

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

F	I	G	A	R	O		C	O	F	F	E	E		G	R	O	U	P		I	N	C	.		A	N	D
	S	U	B	S	I	D	I	A	R	Y																	

Principal Office ( No./Street/Barangay/City/Town)Province)

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Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A
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### COMPANY INFORMATION

Company's Email Address

<a href="mailto:gerald@fmh.ph">gerald@fmh.ph</a>
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Company's Telephone Number/s

889-0808
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Mobile Number

09175153826
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No. of Stockholders

11
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Annual Meeting  
Month/Day

First Friday of June
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Fiscal Year  
Month/Day

6/30
------

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Justin T. Liu
---------------

Email Address

<a href="mailto:liu.equities@gmail.com">liu.equities@gmail.com</a>
--

Telephone Number/s

706-0563
----------

Mobile Number

09778163703
-------------

Contact Person's Address

No. 24 Buchanan Street, North Greenhills, San Juan, Metro Manila
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*Note : 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED AMENDED FINANCIAL STATEMENTS**

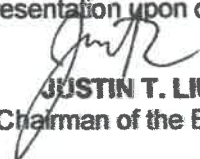
The Management of **FIGARO COFFEE GROUP INC. AND SUBSIDIARY** is responsible for the preparation and fair presentation of the consolidated Amended Financial Statements including the schedules attached therein, as at June 30, 2021 and 2020 and for each of the three years ended June 30, 2021, 2020 and 2020, in accordance with the Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated Amended Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated Amended Financial Statements, management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's consolidated financial reporting process.

The Board of Directors reviews and approves the consolidated Amended Financial Statements including the schedules attached therein and submits the same to the stockholders.

**R.S. Bernaldo & Associates**, the independent auditor appointed by the stockholders, has audited the consolidated Amended Financial Statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**JUSTIN T. LIU**  
Chairman of the Board

  
**DIVINA GRACIA S. CABULOY**  
President/ Chief Executive Officer

  
**JOSE PETRONIO V. ESPANOL III**  
Treasurer/ Chief Finance Officer

Signed this 14<sup>th</sup> day of November, 2021


**NOV 15 2021**

SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_ affiants exhibiting to me their respective Community Tax Certificates (CTCs), as follows:

<u>Name</u>	<u>Passport ID No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
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Page No. 26  
Book No. 108  
Series of 20 21

**NOV 15 2021**

  
**ATTY. JAMES K. ABUGAN**  
NOTARY PUBLIC  
APPT. NO. 0442-21  
Until 12/31, 2022  
IBP No. 134105 Dec. 9, 2020 Rizal Chapter  
Roll No. 26890 Lifetime  
MCLE No. VI-0012875 until 4/14/2022  
TIN No. 116-239-956  
PTR No. 4574511 01/04/2021  
Tel. No. (02) 854-523-21  
Rm. 314 J&B Bldg., 251 EDSA,  
Mandaluyong City

**INDEPENDENT AUDITORS' REPORT**

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

*Opinion*

We have audited the Consolidated Amended Financial Statements of **FIGARO COFFEE GROUP, INC. AND SUBSIDIARY** (the "Group"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended June 30, 2021, 2020 and 2019, and notes to the Consolidated Amended Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Amended Financial Statements present fairly, in all material respects, the financial position of the Group as at June 30, 2021, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

*Basis for Opinion*

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



### *Emphasis of Matter Paragraph*

We draw attention to Note 35 of the Amended Financial Statements, which describes that re-issuance of the consolidated Amended Financial Statements. The Commission determined that the consolidated Amended Financial Statements shall present 12-month statements of comprehensive income and comparative financial statements as required by Revised SRC Rule 68 Part II. The Group received the Commission's order to reissue the consolidated Amended Financial Statements to include above financial information. All concerned parties are notified of such amendment and the Amended Financial Statements have been submitted to the Commission.

### *Key Audit Matter*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Amended Financial Statements of the current period. These matters were addressed in the context of our audit of the Amended Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters, if any.

### *The Risk*

#### *Accounting for the Acquisition of Figaro Coffee Systems, Inc.*

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 P50.00 per share or an aggregate par value of P125,000 of Figaro Coffee Systems, Inc. (FCSI) for and in consideration of P1,851.0256 per share or 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 gain on bargain purchase amounting to P33,656,761.

We considered this matter as key audit area because the identification of assets acquired and liabilities assumed requires significant accounting judgement and estimation.

### *Our Response*

We reviewed the share purchase agreement to determine the acquisition price and consideration transferred. We reviewed the measurement principle applied by the Group to measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Amended Financial Statements*

Management is responsible for the preparation and fair presentation of the Consolidated Amended Financial Statements in accordance with PFRSs, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Amended Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Amended Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the Consolidated Amended Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Amended Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Amended Financial Statements, including the disclosures, and whether the Consolidated Amended Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is **ROMEO A. DE JESUS, JR.**

**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

November 14, 2021



**FIGARO COFFEE GROUP, INC. AND SUBSIDIARY**  
**AMENDED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2021 and 2020

(In Philippine Peso)



	NOTES	2021	2020
<b>A S S E T S</b>			
<b>Current Assets</b>			
Cash	7	281,145,694	-
Trade receivables	8	56,651,759	-
Inventories	9	59,452,449	-
Due from related parties	18	68,443,435	9,375,500
Prepayments and other current assets	10	31,981,675	28,800
		<b>497,675,012</b>	<b>9,404,300</b>
<b>Non-current Assets</b>			
Property and equipment – net	11	487,214,072	-
Intangible assets – net	12	379,748	-
Right-of-use assets – net	13	7,369,323	-
Deferred tax assets	28	4,579,163	-
Other non-current assets	14	9,425,037	-
		<b>508,967,343</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>1,006,642,355</b>	<b>9,404,300</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>L I A B I L I T I E S</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	161,079,788	268,800
Due to a related party	18	154,986,809	-
Loans payable	16	80,000,000	-
Lease liabilities	17	2,540,057	-
Income tax payable		35,064,263	-
		<b>433,670,917</b>	<b>268,800</b>
<b>Non-current Liabilities</b>			
Retirement benefits obligation	24	17,949,555	-
Lease liabilities – net of current portion	17	5,038,691	-
		<b>22,988,246</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>456,659,163</b>	<b>268,800</b>
<b>S T O C K H O L D E R S ' E Q U I T Y</b>			
Capital Stock	19	322,500,500	9,375,500
Additional Paid-in Capital	19	186,938,000	-
Retained Earnings		40,544,692	(240,000)
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b>549,983,192</b>	<b>9,135,500</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>1,006,642,355</b>	<b>9,404,300</b>

