 and P802,678,296, respectively, as disclosed in Note 21.

5.01.05 Assessment of Contractual Terms of a Financial Asset

The Group determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Group considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with basic lending arrangement. As of June 30, 2021, 2020 and 2019, the carrying amounts of financial assets measured at amortized cost amounted to P405,735,727, P170,758,733 and P194,887,348, respectively, as disclosed in Note 31.02.

5.01.06 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that allocation of transaction price to performance obligation is not applicable since the only obligation identified is to deliver and served the foods and drinks ordered by its customers.

5.01.07 Assessment of 30 days Rebuttable Presumption

The Group determines when a significant increase in credit risk occurs on its financial assets based on the credit management practice of the Group.

Management believes that the 30 days rebuttable presumption on determining whether financial assets are past due is not applicable since based on Group's historical experience credit risk has not increased significantly even if collections are more than 30 days past due.

5.01.08 Assessment of 90 days rebuttable presumption

An entity determines when a past due occurs on its financial assets based on the credit management practice of the entity.

Management believes that the 90 days rebuttable presumption on determining whether there is a significant increase in credit risk in financial assets is not applicable based on the Group's historical experience the Group determines that the customer is in default when it is already past due for 360 days and beyond.

5.01.09 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset including optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

Management assessed that it is reasonably certain that it will exercise the extension option but the extension option is not enforceable because it requires mutual agreement of both parties.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating Allowance for Expected Credit Losses of Financial Assets

The Group evaluates the expected credit losses related to its financial assets based on an individual assessment and available facts and circumstances, including, but not limited to historical loss experience and economic factors.

The Group uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its cash in banks. In view of the foregoing factors, Management believes that the expected credit loss is nil in 2021, 2020 and 2019.

The Group uses performance of customers' industry, macro-economic factors and economy's outlook to assess the expected credit losses on its trade receivables. In view of the foregoing factors, Management believes that the expected credit loss on trade receivables is nil in 2021, 2020 and 2019.

The Group uses the available financial information about the lessors, macro-economic factors and economy's outlook to assess the expected credit losses on its refundable deposits. In view of the foregoing factors, Management believes that the expected credit loss on refundable deposits is nil in both years.

In 2021, 2020 and 2019, no provision for expected credit loss was recognized on Group's financial assets.

As of June 30, 2021, 2020 and 2019, the carrying amounts of financial assets measured at amortized cost amounted to ₱405,735,727, ₱170,758,733 and ₱194,887,348, respectively, as disclosed in Note 31.02.

5.02.02 Estimating Inventories at Net Realizable Values

Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes. Inventory items identified to be obsolete and unusable is written off and charged against allowance account. Increase in the net realizable values will increase the carrying amount through reduction of allowance for decline but only to the extent of original acquisition cost.

In both years, Management believes the net realizable value of inventories approximate their costs, thus, no allowance for decline in value was recognized. As of June 30, 2021, 2020 and 2019, inventories amounted to ₱59,452,449, ₱26,471,689 and ₱34,362,884, respectively, as disclosed in Note 9.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment

The residual values, useful lives and depreciation method of the Group's property and equipment are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's property and equipment are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of property and equipment, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase the recognized expenses and decrease non-current assets. The Group uses a depreciation method that reflects the pattern in which it expects to consume the property and equipment's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Group expects to consume the property and equipment's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In 2021, 2020 and 2019, Management assessed that there are no indications that there has been any change in pattern used by in consuming Group's property and equipment's future economic benefits. As of June 30, 2021, 2020 and 2019, the carrying amounts of the Group's property and equipment are ₱487,214,072, ₱378,002,816 and ₱278,378,048, respectively, as disclosed in Note 11.

5.02.04 Reviewing Residual Value, Useful Life and Amortization Method of Intangible Assets

The residual value, useful life and amortization method of the Group's computer software are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the computer software is available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by Management. Amortization ceases when the intangible asset is derecognized. The Group uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the intangible asset's future economic benefits.

In both years, Management assessed that there are no indications that there has been any change in pattern used by the Group in consuming its intangible assets' future economic benefits. As of June 30, 2021, 2020 and 2019, the carrying amounts of the amounted ₱379,748, ₱375,760 and nil, respectively, as disclosed in Note 12.

5.02.05 Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of prepayment and other current assets, property and equipment, intangible assets and right-of-use assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Group to conclude that aforementioned assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, Management assessed that no indicators of impairment had existed on prepayment and other current assets, property and equipment, right-of-use assets and intangible assets. As of June 30, 2021, 2020 and 2019, the aggregate carrying amounts of the aforementioned assets amounted to ₱531,444,982, ₱394,267,365 and ₱279,583,710 , respectively, as disclosed in Notes 10, 11, 12, and 13.

5.02.06 Estimating Recoverability of Deferred Tax Assets

The Group reviews the carrying amounts at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Management believes that the Group will generate future taxable profit to use all or part of its deferred tax asset amounting to ₱4,666,152, ₱4,565,839 and ₱2,925,170, in 2021, 2020 and 2019, respectively, as disclosed in Note 28.

5.02.07 Post-employment and Other Employee Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, and rates of compensation increase. In accordance with the PFRS, actual results that differ from the assumptions are recognized as remeasurements in other comprehensive income and therefore, generally affect recorded obligation. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

The Group's retirement benefit amounted to ₱2,862,090, ₱2,842,559 and ₱1,381,169, respectively, as disclosed in Note 24. The Group's retirement benefit obligation as of June 30, 2021, 2020 and 2019 amounted to ₱17,949,555, ₱15,219,460 and ₱9,750,565, respectively, as disclosed in Note 24. Remeasurement recognized as other comprehensive gain (loss) amounted to ₱131,995, ₱(2,626,336) and ₱(3,215,723), in 2021, 2020 and 2019, respectively, as disclosed in Note 24.

5.02.08 Estimating the Appropriate Discount Rate to Use

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

Management used its incremental borrowing rate of 2.3% to 3.02% per annum to measure the present value of its lease liabilities since the implicit rate was not readily available.

6. SEGMENT INFORMATION

6.01 Revenue from Major Products

Listed below are the revenues earned from each major product:

	2021	2020	2019
Figaro Coffee Group	₱ 47,096,549	₱ 115,102,234	₱ 139,026,173
Angel's Pizza	889,534,517	430,100,327	302,467,966
Tien Ma's Taiwanese Cuisine	37,210,719	56,999,109	66,067,034
	₱ 973,841,785	₱ 602,201,670	₱ 507,561,173

6.02 Geographical Information

The Group operates in two (2) principal geographical areas. The Group's revenue from continuing operations from external customers by geographical location are detailed below:

	2021	2020	2019
National Capital Region	P 793,056,270	P 527,708,880	P 469,808,411
Provincial Areas	180,785,515	74,492,791	37,752,762
	P 973,841,785	P 602,201,671	P 507,561,173

7.

7. CASH

For the purpose of the consolidated statement of cash flows, cash includes cash on hand and in banks.

Cash at the end of the reporting periods as shown in the consolidated statements of cash flows can be reconciled to the related item in the consolidated statements of financial position as follows:

	2021	2020	2019
Cash on hand	P 9,075,192	P 615,267	P 615,267
Cash in banks	272,070,502	87,697,955	33,099,404
	P 281,145,694	P 88,313,222	P 33,714,671

Cash on hand pertains to revolving and change fund kept in the different branches.

Finance income from banks amounted to nil in 2021, 2020 and 2019 since bank accounts maintain are current accounts which do not earn interest.

8. TRADE RECEIVABLES

As of June 30, 2021, 2020 and 2019, the Group's trade receivables amounted to P56,651,759, P59,381,324 and P75,247,786, respectively.