(See Notes to Consolidated Financial Statements)



**FIGARO COFFEE GROUP, INC. AND SUBSIDIARY**  
**AMENDED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

(In Philippine Peso)

	NOTES	2021	2020	2019
<b>REVENUE</b>	21	<b>53,539,134</b>	-	-
<b>DIRECT COSTS</b>	22	<b>31,174,799</b>	-	-
<b>GROSS PROFIT</b>		<b>22,364,335</b>	-	-
<b>OPERATING EXPENSES</b>	23	<b>12,860,427</b>	80,000	80,000
<b>GAIN ON BARGAIN PURCHASE</b>	20	<b>33,656,761</b>	-	-
<b>PROFIT BEFORE TAX</b>		<b>43,160,669</b>	(80,000)	(80,000)
<b>INCOME TAXES</b>	27	<b>2,375,977</b>	-	-
<b>PROFIT</b>		<b>40,784,692</b>	(80,000)	(80,000)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>40,784,692</b>	(80,000)	(80,000)
<b>EARNINGS PER SHARE</b>				
Basic Earnings per Share	29	0.01	0.00	0.00

(See Notes to Consolidated Financial Statements)

**FIGARO COFFEE GROUP, INC. AND SUBSIDIARY**  
**AMENDED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

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

(In Philippine Peso)

	NOTE	Capital Stock	Additional Paid- in Capital	Retained Earnings	Total
Balance, June 30, 2018	19	9,375,500	-	(80,000)	<b>9,295,500</b>
Loss				(80,000)	<b>(80,000)</b>
Balance, June 30, 2019	19	9,375,500	-	(160,000)	<b>9,215,500</b>
Loss				(80,000)	<b>(80,000)</b>
Balance at June 30, 2020	19	9,375,500	-	(240,000)	<b>9,135,500</b>
Profit				40,784,692	<b>40,784,692</b>
Issuance of shares	19	313,125,000	186,938,000		<b>500,063,000</b>
<b>Balance at June 30, 2021</b>	<b>19</b>	<b>322,500,500</b>	<b>186,938,000</b>	<b>40,544,692</b>	<b>549,983,192</b>

(See Notes to Consolidated Financial Statements)

**FIGARO COFFEE GROUP, INC. AND SUBSIDIARY**  
**AMENDED CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

(In Philippine Peso)

	NOTES	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		43,160,669	(80,000)	(80,000)
Adjustments for:				
Gain on bargain purchase option	20	(33,656,761)		
Net identifiable assets acquired	20	38,284,325		
Operating cash flows before changes in working capital		47,788,233	(80,000)	(80,000)
Decrease in operating assets:				
Trade receivables		(53,539,134)		
Prepayments and other current assets		(12,000)	(9,600)	(9,600)
Increase in trade and other payables		53,481,031	89,600	89,600
Net cash from operating activities		47,718,130	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances collected from related parties	18	75,877,564	-	-
Advances granted to related parties	18	(134,375,000)	-	-
Net cash used in investing activities		(58,497,436)	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	19	500,063,000	-	-
Dividend declared and paid	19	(208,138,000)	-	-
Net cash from financing activities		291,925,000	-	-
<b>NET INCREASE IN CASH</b>		<b>281,145,694</b>	<b>-</b>	<b>-</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH AT END OF YEAR</b>		<b>281,145,694</b>	<b>-</b>	<b>-</b>

(See Notes to Consolidated Financial Statements)

**FIGARO COFFEE GROUP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED AMENDED 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 payable 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 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; and
- 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.

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:

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

The summarized financial information of the subsidiary for the year ended June 30, 2021 is as follows:

Total assets	<b>₱ 966,815,611</b>
Total liabilities	<b>382,197,701</b>
Net assets	<b>584,617,907</b>
Revenue	<b>1,354,700,778</b>
Direct costs	<b>761,163,996</b>
Operating expense	<b>328,121,021</b>
Finance cost	<b>243,789</b>
Profit before tax	<b>197,445,890</b>

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 ₱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.

On June 23, 2021, 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.

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 Consolidated Amended Financial Statements**

The following new and revised PFRSs have also been adopted in these consolidated Amended 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.

## **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 consolidated Amended 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 Amended 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 Amended Financial Statements that are subject to measurement uncertainty".

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in Amended 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 Amended Financial Statements would need it to understand other material information in the Amended 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 Amended 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 AND PRESENTATION OF CONSOLIDATED AMENDED FINANCIAL STATEMENTS**

#### **3.01 Statements of Compliance**

The Amended Consolidated Financial Statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost and inventories carried at lower of cost or net realizable value.

#### **3.02 Functional and Presentation Currency**

Items included in the Amended Consolidated Financial Statements of the Group are measured using Philippine Peso (P), the currency of the primary economic environment in which the Group operates (the "functional currency").

The Group chose to present its Amended Consolidated Financial Statements using its functional currency.

#### **3.03 Basis of Consolidation**

The Amended Consolidated Financial Statements include the Financial Statements of the Parent Company and its subsidiaries.

The Amended Consolidated Financial Statements incorporate the Amended Financial Statements of the Parent Company and the entities controlled by the Parent Company (its subsidiaries) up to June 30 each year. Control is achieved when the Parent Company 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

At acquisition, 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.

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.

The Amended 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 Amended Financial Statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated during consolidation.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control is accounted for as an equity transaction.

Upon the loss of control, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position. The Group recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

### **3.04 Current and Non-current Presentation**

The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

Principal accounting and financial reporting policies applied by the Group in the preparation of its Amended 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 Amended 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 due from related parties 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.

#### 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 4.03.02. 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 Amended 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 Common Control Business Combinations

A business combination is a "common control combination" if the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This means that the same party or parties have the ultimate control over the combining entities or businesses both before and after the business combination.

Common control combinations are typically accounted for using the "pooling of interests method" and, in some cases where there is commercial substance to the transaction, using the "acquisition method" under PFRS 3.

PIC Q&A 2011-02 established the following consensus:

1. PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires that in the absence of specific guidance in PFRS, management shall use its judgment in developing and applying an accounting policy that is relevant and reliable (PAS 8.10). The most relevant and reliable accounting policies for common control business combination would either be the pooling of interests method and the acquisition method in accordance with PFRS 3.
2. Common control business combinations shall be accounted for using either the pooling of interests method or the acquisition method. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity.
3. The accounting policy for common control business combination shall be applied consistently for similar transactions.

#### 4.05.02 Consolidation

The consolidated Amended Financial Statements include the Amended Financial Statements of the Parent Company and its subsidiary.



The consolidated Amended Financial Statements incorporate the Amended 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 Initial Measurement of Goodwill or Gain on a Bargain Purchase

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 as gain on a bargain purchase.

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 Amended 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 Amended 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.

#### 4.05.07 Measurement Period.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports in its consolidated Amended Financial Statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as at the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

#### **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.

## **4.11 Financial Liabilities**

### **4.11.01 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.

### **4.11.02 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.

### **4.11.03 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.

## **4.12 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.

#### **4.13 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.

#### **4.14 Employee Benefits**

##### **4.14.01 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.

##### **4.14.02 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 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.

#### **4.15 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.

#### **4.16 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.

##### **4.16.01 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.

##### **4.16.02 Royalty**

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

##### **4.16.03 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.

##### **4.16.04 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.

#### **4.17 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.

#### **4.18 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.

#### **4.19 Related Parties and Related Party Transactions**

A related party is a person or entity that is related to the Group that is preparing its Amended 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.

## **4.20 Taxation**

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

### **4.20.01 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.

### **4.20.02 Deferred Tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Amended 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.

#### 4.20.03 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.

#### **4.21 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.

#### **4.22 Changes in Accounting Policies**

The adoption of the new and revised standards and interpretations disclosed in Notes 2.02 and 2.03, 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 Amended Financial Statements.

### **5.01.01 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.

### **5.01.02 Determining whether or not a Contract Contains a Lease**

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.

### **5.01.03 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 P53,539,134, nil and nil, respectively, as disclosed in Note 21.

### **5.01.04 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 and 2020, the carrying amounts of financial assets measured at amortized cost amounted to P406,590,733 and P9,375,500 respectively, as disclosed in Note 31.02.

#### 5.01.05 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.

#### 5.01.06 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.

#### 5.01.07 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.

#### 5.01.08 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.

#### 5.01.09 Determining whether the acquiree meets the definition of a business

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.

Management assessed that the acquiree is a business because the three (3) elements such as inputs, process and output are acquired.

## **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, no provision for expected credit loss was recognized on Group's financial assets.

As of June 30, 2021 and 2020, the carrying amounts of financial assets measured at amortized cost amounted to P406,590,733 and P9,375,500, 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 2021, 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 and 2020, inventories amounted to P59,452,449 and nil, 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, 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 and 2020, the carrying amounts of the Group's property and equipment are P487,214,072 and nil, 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 2021, 2020 and 2020, 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 and 2020, the carrying amounts of the amounted P379,748 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 Amended 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 2021, 2020 and 2019, 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 and 2020, the aggregate carrying amounts of the aforementioned assets amounted to P526,944,818 and P28,800, 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 P4,579,163 and nil as of June 30, 2021 and 2020, 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 obligation as of June 30, 2021 and 2020, amounted to P17,949,555 and nil, 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
Angel's Pizza	P 49,194,358	P -	P -
Figaro Coffee Group	3,112,884	-	-
Tien Ma's Taiwanese Cuisine	1,231,892	-	-
	P 53,539,134	P -	P -

### 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 43,474,632	P -	P -
Provincial Areas	10,064,502	-	-
	P 53,539,134	P -	P -

## 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
Cash on hand	P 9,075,192	P -
Cash in banks	272,070,502	-
	P 281,145,694	P -

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 maintained are current accounts which do not earn interest.

## 8. TRADE RECEIVABLES

As of June 30, 2021 and 2020, the Group's trade receivables amounted to P56,651,759 and nil, 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
1 to 30 days	P 3,507,836	P -
31 to 60 days	2,831,135	-
Over 60 days	26,685,764	-
	P 33,024,735	P -

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 P59,452,449 and nil, as of June 30, 2021 and 2020, as disclosed in Note 22.

The cost of inventories recognized as an expense amounted to P31,174,799 and nil, in 2021, as disclosed in Note 22.

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

There are no unusual purchase commitments and accrued net losses on such commitments. There are no losses which are expected to arise from firm and uncancellable commitments for the future purchase of inventory items.