Trade receivables which pertain to supplies billed to franchisees, commissary sales to certain institutions and receivable from credit card companies and food delivery services have an average credit period of sixty (60) days from the sale of goods. No interest is charged on trade receivables. The Group determines that a customer is in default when it is already past due for 360 days and beyond. Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognized an allowance for expected credit losses because there has been no significant amount on past due accounts which are 360 days and beyond. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Aging of outstanding accounts that are past due but not impaired is as follows:

	2021		2020		2019	
1 to 30 days	₱	3,507,836	₱	11,614,324	₱	15,470,189
31 to 60 days		2,831,135		11,807,944		2,601,192
Over 60 days		26,685,764		9,471,371		4,533,237
	₱	33,024,735	₱	32,893,639	₱	22,604,618

In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

In 2021, 2020 and 2019, no expected credit loss was recognized for the Group's trade receivables because the Group believes that there is only an insignificant amount of expected credit loss therefrom.

9. INVENTORIES

The Group's inventories pertaining to foods, beverages, store and kitchen supplies amounted to ₱59,452,449, ₱26,471,689 and ₱34,362,884, as of June 30, 2021, 2020 and 2019, as disclosed in Note 22.

The cost of inventories recognized as an expense amounted to ₱539,909,839, ₱346,783,417 and ₱339,337,633, in 2021, 2020 and 2019, respectively, as disclosed in Note 22.

Inventories are expected to be recovered within twelve (12) months after the reporting period.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of the Group's prepayments and other current assets are shown below:

	2021		2020		2019	
Prepayments	₱	5,275,675	₱	2,674,061	₱	1,205,662
Advances to suppliers		13,048,202		7,577,674		-
Advances to contractors		10,718,507		4,088,225		-
Advances to officers and employees		1,533,079		1,548,829		-
Advances to franchisor		1,403,812		-		-
	₱	31,979,275	₱	15,888,789	₱	1,205,662

Advances to suppliers pertain to inventories that are already paid. The average shipment and delivery is sixty (60) days from initial payment of goods.

Advances to contractors pertain to materials and services paid in advance.

11. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Group's property and equipment as of June 30, 2021, 2020 and 2019, are as follows:

	Office and Store Equipment	Building and Building Improvements	Total
July 1, 2018			
Cost	P 82,611,962	P 207,452,388	P 290,064,350
Accumulated depreciation	(51,680,044)	(167,129,108)	(218,809,152)
Carrying Amount	30,931,918	40,323,280	71,255,198
Movements			
Balance, July 1, 2018	30,931,918	40,323,280	71,255,198
Additions	30,066,545	195,476,238	225,542,783
Depreciation	(627,186)	(17,792,747)	(18,419,933)
Balance, June 30, 2019	60,371,277	218,006,771	278,378,048
June 30, 2019			
Cost	112,678,507	402,928,626	515,607,133
Accumulated depreciation	(52,307,230)	(184,921,855)	(237,229,085)
Carrying Amount	60,371,277	218,006,771	278,378,048
Movements			
Balance, July 1, 2019	60,371,277	218,006,771	278,378,048
Additions	9,952,655	99,574,071	109,526,726
Depreciation	(576,583)	(9,325,375)	(9,901,958)
Balance, June 30, 2020	69,747,349	308,255,467	378,002,816
June 30, 2020			
Cost	122,631,162	502,502,698	625,133,860
Accumulated depreciation	(52,883,813)	(194,247,231)	(247,131,044)
Carrying Amount	69,747,349	308,255,467	378,002,816
Movements			
Balance, July 1, 2020	69,747,349	308,255,467	378,002,816
Additions	118,795,267	-	118,795,267
Depreciation	(545,522)	(9,038,489)	(9,584,011)
Balance, June 30, 2021	187,997,095	299,216,977	487,214,072
June 30, 2020			
Cost	241,426,430	502,502,697	743,929,126
Accumulated depreciation	(53,429,335)	(203,285,720)	(256,715,054)
Carrying Amount	P 187,997,095	P 299,216,977	P 487,214,072

In 2021, 2020 and 2019, all additions were paid in cash.

Depreciation is allocated as follows:

	2021		2020		2019	
Direct cost (Note 22)	₱	5,334,901	₱	5,638,664	₱	6,133,531
Operating expenses (Note 23)		4,249,110		4,263,294		12,286,402
	₱	9,584,011	₱	9,901,958	₱	18,419,933

In 2021, 2020 and 2019, Management assessed that there were no indications of impairment existing in property and equipment.

12. INTANGIBLE ASSETS – net

The carrying amounts of the Group's intangible assets as of June 30, 2021, 2020 and 2019 are as follows:

	Goodwill		Computer Software		Total
July 1, 2018					
Cost	₱	-	₱	-	₱ -
Accumulated amortization		-		-	-
Carrying Amount		-		-	-
Movements					
Balance, July 1, 2018		-		-	-
Additions		-		1,135,692	1,135,692
Amortization (Note 23)		-		(1,135,692)	(1,135,692)
Balance, June 30, 2019		-		-	-
June 30, 2019					
Cost		-		-	-
Accumulated amortization		-		-	-
Carrying Amount		-		-	-
Movements					
Balance, July 1, 2019		-		-	-
Additions		-		1,261,101	1,261,101
Amortization (Note 23)		-		(885,341)	(885,341)
Balance, June 30, 2020		-		375,760	375,760
June 30, 2020					
Cost		-		1,261,101	1,261,101
Accumulated amortization		-		(885,341)	(885,341)
Carrying Amount		-		375,760	375,760

(Balance forwarded)

(Balance continued)

Movements			
Balance, July 1, 2020	-	375,760	375,760
Additions	4,502,564	953,141	5,455,705
Amortization (Note 23)	-	(949,153)	(949,153)
Balance, June 30, 2021	4,502,564	379,748	4,882,312
June 30, 2021			
Cost	4,502,564	2,214,242	6,716,806
Accumulated amortization	-	(1,834,494)	(1,834,794)
Carrying Amount	₱ 4,502,564	₱ 379,748	₱ 4,882,312

In 2021, 2020 and 2019, all additions were paid in cash.

The remaining useful life of computer software is two (2) years.

The Group has determined that there is no indication that an impairment loss has occurred on its intangible assets.

13. RIGHT-OF-USE ASSETS – net

The carrying amounts of the Group's right-of-use assets as of June 30, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Balance, beginning	₱	₱	₱
Cost	-	-	-
Accumulated amortization	-	-	-
Carrying Amount	-	-	-
Movements			
Balance, beginning		-	-
Recognition	9,779,627	-	-
Depreciation (Note 23)	(2,410,304)	-	-
Balance, ending	7,369,323	-	-
Balance, ending			
Cost	12,228,382	-	-
Accumulated amortization	(4,859,059)	-	-
Carrying Amount	₱ 7,369,323	₱ -	₱ -

The details of the lease contracts are disclosed in Note 26.

14. OTHER NON-CURRENT ASSETS

The details of other non-current assets are shown below:

	2021	2020	2019
Refundable deposits	₱ 8,570,031	₱ 6,646,348	₱ 77,164,658
Construction bond	255,006	116,003	-
Others	600,000	-	-
	₱ 9,425,037	₱ 6,762,351	₱ 77,164,658

Refundable deposits include refundable deposits related to lease amounting to ₱8,541,131, ₱6,646,348 and nil as of June 30, 2021, 2020 and 2019, respectively, as disclosed in Note 26. Other refundable deposits are receivable from franchise stores.

15. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

	2021	2020	2019
Trade	₱ 119,634,256	₱ 76,821,531	₱ 78,800,078
Accrued expenses	10,358,400	2,730,071	1,562,872
Customers' deposits	27,209,634	43,582,960	13,625,760
Due to government agencies	3,855,100	2,410,734	-
	₱ 161,057,390	₱ 125,545,296	₱ 93,988,710

The average credit period on purchases of certain goods from suppliers is thirty (30) days. No interest is charged on the trade payables from the date of the invoice.