## 10. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2021		2020
Prepaid expenses	<b>P 2,036,334</b>	P	28,800
Prepaid rent	<b>3,241,741</b>		-
Advances to suppliers	<b>13,048,202</b>		-
Advances to contractors	<b>10,718,507</b>		-
Advances to officers and employees	<b>1,533,079</b>		-
Advances to franchisor	<b>1,403,812</b>		-
	<b>P 31,981,675</b>	P	28,800

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 and 2020, are as follows:

	Office and Store Equipment	Building and Building Improvements	Total
<b>June 30, 2020</b>			
Cost	P -	P -	P -
Accumulated depreciation	-	-	-
<b>Carrying Amount</b>	-	-	-
<b>Movements</b>			
Balance, July 1, 2020	-	-	-
Additions	-	-	-
Depreciation	-	-	-
<b>Balance, June 30, 2021</b>	-	-	-
<b>June 30, 2021</b>			
Cost	-	-	-
Accumulated depreciation	-	-	-
<b>Carrying Amount</b>	-	-	-
<b>June 30, 2020</b>			
Cost	-	-	-
Accumulated depreciation	-	-	-
<b>Carrying Amount</b>	-	-	-
<b>Movements</b>			
Balance, July 1, 2020	-	-	-
Acquired from business combination	187,997,095	299,216,977	487,214,072
<b>Balance, June 30, 2021</b>	<b>187,997,095</b>	<b>299,216,977</b>	<b>487,214,072</b>
<b>June 30, 2021</b>			
Cost	241,426,430	502,502,697	743,929,127
Accumulated depreciation	(53,429,335)	(203,285,720)	(256,715,055)
<b>Carrying Amount</b>	<b>P 187,997,095</b>	<b>P 299,216,977</b>	<b>P 487,214,072</b>

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 and 2020 are as follows:

		2021		2020
<b>Balance, June 30, 2020</b>				
Cost	P	-	P	-
Accumulated amortization		-		-
<b>Carrying Amount</b>		-		-
<b>Movements during the period</b>				
Balance, June 30, 2020		-		-
Acquired from business combination		379,748		-
<b>Balance, June 30, 2021</b>		<b>379,748</b>		-
<b>Balance, June 30, 2021</b>				
Cost		1,331,195		-
Accumulated amortization		(951,447)		-
<b>Carrying Amount</b>	<b>P</b>	<b>379,748</b>	<b>P</b>	-

In 2021, 2020 and 2019, 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, are as follows:

		2021		2020
<b>Balance, June 30, 2020</b>	<b>P</b>		<b>P</b>	
Cost		-		-
Accumulated amortization		-		-
<b>Carrying Amount</b>		-		-
<b>Movements</b>				
Balance, June 30, 2020		-		-
Recognition		9,779,627		-
Depreciation		(2,410,304)		-
<b>Balance, June 30, 2021</b>		<b>7,369,323</b>		-
<b>Balance, June 30, 2021</b>				
Cost		12,228,382		-
Accumulated amortization		(4,859,059)		-
<b>Carrying Amount</b>	<b>P</b>	<b>7,369,323</b>	<b>P</b>	-

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	
Refundable deposits	P	8,570,031	P	-
Construction bond		255,006		-
Others		600,000		-
	P	9,425,037	P	-

Refundable deposits include refundable deposits related to lease amounting to P8,541,131 and nil as of June 30, 2021 and 2020, 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	
Trade	P	119,634,256	P	268,800
Customers' deposits		27,209,634		-
Accrued expenses		10,380,796		-
Due to government agencies		3,855,102		-
	P	161,079,788	P	268,800

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.

Accrued expenses pertains to accrual of professional fee and other services.

#### 16. LOANS PAYABLE

Details of Group's loans payable are as follows:

	2021		2020	
Balance, July 1	P	-	P	-
Assumed from business combination		80,000,000		-
<b>Balance, June 30</b>	<b>P</b>	<b>80,000,000</b>	<b>P</b>	<b>-</b>

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 nil.

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
Not later than one year	P 2,736,233	P 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
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	P 5,038,691	P 5,038,691

Finance cost incurred from lease liabilities amounted to nil in 2021, 2020 and 2019. The Group paid lease liabilities and finance cost amounting to nil in 2021, 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.	Ultimate parent
Camerton, Inc.	Immediate parent
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 statement of financial position are summarized per category as follows:

	2021	2020
Under common control	P 67,872,436	P -
Key Management Personnel	570,999	500
Ultimate parent	-	9,375,000
	P 68,443,435	P 9,375,500

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

**18.01.01 Ultimate Parent**

Transactions with related party under common control are as follows:

	June 30, 2021		June 30, 2020	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
<b>Carmetheus Holdings, Inc. (CHI)</b>				
Advances	P -	P -	P -	P 9,375,000

The Group collected P9,375,000, nil and nil in 2021, 2020 and 2019.

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.

The Group has an approval requirement and limits on the amount and extent of related party transactions.

**18.01.02 Immediate parent**

Transactions with immediate parent are as follows:

	June 30, 2021		June 30, 2020	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
<b>Camerton, Inc. (CI)</b>				
Advances	P 134,375,000	P 67,872,436	P -	P -

The Group collected P66,502,564, nil and nil, in 2021, 2020 and 2019.

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.

The Group has an approval requirement and limits on the amount and extent of related party transactions.

**18.01.03 Key Management Personnel**

Transactions with key management personnel are as follows:

	June 30, 2021		June 30, 2020	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
<b>Stockholders</b>				
Advances	P -	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.

The Group has an approval requirement and limits on the amount and extent of related party transactions.

#### **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	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
<b>Stockholders</b>				
Advances	P -	P 154,986,809	P -	P -

Advances paid to stockholders amounted to nil in 2021, 2020 and 2019.

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.

The Group has an approval requirement and limits on the amount and extent of related party transactions.

#### **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	
Capital stock	P	322,500,500	P	9,375,500
Additional paid-in capital		186,938,000		-
	P	509,438,500	P	9,375,500

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

	Shares	Amount	Shares	Amount
Authorized P0.10, P100 par value per share	5,000,000,000	P 500,000,000	1,500,000	150,000,000
Issued and fully paid				
Balance, July 1	93,755,000	9,375,500	93,755	9,375,500
Issuances	3,131,250,000	313,125,000	-	-
Balance, June 30	3,225,005,000	322,500,500	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 P83,255.20 per share or P208,138,000 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 P150,000,000 to P500,000,000; and (b) the stock split through the reduction of the par value of the shares of the Group from P100.00 per share to P0.10 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 P37,500,000 worth of shares in the Parent Company. Out of such subscription, P9,375,000 had been paid by CHI at incorporation of the Parent Company. During the period, CHI fully paid its subscription payable amounting to P28,125,000.

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

- 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 P125,000,000. The subscribed shares were fully paid and issued on June 22, 2021.
- On June 20, 2021, the Board of Directors of the Parent Company approved the additional paid-in capital in the amount of P83,138,000 paid by CI into the Parent Company.
- 1,250,000,000 shares with par value of P0.10 per share for a total subscription price of P228,800,000, or P0.18304 price per share. The said subscription resulted to an additional capital stock of P125,000,000 and an additional paid-in capital of P103,800,000 in the Parent Company; and
- 350,000,000 shares of the Parent Company with par value of P0.10 per share for a total subscription price of P35,000,000.

As of June 30, 2021, the outstanding capital of the Parent Company is P322,500,500 (excluding the additional paid-in capital of P186,938,000 with 3,225,005,000 shares issued).

As of June 30, 2021, the Parent Company is 88.37% owned by Camerton, Inc. and 11.63% owned by Carmetheus Holdings, Inc.

#### **19.04 Track record of registration of securities under the Securities Regulation Code**

As of June 30, 2021, the Company is in the process of compiling with the requirements to file Registration Statement with SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of all the issued and outstanding Shares of the Company and the Offer Shares.

The number of shares to be registered is 5,011,005,003 with an offer price of up to P1.28 per offer share. The approval or date when the registration statement covering such securities was rendered effective by the Commission, and the number of holders of such securities is to be determined.

## **20. BUSINESS COMBINATION**

The Group accounted the common control business combination using the "acquisition method" under PFRS 3 because there is commercial substance to the transaction. Factors that indicate commercial substance are as follows:

1. The business combination is undertaken as an integral part of an Initial Public Offering (IPO).
2. The extent to which the acquiring entity's future cash flows are expected to change as a result of the business combination in which the entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the combination and the change is significant relative to the fair value of the assets exchanged.

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 P50.00 per share or an aggregate par value of P125,000 of Figaro Coffee Systems, Inc. (FCSI) for and in consideration of P1,851.0256 per share or 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 gain on bargain purchase amounting to P33,656,761, determined as follows:

Cash consideration	<b>P</b>	<b>4,627,564</b>
Less fair value of net identifiable assets acquired		<b>38,284,325</b>
Gain on bargain purchase	<b>P</b>	<b>33,656,761</b>

The subsidiary and the Parent Company are under common control. The Management believes that the acquisition will result to more financing resources to improve further the results of operation and financial position of the subsidiary.

The Group included FCSI in its financial consolidation starting June 21, 2021 (the "acquisition date"). The net cash inflow from the acquisition is as follows:

Cash paid on acquisition	<b>P 4,627,564</b>
Less cash acquired from subsidiary	<b>281,145,694</b>
	<b>P 276,518,130</b>

From the acquisition date, FCSI contributed P53,539,134 of revenues and P9,603,908 net profit to Group. If the business combination had taken place beginning July 1, 2020, contribution to consolidated revenues and net loss for the year ended June 30, 2021 would have been P1,354,700,778 and P197,365,890, respectively.

The fair value of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

Cash	281,145,694
Trade receivables	3,112,625
Inventories	59,452,449
Due from related parties	570,499
Prepayments and other current assets	31,940,875
Property and equipment – net	487,214,074
Intangible assets – net	379,748
Right-of-use assets – net	7,369,323
Other non-current assets	9,425,037
Deferred tax assets	4,579,163
<b>Total identifiable assets acquired</b>	<b>885,189,487</b>
Less:	
Dividend payable	208,138,000
Due to related party	228,800,000
Trade and other payables	116,763,768
Due to a related party	154,986,809
Loans payable	80,000,000
Lease liabilities	2,540,057
Income tax payable	32,688,283
Retirement benefits obligation	17,949,554
Lease liabilities–net of current portion	5,038,691
<b>Total identifiable liabilities assumed</b>	<b>846,905,162</b>
<b>Net identifiable assets acquired</b>	<b>38,284,325</b>

## 21. REVENUE

The Group's revenue from store sales is as follows:

	2021		2020		2019	
Angel's Pizza	P	49,194,358	P	-	P	-
Figaro Coffee Group		3,112,884		-		-
Tien Ma's Taiwanese Cuisine		1,231,892		-		-
	P	53,539,134	P	-	P	-

## 22. DIRECT COSTS

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

	2021		2020		2019	
Inventories, July 1 (Note 9)	P	-	P		P	
Inventories acquired from business combination		75,358,116		-		-
Inventories, June 30 (Note 9)		(59,452,449)		-		-
Cost of materials used		15,905,667		-		-
Direct labor (Note 24)		3,458,782		-		-
Overhead		11,810,350		-		-
	P	31,174,799	P	-	P	-

Overhead pertains to store and kitchen supplies.

## 23. OPERATING EXPENSES

This account is composed of the following expenses:

	2021		2020		2019	
Advertisement and promotion	P	12,760,427	P	-	P	-
Professional fees		100,000		80,000		80,000
	P	12,860,427	P	80,000	P	80,000

## 24. EMPLOYEE BENEFITS

### 24.01 Short-term employee benefit

Short-term employee benefit pertains to direct labor amounting to P3,458,782, nil and nil in 2021, 2020 and 2019, as disclosed in Note 22.

## 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:

Discount rate	5.0%
Expected rate of salary increase	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).

Retiring after the reporting period	
Male and Female	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
<b>June 30, 2021</b>			
<b>Discount rate</b>	+/-1.00%	5.97%	3.97%
<b>Salary increase rate</b>	+/-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 -	P -
Interest on the retirement benefit obligation	755,814	-	-
	<b>P 2,862,090</b>	<b>P -</b>	<b>P -</b>

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

	Change on financial assumption	Experience adjustment	Total	Income tax	Net
<b>Gain (loss) Balance at June 30, 2019</b>	-	-	-	-	-
Amount recognized during the year	-	-	-	-	-
Effect of change in tax regime	-	-	-	-	-
<b>Gain (loss) Balance at June 30, 2020</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
Assumed during the business combination	4,361,503	P (858,957)	P 3,502,546	P (875,636)	P 2,626,910
<b>Gain (loss) Balance at June 30, 2021</b>	<b>P 4,361,503</b>	<b>P (858,957)</b>	<b>P 3,502,546</b>	<b>P (875,636)</b>	<b>P 2,626,910</b>

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

	2021	2020
Balance, July 1	P -	P -
Assumed during the business combination	17,949,555	-
<b>Balance, June 30</b>	<b>P -</b>	<b>P -</b>

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 P2,200,000, nil and nil as of June 30, 2021, which are to be refunded upon termination of the franchise agreement.