Customer's deposits pertain to down payments made by customers on their purchases.

Due to government agencies include expanded and compensation withholding taxes and other statutory payables.

16. LOANS PAYABLE

Details of Group's loans payable are as follows:

	2021	2020	2019
Balance, July 1	₱ 60,000,000	₱ 60,000,000	₱ -
Availment of loan	50,000,000	-	60,000,000
Payments	(30,000,000)	-	-
Balance, June 30	₱ 80,000,000	₱ 60,000,000	₱ 60,000,000

The loan availed is used for additional working capital of the Group. The loan bears an interest rate of 5.5% with a term of one (1) year. In 2020, the loan was renewed for another one (1) year. The loans are secured by corporate guaranty of Camerton, Inc, a related party under common key management.

In 2021, 2020 and 2019, finance costs incurred and paid amounted to ₱244,347, ₱2,783,193 and ₱2,102,765, respectively.

The Group is not required to maintain any ratios or thresholds. In 2021, 2020 and 2019, the Group is compliant with the terms and conditions of the loan contract.

17. LEASE LIABILITIES

The Group, as lessee, entered into various leasing arrangements as disclosed in Note 26. The following are the amounts of lease liabilities:

	Minimum Lease Payments			Present Value of Minimum Lease Payments		
	2021	2020	2019	2021	2020	2019
Not later than one year	₱ 2,736,233	₱ -	₱ -	₱ 2,540,057	₱ -	₱ -
Later than one year but not later than five years	5,405,869	-	-	5,038,691	-	-
	8,142,102	-	-	7,578,748		
Unearned interest	(563,354)	-	-	n/a	n/a	n/a
Present value of minimum lease payments	7,578,748	-	-	7,578,748	-	-
Current lease liabilities	2,540,057	-	-	2,540,057	-	-
Non-current lease liabilities	₱ 5,038,691	₱ -	₱ -	₱ 5,038,691	₱ -	₱ -

Finance cost incurred from lease liabilities amounted to ₱243,789, nil and nil in 2021, 2020 and 2019, respectively. The Group paid lease liabilities and finance cost amounting to ₱2,264,265 and ₱243,614 in 2021, respectively. No lease liabilities and finance cost paid in 2020 and 2019.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 2.3% to 3.02% per annum during 2021.

18. RELATED PARTY TRANSACTIONS

Nature of relationship of the Group and its related parties are disclosed below:

Related Party	Nature of Relationship
Carmetheus Holdings, Inc. (CHI)	Ultimate Parent
Camerton, Inc.	Under common control
F Coffee Holdings, Inc.	Under common control
Stockholders	Key management personnel

18.01 Due from related parties

Balances of due from related parties presented in the pro-forma consolidated statements of financial position are summarized per category as follows:

	2021	2020	2019
Ultimate parent	P 28,125,000	P 9,375,000	P 9,375,000
Under common control	39,747,436	-	-
Key Management Personnel	570,999	570,999	500
	P 68,443,435	P 9,945,999	P 9,375,500

Balances and transactions between the Group and its related parties are disclosed below:

18.01.01 Ultimate Parent

Transactions with ultimate parent are as follows:

	June 30, 2021		June 30, 2020		June 30, 2019	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	Amount Volume	Outstanding Balance
Carmetheus Holdings, Inc. (CHI)						
Advances	₱ 28,125,000	₱ 28,125,000	₱ -	₱ 9,375,000	₱ 9,375,500	₱ 9,375,000

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received in respect of the amounts owed by related party. No provisions have been made for expected credit losses in respect of the amounts owed by a related party.

18.01.02 Under Common Control

Transactions with related party under common control are as follows:

	June 30, 2021		June 30, 2020		June 30, 2019	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	Amount Volume	Outstanding Balance
Camerton, Inc. (CI)						
Advances	₱ 134,375,000	₱ 39,747,436	₱ -	₱ -	₱ -	₱ -

The Group collected ₱104,002,564, nil and nil in 2021, 2020 and 2019, respectively.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received in respect of the amounts owed by related party. No provisions have been made for expected credit losses in respect of the amounts owed by a related party.

18.01.03 Key Management Personnel

Transactions with key management personnel are as follows:

	June 30, 2021		June 30, 2020		June 30, 2019	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	Amount Volume	Outstanding Balance
Stockholders						
Advances	P -	P 570,999	P 570,499	P 570,999	P -	P 500

Advances pertain cash given to stockholders for their personal use.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received in respect of the amounts owed by related party. No provisions have been made for expected credit losses in respect of the amounts owed by a related party.

18.02 Due to a related party

Advances from stockholders, as shown in the consolidated statement of financial position, is summarized as follows:

18.02.01 Key Management Personnel

Transactions with key management personnel are as follows:

	June 30, 2021		June 30, 2020		June 30, 2019	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	Amount Volume	Outstanding Balance
Stockholders						
Advances	₱ -	₱ 40,784,508	₱ -	₱ 194,361,528	₱ 73,814,449	₱ 268,900,141,

Advances paid to stockholders amounted to ₱153,577,020, ₱74,538,613 and nil in 2021, 2020 and 2019, respectively.

Advances from stockholders represent amounts payable to officers arising from fund transfers and other transactions to finance the working capital requirements of the Group.

The amounts outstanding are non-interest bearing, unsecured, payable on demand and will be settled in cash. No guarantees have been given in respect of the amounts owed to related party.

18.03 Remuneration of Key Management Personnel

In 2021, 2020 and 2019, no remuneration was given to the directors and members of key management personnel.

19. CAPITAL STOCK

The issued capital of the Group are as follows:

	2021	2020	2019
Capital stock	P 322,500,500	P 9,375,500	P 9,375,500
Additional paid-in capital	186,938,000	-	-
	P 509,438,500	P 9,375,500	P 9,375,500

Shown below are the details on the movements of ordinary shares.

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
₱0.10 par value per share	5,000,000,000	₱ 500,000,000		₱		₱
P100.00 par value per share			1,500,000	150,000,000	1,500,000	150,000,000
Issued and fully paid						
Balance, July 1	93,755,000	9,375,500	93,755	9,375,500	93,755	9,375,500
Issuances	3,131,250,000	313,125,000	-	-	-	-
Balance, June 30	3,225,005,000	322,500,500	93,755	9,375,500	93,755	9,375,500
Partly paid						
Balance, July 1	281,250,000	28,125,000	281,250	28,125,000	28,125	28,125,000
Issuances	281,250,000	28,125,000	-	-	-	-
Balance, June 30	-	-	281,250	28,125,000	281,250	28,125,000
Less: Subscription receivable	-	-	281,250	28,125,000	281,250	28,125,000
	-	-	-	-	-	-
	3,225,005,000	₱ 322,500,500	93,755	₱ 9,375,500	93,755	₱ 9,375,500

19.01 Dividend Declaration

On June 16, 2021, Figaro Coffee Systems Inc., the Parent Company's subsidiary, declared cash dividend at ₱83,255.20 per share or ₱208,138,000 to stockholders of record as of March 31, 2021. The record date of the declaration of dividend is May 31, 2021.

19.02 Increase in Authorized Capital Stock

On March 31, 2021, the Parent Company's Board of Directors and Stockholders approved: (a) the increase in authorized capital stock from ₱150,000,000 to ₱500,000,000; and (b) the stock split through the reduction of the par value of the shares of the Group from ₱100.00 per share to ₱0.10 per share. SEC approved the Group's application to increase authorized capital stock on June 23, 2021.