Royalty received from franchisees amounting to nil 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 P76,000 with 3% escalation rate. The Group paid security deposit amounting to P228,000.

#### **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 P25,000 with 5 to 10% escalation rate. The Group paid security deposit amounting to P78,750.

#### **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 P53,928. The Group paid security deposit amounting to P151,200.

#### **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 P61,790. The Group paid security deposit amounting to P185,371.



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 5.01.08.

#### 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	-
	<b>₱ 12,228,382</b>	<b>₱ -</b>	<b>₱ 2,410,303</b>	<b>₱ -</b>

#### Lease liabilities

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

Current	₱ 2,540,057
Non-current	5,038,691
	<b>₱ 7,578,748</b>

#### 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.

Prepaid rent, pertaining lease payments not recognized as lease liability, as of June 30, 2021, amounted to P3,241,741, as disclosed in Note 10. Refundable deposits paid by the Group amounted to P8,541,131, as of June 30, 2021, as disclosed in Note 14.

At reporting dates, the Group had outstanding commitments for future minimum lease payments amounting to P2,412,303.

## 27. INCOME TAXES

### 27.01 Income Tax Recognized in Profit or Loss

Current income tax expense amounted to P2,375,977 in 2021.

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

	2021		2020		2019	
Accounting profit (loss)	P	43,160,669	P	(80,000)	P	(80,000)
Tax expense at 25%		10,790,167		24,000		24,000
Effect of non-recognition of tax on gain on bargain purchase option		(8,414,190)		-		-
Effect of non-recognition of tax on net operating loss carry over		-		(24,000)		(24,000)
	P	2,375,977	P	-	P	-

## 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, June 30, 2019		-		-	-	
Recognized in profit or loss		-		-	-	
Balance, June 30, 2020	P	-	P	-	P	-
Acquired during the business combination		4,487,388		91,775	4,579,163	
Balance, June 30, 2021	P	4,487,388	P	91,775	P	4,579,163

## 29. BASIC EARNINGS PER SHARE

The Group's basic earnings per share is P0.01, P0.00 and P0.00, respectively, in 2021, 2020 and 2019.

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

a. Net income (loss) from operations/ attributable to ordinary equity holders of the Group for earnings	P	40,784,692	P	(80,000)	P	(80,000)
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)		0.01		0.00		0.00

The weighted average number of ordinary shares for the nine (9) day ended in June 2021 used for the purposes of basic earnings per share were computed as follows:

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

### 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 and 2020 are presented below:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets:</b>				
Cash	P 281,145,694	P 281,145,694	-	P -
Trade receivables	56,651,759	56,651,759	-	-
Due from related parties	68,443,435	68,443,435	9,375,500	9,375,500
Other non-current assets	9,425,037	9,425,037	-	-
	<b>P 415,665,925</b>	<b>P 415,665,925</b>	<b>P 9,375,500</b>	<b>P 9,375,500</b>
<b>Financial Liabilities:</b>				
Trade and other payables	P 157,224,686	P 157,224,686	268,800	P 268,800
Due to related parties	154,986,809	154,986,809	-	-
Loans payable	80,000,000	80,000,000	-	-
Lease liabilities	7,578,748	7,578,748	-	-
	<b>P 399,790,243</b>	<b>P 399,790,243</b>	<b>268,800</b>	<b>P 268,800</b>

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

- Due to the short-term nature of cash, trade receivable, due from related parties, and trade and other payables (except customer deposits and due to government agencies) and due to related parties, 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 bears market interest rates; hence, Management believes that carrying amounts approximate their fair values.
- and lease liabilities bear incremental borrowing rate; 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 year ended 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
Cash in banks	P 272,070,502	P -
Trade receivables	56,651,759	-
Due from related parties	68,443,435	9,375,500
Other non-current assets	9,425,037	-
	P 406,590,733	P 9,375,500

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:

<b>June 30, 2021</b>						
	<b>PD rate</b>	<b>LGD rate</b>		<b>EAD</b>		<b>ECL</b>
	<b>a</b>	<b>b</b>		<b>c</b>		<b>d = a*b*c</b>
		0% to				
Cash in banks	0.00%	99.10%	P	272,070,502	P	-
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%		9,425,037		-
			P	406,590,733	P	-
<b>June 30, 2020</b>						
	<b>PD rate</b>	<b>LGD rate</b>		<b>EAD</b>		<b>ECL</b>
	<b>a</b>	<b>b</b>		<b>c</b>		<b>d = a*b*c</b>
Due from related parties	0.00%	100.00%	P	9,375,500	P	-

***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% as of June 30, 2021.

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, 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% of the total financial assets. Hence, Management believes that the effect of provision for expected credit loss is immaterial to the Amended Financial Statements as a whole.

In 2021, 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
<b>June 30, 2021</b>					
Trade payables Due to related parties	-	P -	P 129,992,656	P -	P 129,992,656
Loans payable	-	154,986,809	-	-	154,986,809
	5.5% 2.3% to	-	80,000,000	-	80,000,000
Lease liabilities	3.02%	-	2,540,057	5,038,691	7,578,748
		P 154,986,809	P 239,764,743	P 5,038,691	P 399,790,243

	Weighted Average Interest Rate	On Demand	Within one (1) Year	One (1) – Five (5) Years	Total
<b>June 30, 2020</b>					
Trade payables	-	P -	P 268,800	P -	P 268,800

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
<b>June 30, 2021</b>					
Cash on hand	-	P 9,075,192	P -	P -	P 9,075,192
Cash in banks	Floating rate	272,070,502	-	-	272,070,502
Trade receivables Due from related parties	-	-	56,651,759	-	56,651,759
Other non-current assets	-	68,443,435	-	-	68,443,435
		-	-	9,425,037	9,425,037
		P 349,589,129	P 56,651,759	P 9,425,037	P 415,665,925
<b>June 30, 2020</b>					
Due from related parties	-	68,443,435	-	-	68,443,435



## 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 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	
Debt	P	456,659,163	P	268,800
Cash		281,145,694		-
Net debt		175,513,469		268,800
Equity		549,983,192		9,135,500
Net debt to equity ratio		0.32:1		0.03:1

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

The Group's financial liabilities consist of loans payable and accrued expenses. In prior years under PAS 39, these were classified under other financial liabilities, which were subsequently measured at amortized cost. Under PFRS 9, these are classified under amortized cost category.

The Group has no financial liabilities at fair value though profit or loss. Hence, it is not affected by the accounting requirements for own credit issue.

In prior years under PAS 39, the Group adopted the incurred loss model to measure impairment of its financial assets. Under PFRS 9, the Group adopted the expected credit loss model. The Group applies general approach to cash in bank. In addition, the Group always measures the loss allowance at an amount equal to lifetime expected credit losses for loans receivables.

The Group does not have hedge transactions. Hence, it is not affected by the new disclosure requirements under PFRS 9.

### 33. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

		2021		2020
Beginning balance, July 1	P	9,375,500	P	-
Changes from financing cash flows				
Proceeds from issuance of capital stocks		500,063,000		-
Financial liabilities acquired		450,703,557		-
Dividend declared and paid		(208,138,000)		-
Ending balance, June 30	P	752,004,057	P	-

### 34. EVENTS AFTER THE REPORTING PERIOD

#### 34.01 Application to increase authorized capital stock

The Parent Company's application to increase authorized capital stock from P500,000,000 divided into 5,000,000,000 shares of the par value of P0.10 each to P660,000,000 divided into 6,600,000,000 shares of the par value of P0.10 each was approved by SEC on September 16, 2021.

#### 34.01 Amendment of the Parent Company's primary purpose

On October 22, 2021, the SEC approved the Company's application for amendment of its articles of incorporation to reflect the following primary purpose: invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including all voting powers of any stock so owned; to carry on, provide support and manage the general business of any corporation, company, association or joint venture; to exercise such powers, acts or functions as may be essential or necessary to carry out the purpose stated herein; and to guarantee for and in behalf of the Corporation obligations of other corporations or entities in which it has lawful interest in.

#### 34.03 Application for the listing of shares

The Group is in the process of filing its application for the listing of all the Parent Company's issued and outstanding shares including the offer shares to The Philippine Stocks Exchange (PSE).

**35. RE- ISSUANCE OF AMENDED FINANCIAL STATEMENTS**

The Commission determined that the Amended Consolidated Financial Statements shall present 12-month statements of comprehensive income and comparative financial statements as required by Revised SRC Rule 68 Part II. The Group received the Commission's order to reissue the Amended Consolidated Financial Statements to include aforementioned financial information. All concerned parties are notified of such amendment and the Amended Financial Statements have been submitted to the Commission.

**36. APPROVAL OF AMENDED FINANCIAL STATEMENTS**

These Amended Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on November 14, 2021.

**REPORT ON THE INDEX AND SUPPLEMENTARY SCHEDULES**

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 issued our report dated November 14, 2021 on the basic consolidated Amended Financial Statements of **FIGARO COFFEE GROUP, INC. AND SUBSIDIARY** as of and for the year June 30, 2021. Our audit was conducted for the purpose of forming an opinion on the basic consolidated Amended Financial Statements of **FIGARO COFFEE GROUP, INC. AND SUBSIDIARY** taken as a whole. The information in the index to the consolidated Amended Financial Statements and the supplementary schedules as of and for the year June 30, 2021, which are not required parts of the consolidated Amended Financial Statements, are required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management of **FIGARO COFFEE GROUP, INC. AND SUBSIDIARY**. The information has been subjected to the auditing procedures applied in our audit of the basic consolidated Amended Financial Statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated Amended Financial Statements taken as a whole.

**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

November 14, 2021



**FIGARO COFFEE GROUP, INC. AND SUBSIDIARY**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**

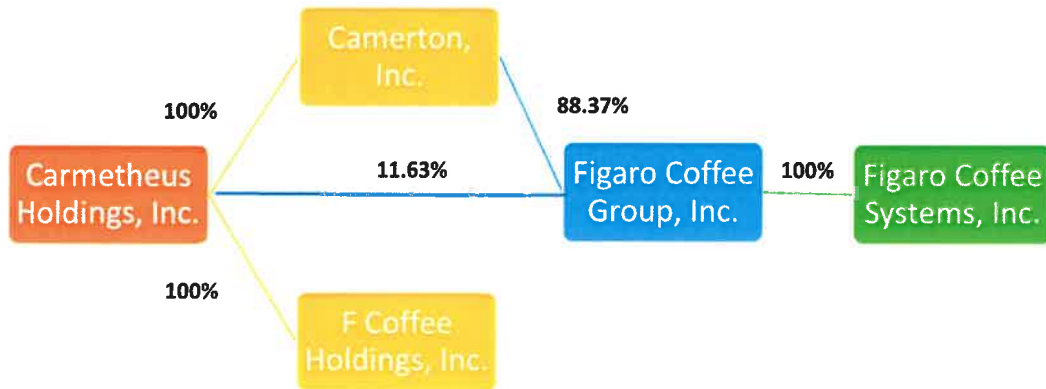
June 30, 2021, 2020 and 2019

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**FIGARO COFFEE GROUP, INC. AND SUBSIDIARY  
INDEX I**

**Map Showing the Relationships Between and Among the Companies in the Group,  
its Ultimate Parent Company and Co-subsidiaries**