19.03 Issuances of Shares

At incorporation, Camertheus Holdings, Inc. (CHI) subscribed to ₱37,500,000 worth of shares in the Parent Company. Out of such subscription, ₱9,375,000 had been paid by CHI at incorporation of the Parent Company. During the period, CHI fully paid its subscription receivable amounting to ₱28,125,000.

Camerton, Inc. (CI) subscribed to the following shares of the Parent Company:

- a. In support of the application for increase in authorized capital stock, Camerton, Inc. (CI), on March 31, 2021, subscribed to 1,250,000,000 shares of the Parent Company for a total subscription price of ₱125,000,000. The subscribed shares were fully paid and issued on June 22, 2021.
- b. On June 20, 2021, the Board of Directors of the Parent Company approved the additional paid-in capital in the amount of ₱83,138,000 paid by CI into the Parent Company.
- c. 1,250,000,000 shares with par value of ₱0.10 per share for a total subscription price of ₱228,800,000, or ₱0.18304 price per share. The said subscription resulted to an additional capital stock of ₱125,000,000 and an additional paid-in capital of ₱103,800,000 in the Parent Company; and³¹
- d. 350,000,000 shares of the Parent Company with par value of ₱0.10 per share for a total subscription price of ₱35,000,000.

³¹ **[Event after the reporting period]**. DST was paid on or before July 5, 2021. Amended GIS was filed to SEC to reflect the subscribed and issued shares. The subscription and issuance were recorded in the stock and transfer book of FCGI and stock certificates were issued to Camerton, Inc.

20. BUSINESS COMBINATION

On June 21, 2021, F Coffee Holdings Corporation, the 'Seller' agreed to sell and the Parent Company, the 'Buyer' agreed to buy, all the seller's rights, title and interests to a total of 2,500 common shares with a par value of ₱50.00 per share or an aggregate par value of ₱125,000 of Figaro Coffee Systems, Inc. (FCSI) for and in consideration of ₱1,851.0256 per share or total purchase price of ₱4,627,564. The difference between the consideration paid and the fair value of the interest acquired in FCSI was recognized as goodwill amounting to ₱4,502,564, as disclosed in Note 12.^{36 37}

21. REVENUE

The Group's revenue is as follows:

	2021	2020	2019
<i>Net sales</i>			
Store	₱ 1,320,990,414	₱ 760,305,860	₱ 649,816,131
Institutional	12,532,889	91,037,579	134,011,051
Project			
management fee	-	1,669,643	1,192,858
	1,333,523,303	853,013,082	785,020,040
<i>Royalty and franchise fees</i>			
Royalty	21,177,475	10,627,588	11,474,328
Franchise fee	-	2,940,000	6,183,928
	21,177,475	13,567,588	17,658,256
	₱ 1,354,700,778	₱ 866,580,670	₱ 802,678,296

The Group recognized commission on its sale through the third-party delivery supports amounting to ₱27,446,244, ₱11,546,240 and nil in 2021, 2020 and 2019, respectively. The Group's revenue derived from sales through the third-party delivery supports amounted to ₱384,146,894, ₱175,800,125 and ₱20,661,256 in 2021, 2020 and 2019, respectively.

³⁶ [Event after the reporting period] DST was paid on or before July 5, 2021 and CGT paid on July 21, 2021. Amended General Information Sheet was filed to SEC. The sale was already recorded in FCSI's stock and transfer book and stock certificate was issued to FCSI.

³⁷ [Event after the reporting period] The total consideration, DST and CGT was paid in July 2021.

22. DIRECT COSTS

The following is an analysis of the Group's direct costs:

	2021	2020	2019
Inventories, July 1 (Note 9)	P 26,471,689	P 34,362,884	P 15,101,771
Purchases	572,890,599	338,892,222	358,598,746
Inventories, June 30 (Note 9)	(59,452,449)	(26,471,689)	(34,362,884)
Cost of materials used	539,909,839	346,783,417	339,337,633
Direct labor (Note 24)	135,875,240	137,746,831	131,824,901
Overhead	85,378,917	102,656,420	110,787,151
	P 761,163,996	P 587,186,668	P 581,949,685

Details of the overhead is as follows:

	2021	2020	2019
Store and kitchen supplies	P 16,612,247	P 15,211,393	17,479,298
Communication, light and water	16,485,843	16,919,488	19,308,077
Rentals (Note 26)	11,710,051	25,642,859	28,542,016
Transportation and travel	9,688,666	13,330,577	13,100,542
Taxes and licenses	6,173,246	5,309,637	7,088,900
Repairs and maintenance	6,106,950	5,465,023	4,998,326
Depreciation (Note 11)	5,334,901	5,638,664	6,133,531
Security services	4,145,418	3,903,631	4,252,513
Wastages and spoilage	3,762,330	2,681,763	1,185,291
Supplies	2,130,901	1,348,509	1,870,996
Professional fees	1,794,945	1,967,221	1,327,391
Representation and entertainment	347,961	708,528	468,902
Others	1,085,458	4,529,127	5,031,368
	P 85,378,917	P 102,656,420	110,787,151

23. OPERATING EXPENSES

This account is composed of the following expenses:

	2021	2020	2019
Advertisement and promotion	P 193,355,505	P 97,649,471	70,225,695
Commission	69,466,745	8,562,698	1,402,195
Short-term employee benefits (Note 24)	21,225,952	20,348,908	18,562,361
Communication, light and water	12,428,083	11,104,288	10,998,076
Rentals (Note 26)	6,204,333	9,563,000	7,572,500
Representation and entertainment	5,555,790	4,660,991	5,685,845
Professional fees	4,014,228	1,562,791	1,235,874
Taxes and licenses	3,415,368	6,579,606	7,437,846
Retirement benefits (Note 24)	2,862,089	2,842,559	1,381,169
Depreciation (Notes 11 and 13)	2,659,414	4,263,294	12,286,402
Security services	1,837,961	1,259,318	858,366
Repairs and maintenance	1,106,521	714,207	533,845
Supplies	978,207	778,179	869,002
Amortization (Note 12)	949,153	885,341	1,135,692
Transportation and travel	812,759	722,256	918,272
Others	1,084,565	1,124,302	8,141,396
	P 331,956,673	P 172,621,209	149,244,536

24. EMPLOYEE BENEFITS

Aggregate employee benefits expense, as disclosed in Notes 22 and 23, is comprised of:

	2021	2020	2019
Short-term employee benefits	P 156,394,177	P 158,095,739	P 150,387,262
Retirement benefits	2,862,089	2,842,559	1,381,169
	P 159,256,266	P 160,938,298	P 151,768,431

24.01 Short-term Employee Benefits

An analysis of the Group's short-term employee benefits as disclosed in Notes 22 and 23 is as follows:

	2021	2020	2019
Direct labor (Note 22)	P 135,168,225	P 137,746,831	P 131,824,901
Short-term employee benefits (Note 23)	21,225,952	20,348,908	18,562,361
	P 156,394,177	P 158,095,739	P 150,387,262

24.02 Post-employment Benefits

24.02.01 Defined Benefit Plan

The Group has a single retirement plan under the regulatory framework of the Philippines. Under R.A. No. 7641, the Group is legally obliged to provide a minimum retirement pay for qualified employees upon retirement. The framework, however, does not have a minimum funding requirement. The Group's benefit plan is aligned with this framework.

Under the unfunded plan, the employees are entitled to retirement benefits equivalent to 22.5 days per year of credited service in accordance with R.A. No. 7641 on attainment of a retirement age of sixty (60) years with at least five (5) years of service. The payments for the funded benefits are borne by the Group as it falls due.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on April 26, 2021 by Miravite Consulting Group, Inc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	2021	2020	2019
Discount rate	5.0%	4.2%	5.5%
Expected rate of salary increase	5.0%	5.0%	5.0%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age sixty (60).

	2021	2020	2019
Retiring after the reporting period Male and Female	14	14	14

The sensitivity analysis of the defined benefit obligation on changes in the weighted principal assumption is as follows:

	Impact on Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
June 30, 2021			
Discount rate	+/-1.00%	5.97%	3.97%
Salary increase rate	+/-1.00%	6.00%	4.00%
June 30, 2020			
Discount rate	+/-1.00%	5.20%	3.20%
Salary increase rate	+/-1.00%	6.00%	4.00%
June 30, 2019			
Discount rate	+/-1.00%	5.20%	3.20%
Salary increase rate	+/-1.00%	6.00%	4.00%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statements of financial position.

Assumed life expectancy is not applicable because under the Group's retirement plan, benefits are paid in full in a lump sum upon retirement or separation of an employee.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Amounts recognized in consolidated profit or loss in respect of these defined benefit plans are as follows:

	2021	2020	2019
Current service cost	P 2,106,276	P 2,306,278	979,183
Interest on the retirement benefit obligation	755,814	536,281	401,986
	P 2,862,090	P 2,842,559	1,381,169

Reconciliation of remeasurements recognized in consolidated other comprehensive income is as follows:

	Change on financial assumption	Experience adjustment	Total	Income tax	Net
Gain (loss) Balance at July 1, 2018	P (2,240,002)	P 32,484	P (2,207,518)	P 662,255	P (1,545,263)
Amount recognized during the year	3,356,981	(141,258)	3,215,723	(964,717)	2,251,006
Gain (loss) Balance at June 30, 2019	1,116,979	(108,774)	1,008,205	(302,462)	705,743
Amount recognized during the year	3,376,519	(750,183)	2,626,336	(787,901)	1,838,435
Gain (loss) Balance at June 30, 2020	4,493,498	(858,957)	3,634,541	(1,090,363)	2,544,178
Amount recognized during the year	(131,995)	-	(131,995)	32,999	(98,996)
Effect of change in tax regime	-	-	-	181,728	181,728
Gain (loss) Balance at June 30, 2021	P 4,361,503	P (858,957)	P 3,502,546	P (875,636)	P 2,626,910

Movements in the present value of the defined benefit obligation in the current period are as follows:

	2021	2020	2019
Balance, July 1	P 15,219,460	P 9,750,565	5,153,673
Current service cost	2,106,276	2,306,278	979,183
Interest expense	755,814	536,281	401,986
Actuarial loss (gain)	(131,995)	2,626,336	3,215,723
Balance, June 30	P 17,949,555	P 15,219,460	9,750,565

The Group operates an unfunded defined benefit plan wherein benefit payments are borne by the Group. Thus, the Group maintains appropriate level of liquidity to meet currently maturing defined benefit obligations and has established a level of solvency ratio aimed to pay for long term defined benefit obligations.

25. FRANCHISE AGREEMENTS

25.01 The Group as a Franchisor

The Group has granted its franchisees the right to use the information and materials pertaining to the restaurant system being franchised under the terms and conditions specified in the franchise agreements. The agreements provide for an initial franchise fee payable upon the execution of the agreement and monthly royalty fees based on gross sales.

Deposits paid by the franchisees amounted to ₱2,200,000, ₱1,975,000 and ₱1,600,000 as of June 30, 2021, 2020 and 2019, respectively, as disclosed in Note 14, which are to be refunded upon termination of the franchise agreement.

Royalty received from franchisees amounting to ₱18,109,881, ₱8,776,004 and ₱13,277,863 in 2021, 2020 and 2019.

26. LEASE AGREEMENT

26.01 The Group as a Lessee

The Group has leases for the use of store spaces with lease terms of three (3) to five (5) years. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

26.01.01 Angels Imus Branch

The Group leased out store space located in Imus City, Cavite for its Angels Imus Branch for a period of five (5) years ending on April 4, 2023 for a monthly rent of ₱76,000 with 3% escalation rate. The Group paid security deposit amounting to ₱228,000.

26.01.02 Angels Kalayaan Branch

The Group leased out store space located in Diliman, Quezon City for its Angels Kalayaan Branch for a period of three (3) years ending on January 1, 2023 for a monthly rent of ₱25,000 with 5 to 10% escalation rate. The Group paid security deposit amounting to ₱78,750.

26.01.03 Angels Pasig Branch

The Group leased out store space located in Maybunga, Pasig City for its Angels Pasig Branch for a period of five (5) years ending on October 6, 2025 for a monthly rent of ₱53,928. The Group paid security deposit amounting to ₱151,200.

26.01.04 Angels Antipolo Branch

The Group leased out store space located in Dalig, Antipolo City for its Angels Pasig Branch for a period of five (5) years ending on February 15, 2025 for a monthly rent of ₱61,790. The Group paid security deposit amounting to ₱185,371.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized on balance sheet:

Right-of-Use Asset	No. of Right-of-Use Assets Leased	Range of Remaining Term	Average Remaining Lease Term	No. of Leases with Extension Options	No. of Leases with Options to Purchase	No. of Leases with Variable Payments linked to an Index	No. of Leases with Termination Options
<i>Angels Imus</i>	1	5	2	1	None	None	None
<i>Angels Kalayaan</i>	1	3	2	1	None	None	None
<i>Angels Pasig</i>	1	5	4	1	None	None	None
<i>Angels Antipolo</i>	1	5	4	1	None	None	None

All leases have extension option but are not enforceable because it requires mutual agreement of both parties as disclosed in Note 5.01.09.

Right-of-Use Asset

Additional information on the right-of-use assets as presented in the consolidated statements of financial position:

	Carrying Amount	Additions	Depreciation	Impairment
<i>Angels Imus</i>	₱ 4,481,237	₱ -	₱ 896,247	₱ -
<i>Angels Kalayaan</i>	926,658	-	308,886	-
<i>Angels Pasig</i>	3,178,537	-	476,780	-
<i>Angels Antipolo</i>	3,641,950	-	728,390	-
	₱ 12,228,382	₱ -	₱ 2,410,303	₱ -

Lease liabilities

Lease liabilities as presented in the consolidated statements of financial position as follows:

	June 30, 2021	June 30, 2020	June 30, 2019
Current	₱ 2,540,057	₱ -	₱ -
Non-current	5,038,691	-	-
	₱ 7,578,748	₱ -	₱ -

26.01.05 Lease payments not recognized as a liability

Short-term lease relates to lease contracts for stores spaces with a term of one (1) year and renewable upon mutual agreement of both parties.

The Group has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability is as follows:

Rent expense recognized from the lease of store spaces are as follows:

	2021	2020	2019
Direct costs (Note 22)	₱ 11,710,051	₱ 25,642,859	₱ 28,542,016
Operating expenses (Note 23)	6,204,333	9,563,000	7,572,500
	₱ 9,537,214	₱ 35,205,859	₱ 36,114,516

Prepaid rent, pertaining lease payments not recognized as lease liability, as of June 30, 2021, 2020 and 2019 amounted to ₱3,241,741, ₱2,645,261 and ₱2,459,889, respectively, as disclosed in Note 10. Refundable deposits paid by the Group amounted to ₱8,541,131, ₱6,646,348 and nil as of June 30, 2021, 2020 and 2019, respectively, as disclosed in Note 14.

At reporting dates, the Group had outstanding commitments for future minimum lease payments amounting to ₱2,412,303, ₱4,824,605 and ₱7,041,274 in 2021, 2020 and 2019, respectively.

27. INCOME TAXES

27.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2021	2020	2019
Current tax expense	₱ 88,985,902	₱ 30,368,112	₱ 20,424,042
Deferred tax expense (benefit)	(259,819)	852,768	414,351
	₱ 66,726,083	₱ 31,220,880	₱ 20,838,393

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Accounting profit	P 261,091,973	P 103,989,600	P 69,381,309
Tax expense at 25% and 30%	65,272,993	31,196,880	20,814,393
Tax effect:			
Non-deductible expenses	630,342	24,000	24,000
Impact of recognition of right-of-use asset and lease liabilities	(36,553)	-	-
Change in tax regime	859,301	-	-
	P 66,726,083	P 31,220,880	P 20,838,393

28. DEFERRED TAX ASSETS

The Group's deferred tax assets and the respective movement is as follows:

	Retirement benefit obligation	Right-of-use asset and Lease liabilities	Total
Balance July 1, 2018	P 1,462,585	P -	P 1,462,585
Recognized in profit or loss	497,868	-	497,868
Recognized in other comprehensive income	964,717	-	964,717
Balance, June 30, 2019	2,925,170	-	2,925,170
Recognized in profit or loss	852,768	-	852,768
Recognized in other comprehensive income	787,901	-	787,901
Balance, June 30, 2020	4,565,839	-	4,565,839
Recognized in profit or loss	715,522	55,222	770,744
Impact of recognition of right- of-use assets and lease liabilities		36,553	36,553
Change in tax regime recognized in profit or loss	(579,246)	-	(579,246)
Recognized in other comprehensive income	(32,999)	-	(32,999)
Change in tax regime recognized in other comprehensive income	(94,739)	-	(94,739)
Balance, June 30, 2021	P 4,574,377	P 91,775	P 4,666,152

29. BASIC EARNINGS PER SHARE

The Group's basic earnings per share is ₱0.06, ₱0.80 and ₱0.61 in 2021, 2020 and 2019, respectively.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2021	2020	2019
a. Net income (loss) from operations/ attributable to ordinary equity holders of the Group for earnings	₱ 194,365,890	₱ 72,768,720	₱ 48,542,916
b. Weighted average number of ordinary shares for the purposes of earnings per share	3,225,005,000	93,755,000	93,755,000
c. Earnings per share (a/b)	0.06	0.78	0.52

The weighted average number of ordinary shares for the periods 2021, 2020 and 2019 used for the purposes of basic earnings per share were computed as follows:

	Number of Ordinary Shares	Proportion to Period	Weighted Average	Total
June 30, 2019				
Outstanding shares at the beginning and end of the period	93,755,000	12/12	93,755,000	93,755,000
June 30, 2020				
Outstanding shares at the beginning and end of the period	93,755,000	12/12	93,755,000	93,755,000
June 30, 2021				
Outstanding shares at the beginning and end of the period	3,225,005,000	12/12	3,225,005,000	3,225,005,000

30. FAIR VALUE MEASUREMENTS

30.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities as of June 30, 2021, 2020 and 2019 are presented below:

	June 30, 2021		June 30, 2020		June 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:						
Cash	P 281,145,694	P 281,145,694	P 88,313,222	P 88,313,222	P 33,714,671	P 33,714,671
Trade receivables	56,651,759	56,651,759	59,381,324	59,381,324	75,247,786	75,247,786
Due from related parties	68,443,435	68,443,435	9,945,999	9,945,999	9,375,500	9,375,500
Other non-current assets	8,570,031	8,570,031	6,762,351	6,762,351	8,570,031	8,570,031
	P 454,811,483	P 454,811,483	P 164,402,896	P 164,402,896	P 126,907,988	P 126,907,988
Financial Liabilities:						
Trade and other payables	P 119,634,256	P 119,634,256	P 76,821,531	P 76,821,531	P 78,800,078	P 78,800,078
Due to related parties	40,784,508	40,784,508	194,361,528	194,361,528	268,900,141	268,900,141
Loans payable	80,000,000	80,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Lease liabilities	7,578,748	7,578,748	-	-	-	-
	P 247,997,512	P 247,997,512	P 331,183,059	P 331,183,059	P 407,700,219	P 407,700,219

The fair values of financial assets and financial liabilities are determined as follows:

- Due to the short-term nature of cash, trade receivable, advances to stockholders and trade and other payables (except due to government agencies) and advances from stockholders, their carrying amounts approximate their fair values.
- Other non-current assets having a long-term nature are carried at amortized cost. Management believes that fair value approximates amortized cost.
- Loans payable and lease liabilities bear market interest rates; hence, Management believes that carrying amounts approximate their fair values.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, including interest rate risk, credit risk and liquidity risk.

31.01 Market Risk Management

31.01.01 Interest Rate Risk Management

The Group's exposure to interest rate risk arises from its cash deposits in banks and loans payable which are subject to variable interest rates.

The interest rate risks arising from deposits with banks and loans payable are managed by means of effective investment planning and analysis and maximizing investment opportunities in various local banks and financial institutions.

Profits for the years ended June 30, 2021, 2020 and 2019 would have been unaffected since the Group has no borrowings at variable rates and interest rate risk exposure for its cash in banks, which is subject to variable rate, is very immaterial.

31.02 Credit Risk Management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from cash in banks, trade receivables, advances to stockholders and refundable deposits, all measured at amortized cost.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of risk management. The Group uses other publicly available financial information and its own records to rate its counterparties. Credit ratings of counterparties are continuously monitored by the Management.

The Group considers the following policies to manage its credit risk:

➤ Banks

The Group transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Group uses other publicly available information such as annual report to monitor the financial status of the banks. The Group assesses the current and forecast information of the banking industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

➤ Trade receivables

On the credit exposures to customers, Management assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

Financial assets measured at amortized cost are as follows:

	2021		2020		2019
Cash in banks	P 272,070,502	P	87,697,955		33,099,404
Trade receivables	56,651,759		59,381,324		75,247,786
Due from related parties	68,443,435		9,945,999		9,375,500
Other non-current assets	8,570,031		6,762,351		8570,031
	P 405,735,727	P	163,787,629		126,292,721

The calculation of allowance for expected credit losses are based on the following three (3) components:

➤ Probability of Default (PD)

PD is the likelihood over a specified period, usually 360 days for customers and one year for service providers that they will not be able to make scheduled repayments. PD depends not only on the counterpart's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

➤ Loss Given Default (LGD)

LGD is the amount of money a Group loses when a customer defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

➤ Exposure at default (EAD)

EAD is the total value a Group is exposed to when a loan defaults. It refers to the carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit losses:

June 30, 2021				
	PD rate	LGD rate	EAD	ECL
	a	b	c	d = a*b*c
		0% to		
Cash in banks	0.00%	99.10%	₱ 272,070,502	₱ -
Trade receivables	0.00%	100.00%	56,651,759	-
Due from related parties	0.00%	100.00%	68,443,435	-
Other non-current assets	0.00%	100.00%	8,570,031	-
			₱ 405,735,727	₱ -
June 30, 2020				
	PD rate	LGD rate	EAD	ECL
	a	b	C	d = a*b*c
		0% to		
Cash in banks	0.00%	99.10%	₱ 87,697,955	₱ -
Trade receivables	0.00%	100.00%	59,381,324	-
Due from related parties	0.00%	100.00%	9,945,999	-
Other non-current assets	0.00%	100.00%	6,762,351	-
			₱ 163,787,629	₱ -
June 30, 2019				
	PD rate	LGD rate	EAD	ECL
	a	b	C	d = a*b*c
		0% to		
Cash in banks	0.00%	98.17%	₱ 33,099,404	₱ -
Trade receivables	0.00%	100.00%	75,247,786	-
Due from related parties	0.00%	100.00%	9,375,500	-
Other non-current assets	0.00%	100.00%	8,570,031	-
			₱ 126,292,721	₱ -

Cash in banks

The Group determined the probability of default rate by considering the following: the credit ratings; the past, current, and forecast performance of Banking Industry; the past, current, and forecast macro-economic factors that may affect the banks; and the current and projected financial information. The Group estimated the probability of default to be nil.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 0.00% to 99.10% and 0.00% to 98.17% as of June 30, 2021 and 2020, respectively.

Exposure at default is equal to the gross carrying amount of cash in banks.

Trade receivables

The Group determined the probability of default rate by considering the credit ratings, credit history or payment profiles of customers and forecast of macro-economic factors affecting the industry. Historically, no significant amount of receivables from customers remains uncollected after 360 days past due and with the projected demands of the Group's products by consumers, the impact of forecast, macro-economic factors is very insignificant, hence, the probability of default was estimated to be 0.00% in both years.

In both years, loss given default rate is 100% because the Group expects to lose the whole amount in case of default. There are no collateral or credit enhancements attached to the receivables.

Exposure at default is equal to the gross carrying amount of trade receivables.

Due from related parties

The Group determined the probability of default rate by considering the credit ratings, credit history and forecast of macro-economic factors affecting the stockholders. The PD rate is estimated to be nil.

In 2021 and 2020, loss given default rate is 100% because the Group expects to lose the whole amount in case of default.

Exposure at default is equal to the gross carrying amount of due from related parties.

Other non-current assets

This financial asset represents less than 4.23% and 4.56% of the total financial assets in both years. Hence, Management believes that the effect of provision for expected credit loss is immaterial to the financial statements as a whole.

In 2021, 2020 and 2019, the amount of expected credit loss for other non-current assets is nil.

31.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted Average Interest Rate	On Demand	Within one (1) Year	One (1) – Five (5) Years	Total
June 30, 2021					
Trade payables Due to related parties	-	₱ -	₱ 119,634,256	₱ -	₱ 119,634,256
Loans payable	-	40,784,508	-	-	40,784,508
	5.5%	-	80,000,000	-	80,000,000
	2.3%	-	-	-	-
	to	-	-	-	-
Lease liabilities	3.02%	-	2,540,057	5,038,691	7,578,748
		₱ 40,784,508	₱ 82,540,057	₱ 5,038,691	₱ 247,997,512
June 30, 2020					
Trade payables Due to related parties	-	₱ -	₱ 76,821,531	₱ -	₱ 76,821,531
Loans payable	-	194,361,528	-	-	194,361,528
	5.5%	-	60,000,000	-	60,000,000
		₱ 194,361,528	₱ 136,821,531	₱ -	₱ 331,183,059
June 30, 2019					
Trade payables Due to related parties	-	₱ -	₱ 78,800,078	₱ -	₱ 78,800,078
Loans payable	-	268,900,141	-	-	268,900,141
	5.5%	-	60,000,000	-	60,000,000
		₱ 268,900,141	₱ 138,800,078	₱ -	₱ 407,700,219

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On Demand	Within 1 Year	Over 5 Years	Total
June 30, 2021					
Cash on hand	-	₱ 9,075,192	₱ -	₱ -	₱ 9,075,192
Cash in banks	Floating rate	272,070,502	-	-	272,070,502
Trade receivables	-	-	56,651,759	-	56,651,759
Due from related parties	-	68,443,435	-	-	68,443,435
Other non-current assets	-	-	-	8,570,031	8,570,031
		₱ 389,589,693	₱ 56,651,759	₱ 8,570,031	₱ 454,811,483
June 30, 2020					
Cash on hand	-	₱ 615,267	₱ -	₱ -	₱ 615,267
Cash in banks	Floating rate	87,697,955	-	-	87,697,955
Trade receivables	-	-	59,381,324	-	59,381,324
Due from related parties	-	9,945,999	-	-	9,945,999
Other non-current assets	-	-	-	6,762,351	6,762,351
		₱ 98,259,221	₱ 59,381,324	₱ 6,762,351	₱ 164,402,896
June 30, 2019					
Cash on hand	-	₱ 615,267	₱ -	₱ -	₱ 615,267
Cash in banks	Floating rate	33,099,404	-	-	33,099,404
Trade receivables	-	-	75,247,786	-	75,247,786
Due from related parties	-	9,375,500	-	-	9,375,500
Other non-current assets	-	-	-	8,570,031	8,570,031
		₱ 43,090,171	₱ 75,247,786	₱ 8,570,031	₱ 126,907,988

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group manages its capital to ensure that the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of net debt (trade and other payables, advances from stockholders, loans payable, income tax payable and retirement benefit obligation) and equity of the Group (comprising capital stock, remeasurements, and retained earnings).

Pursuant to Section 42 of Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the Board of Directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the statement of financial position. The Group has a target gearing ratio of 1:1 determined as the proportion of net debt to equity.

The gearing ratio at end of the reporting period is as follows:

	2021		2020		2019	
Debt	₱	374,356,102	₱	439,042,541		432,639,416
Cash		281,145,694		88,313,222		33,714,671
Net debt		101,410,409		350,729,319		350,729,319
Equity		636,873,406		150,665,248		79,734,963
Net debt to equity ratio		0.16:1		2.33:1		4.4:1

Debt is defined as all liabilities while equity includes capital stock, remeasurements and retained earnings.

33. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

	2021		2020		2019	
Beginning balance, July 1	₱	254,361,528	₱	328,900,141	₱	195,085,692
Changes from financing cash flows						
Recognition of lease liabilities		9,842,838		-		-
Finance cost incurred		243,789		2,783,193		2,783,193
Proceeds from loan		50,000,000				60,000,000
Advances received from related party						73,814,449
Finance cost paid		(243,614)		(2,783,193)		(2,783,193)
Payment of lease liabilities		(2,264,265)		-		-
Payments of loan		(30,000,000)		-		-
Payment of advances to related parties		(153,577,020)		(74,538,613)		-
Ending balance, June 30	₱	128,363,256	₱	254,361,528	₱	328,900,141

34. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 27, 2021.

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

(In Philippine Peso)

	NOTES	Figaro Coffee Group, Inc. (Audited)	Pro Forma Adjustments (Unaudited)	Figaro Coffee Group, Inc. and Subsidiary Pro Forma Balances (Unaudited)
A S S E T S				
Current Assets				
Cash	4	-	281,145,694	281,145,694
Trade receivables	5	-	56,651,759	56,651,759
Inventories	6	-	59,452,449	59,452,449
Due from related parties	15	67,872,936	570,499	68,443,435
Prepayments and other current assets	7	40,800	31,938,475	31,979,275
		67,913,736	429,758,876	497,672,612
Non-current Assets				
Property and equipment – net	8	-	487,214,072	487,214,072
Intangible assets – net	9	4,502,564	379,748	4,882,312
Investment in subsidiary		437,063,000	(437,063,000)	-
Right-of-use assets – net	10	-	7,369,323	7,369,323
Other non-current assets	11	-	9,425,037	9,425,037
Deferred tax assets	21	-	4,666,152	4,666,152
		441,565,564	71,991,332	513,556,896
TOTAL ASSETS		509,479,300	501,750,208	1,011,229,508
LIABILITIES AND STOCKHOLDERS' EQUITY				
L I A B I L I T I E S				
Current Liabilities				
Trade and other payables	12	380,800	160,676,590	161,057,390
Due to a related party	15	-	40,784,508	40,784,508
Loans payable	13	-	80,000,000	80,000,000
Lease liabilities	14	-	2,540,057	2,540,057
Income tax payable		-	66,985,901	66,985,901
		380,800	350,987,056	351,367,856
Non-current Liabilities				
Retirement benefits obligation		-	17,949,555	17,949,555
Lease liabilities- net of current portion	14	-	5,038,691	5,038,691
		-	22,988,246	22,988,246
TOTAL LIABILITIES		380,800	373,975,302	374,356,102
S T O C K H O L D E R S ' E Q U I T Y				
Capital Stock	16	322,500,500	-	322,500,500
Additional Paid-in Capital	16	186,938,000	-	186,938,000
Retained Earnings		(340,000)	130,401,816	130,061,816
Remeasurements – net		-	(2,626,910)	(2,626,910)
TOTAL STOCKHOLDERS' EQUITY		509,098,500	127,774,906	636,873,406
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		509,479,300	501,750,208	1,011,229,508
	Difference	-	(0.11)	(0.11)

(See Notes to Pro forma Condensed Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Periods Ended June 30, 2021 and 2020

(In Philippine Peso)

	NOTES	Figaro Coffee Group, Inc. (Audited)	Pro Forma Adjustments (Unaudited)	Figaro Coffee Group, Inc. and Subsidiary Pro Forma Balances (Unaudited)	Figaro Coffee Group, Inc. (Audited)	Pro Forma Adjustments (Unaudited)	Figaro Coffee Group, Inc. and Subsidiary Pro Forma Balances (Unaudited)
		2021	2021	2021	2020	2020	2020
REVENUES							
Net sales	17	-	1,333,523,303	1,333,523,303	-	853,013,082	853,013,082
Royalty and franchise fees	17	-	21,177,475	21,177,475	-	13,567,588	13,567,588
			1,354,700,778	1,354,700,778	-	866,580,670	866,580,670
DIRECT COSTS	18	-	761,163,996	761,163,996	-	587,186,668	587,186,668
GROSS PROFIT		-	593,536,782	593,536,782	-	279,394,002	279,394,002
OPERATING EXPENSES	19	100,000	331,856,673	331,956,673	80,000	172,541,209	172,621,209
FINANCE COSTS	13,14	-	488,136	488,136	-	2,783,193	2,783,193
PROFIT BEFORE TAX		(100,000)	261,191,973	261,091,973	(80,000)	104,069,600	103,989,600
INCOME TAX	20	-	66,726,083	66,726,083	-	31,220,880	31,220,880
PROFIT		(100,000)	194,465,890	194,365,890	(80,000)	72,848,720	72,768,720
OTHER COMPREHENSIVE INCOME (LOSS)							
ITEM THAT WILL NOT BE RECLASSIFIED							
SUBSEQUENTLY TO PROFIT OR LOSS:							
REMEASUREMENT GAIN (LOSS)		-	131,995	131,995	-	(2,626,336)	(2,626,336)
INCOME TAX RELATING TO							
OTHER COMPREHENSIVE INCOME (LOSS)		-	(214,727)	(214,727)	-	787,901	787,901
		-	(82,732)	(82,732)	-	(1,838,435)	(1,838,435)
TOTAL COMPREHENSIVE INCOME		(100,000)	194,383,158	194,283,158	(80,000)	71,010,285	70,930,285
EARNINGS PER SHARE							
Basic Earnings per Share	22	0.00		0.06	0.00		0.78

(See Notes to Pro forma Condensed Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Periods Ended June 30, 2021 and 2020

(In Philippine Peso)

	Notes	Capital Stock	Additional Paid-in Capital	Retained Earnings	Remeasurement	Total
Balance at July 1, 2019	16	9,375,500	-	71,065,206	(705,743)	79,734,963
Pro forma profit				72,768,720		72,768,720
Pro forma remeasurement loss					(1,838,435)	(1,838,435)
Balance at June 30, 2020	16	9,375,500	-	143,833,926	(2,544,178)	150,665,248
Balance at July 1, 2020, <i>Figaro Coffee Group, Inc.</i>		9,375,500	-	(240,000)	-	9,135,500
Pro Forma Adjustments (Unaudited)	3			144,073,926	(2,544,178)	141,529,748
Balance at July 1, 2020		9,375,500	-	143,833,926	(2,544,178)	150,665,248
Pro forma profit				194,365,890		194,365,890
Pro forma remeasurement gain					(82,732)	(82,732)
Issuance of shares	16	313,125,000	186,938,000			500,063,000
Dividend declaration	16			(208,138,000)		(208,138,000)
Balance at June 30, 2021	16	322,500,500	186,938,000	130,061,816	(2,626,910)	636,873,406

(See Notes to Pro forma Condensed Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Periods Ended June 30, 2021 and 2020

(In Philippine Peso)

NOTES	Figaro Coffee	Pro Forma Adjustments	Figaro Coffee Group, Inc.	Figaro Coffee Group, Inc.	Pro Forma Adjustments	Figaro Coffee Group, Inc.
	Group, Inc. (Audited) 2021	(Unaudited) 2021	and Subsidiary Pro Forma Balances (Unaudited) 2021	Inc. (Audited) 2020	(Unaudited) 2020	and Subsidiary Pro Forma Balances (Unaudited) 2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	(100,000)	261,191,973	261,091,973	(80,000)	104,069,600	103,989,600
Adjustments for:						
Depreciation	18,19	11,994,315	11,994,315	-	9,901,958	9,901,958
Retirement benefits	19	2,862,089	2,862,089	-	2,842,559	2,842,559
Amortization	9,19	949,153	949,153	-	885,341	885,341
Finance costs	13,14	243,789	243,789	-	2,783,193	2,783,193
Operating cash flows before changes in working capital	(100,000)	277,241,318	277,141,318	(80,000)	120,482,651	120,402,651
Decrease (Increase) in operating assets:						
Trade receivables	-	2,729,565	2,729,565	-	15,866,462	15,866,462
Inventories	-	(32,980,760)	(32,980,760)	-	7,891,195	7,891,195
Prepayments and other current assets	(12,000)	(16,078,486)	(16,090,486)	(9,600)	(3,618,819)	(3,628,419)
Other non-current assets	-	(2,599,476)	(2,599,476)	-	71,190,206	71,190,206
Increase in trade and other payables	112,000	35,400,098	35,512,098	89,600	31,466,986	31,556,586
Cash generated from operations	-	263,712,259	263,712,259	-	243,278,681	243,278,681
Income taxes paid	-	(43,971,480)	(43,971,480)	-	-	-
Net cash from operating activities	-	219,740,779	219,740,779	-	243,278,681	243,278,681
CASH FLOWS FROM INVESTING ACTIVITIES						
Advances collected from related parties	15	75,877,564	104,002,564	-	-	-
Payment for investment in subsidiary	-	441,565,564	-	-	-	-
Additions to intangible assets	9	-	(5,455,705)	-	(1,261,101)	(1,261,101)
Advances granted to related parties	15	(134,375,000)	(162,500,000)	-	(570,499)	(570,499)
Additions to property and equipment	8	-	(118,795,268)	-	(109,526,725)	(109,526,725)
Net cash used in investing activities	-	317,314,592	(182,748,408)	-	(111,358,325)	(111,358,325)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	16	500,063,000	500,063,000	-	-	-
Proceeds from availment of loan	13	-	50,000,000	-	-	-
Finance costs paid	13,14	-	(243,614)	-	(2,783,193)	(2,783,193)
Payments of lease liabilities	14	-	(2,264,265)	-	-	-
Payments of loan	13	-	(30,000,000)	-	-	-
Payment of advances to a related party	15	-	(153,577,020)	-	(74,538,613)	(74,538,613)
Dividend declared and paid	16	-	(208,138,000)	-	-	-
Net cash from (used in) financing activities	-	(344,222,899)	155,840,101	-	(77,321,806)	(77,321,806)
NET INCREASE IN CASH	-	192,832,472	192,832,472	-	54,598,551	54,598,551
CASH AT BEGINNING OF YEAR	-	88,313,222	88,313,222	-	33,714,671	33,714,671
CASH AT END OF YEAR	-	281,145,694	281,145,694	-	88,313,222	88,313,222

(See Notes to Pro forma Condensed Consolidated Financial Statements)