As of June 30, 2021



As of June 30, 2020 and 2019



**FIGARO COFFEE GROUP, INC.****INDEX II****Reconciliation of Retained Earnings Available for Dividend Declaration**

June 30, 2021, 2020 and 2019

Unappropriated retained earnings (deficit), beginning	P	(80,000)
Add/(Deduct) net income/(loss) actually earned during the period		(80,000)
Less: Gain on bargain purchase		-
<b>Retained earnings available for dividend declaration, as of June 30, 2019</b>	<b>P</b>	<b>(160,000)</b>
Add/(Deduct) net income/(loss) actually earned during the period		(80,000)
Less: Gain on bargain purchase		-
<b>Retained earnings available for dividend declaration, as of June 30, 2020</b>	<b>P</b>	<b>(240,000)</b>
Add/(Deduct) net income/(loss) actually earned during the period		(100,000)
<b>Retained earnings available for dividend declaration, as of June 30, 2021</b>	<b>P</b>	<b>(340,000)</b>

The figures are for the Parent Company only for compliance with SEC Financial Reporting Bulletin No. 14.

**FIGARO COFFEE GROUP, INC.**
**INDEX III**
**Financial Soundness Indicators**

June 30, 2021, 2020 and 2019

	Formula	2021	2020	2019	2021	2020	2019
<b>1 Current Ratio</b>	<b>Current Assets/Current Liabilities</b>				<b>P</b>	<b>1.15</b>	<b>P</b>
	Current Assets	497,675,012	9,404,300	9,394,700		34.99	52.43
	Current Liabilities	433,670,917	268,800	179,200			
<b>2 Debt/Equity Ratio</b>	<b>Bank Debts/ Total Equity</b>				<b>0.15</b>	<b>0.00</b>	<b>0.00</b>
	Bank Debts	80,000,000	-	-			
	Total Equity	549,983,192	9,135,500	9,215,500			
<b>3 Net Debt/Equity Ratio</b>	<b>Bank Debts-Cash &amp; Equivalents</b>				<b>-0.37</b>	<b>0.00</b>	<b>0.00</b>
	Bank Debts-Cash	(201,145,694)	-	-			
	Total Equity	549,983,192	9,135,500	9,215,500			
<b>4 Asset to Equity Ratio</b>	<b>Total Assets/Total Equity</b>				<b>1.83</b>	<b>1.03</b>	<b>1.02</b>
	Total Assets	1,006,642,355	9,404,300	9,394,700			
	Total Equity	549,983,192	9,135,500	9,215,500			
<b>5 Interest Cover Ratio</b>	<b>EBITDA/Interest Expense</b>				<b>Not Applicable</b>	<b>Not Applicable</b>	<b>Not Applicable</b>
	EBITDA	43,160,669	(80,000)	(80,000)			
	Interest Expense	-	-	-			
<b>6 Profitability Ratios</b>							
<b>6.1 GP Margin</b>	<b>Gross Profit/Revenues</b>				<b>0.42</b>	<b>Not Applicable</b>	<b>Not Applicable</b>
	Gross Profit	22,364,335	-	-			
	Revenues	53,539,134	-	-			
<b>6.2 Net Profit Margin</b>	<b>Net Income/Revenues</b>				<b>0.76</b>	<b>Not Applicable</b>	<b>Not Applicable</b>
	Net Income	40,784,692	(80,000)	(80,000)			
	Revenues	53,539,134	-	-			
<b>6.3 EBITDA Margin</b>	<b>EBITDA/Revenues</b>				<b>0.81</b>	<b>Not Applicable</b>	<b>Not Applicable</b>
	EBITDA	43,160,669	(80,000)	(80,000)			
	Revenues	53,539,134	-	-			
<b>6.4 Return on Assets</b>	<b>Net Income/Total Assets</b>				<b>0.04</b>	<b>(0.01)</b>	<b>(0.01)</b>
	Net Income	40,784,692	(80,000)	(80,000)			
	Total Assets	1,006,642,355	9,404,300	9,394,700			
<b>6.5 Return on Equity</b>	<b>Net Income/Total Equity</b>				<b>0.07</b>	<b>(0.01)</b>	<b>(0.01)</b>
	Net Income	40,784,692	(80,000)	(80,000)			
	Total Equity	549,983,192	9,135,500	9,215,500			



**FIGARO COFFEE GROUP, INC.**  
**SCHEDULE A**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS**  
June 30, 2021, 2020 and 2019

Name of Issuing entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position *	Valued based on market quotations at end of reporting period	Income received or accrued
<b>As of June 30, 2021</b>				
Amounts owed by related parties				
Camerton, Inc. Stockholders	P 67,872,436 P 570,999	P 67,872,436 P 570,999	P 67,872,436 P 570,999	P nil P nil
Cash				
Banks	Not applicable	272,070,502	272,070,502	nil
Trade receivables				
Customers	Not applicable	56,651,759	56,651,759	nil
Other non-current assets				
Lessors	Not applicable	8,570,031	8,570,031	nil
Contractors	Not applicable	255,006	255,006	nil
Others	Not applicable	600,000	600,000	nil
	<b>P 68,443,435 P</b>	<b>P 406,590,733 P</b>	<b>P 406,590,733 P</b>	<b>P P</b>
<b>As of June 30, 2020</b>				
Amounts owed by related parties				
Carmetheus Holdings, Inc. Stockholders	P 9,375,000 P 500	P 9,375,000 P 500	P 9,375,000 P 500	P nil P nil
	<b>9,375,500</b>	<b>9,375,500</b>	<b>9,375,500</b>	
<b>As of June 30, 2019</b>				
Amounts owed by related parties				
Carmetheus Holdings, Inc. Stockholders	P 9,375,000 P 500	P 9,375,000 P 500	P 9,375,000 P 500	P nil P nil
	<b>9,375,500</b>	<b>9,375,500</b>	<b>9,375,500</b>	

**Amounts owed by related parties**

Outstanding balance is based on the amount received from the related parties less collections as of end of reporting period.

**Cash**

Gross carrying amount of cash in banks.

**Trade receivables**

Gross carrying amount of receivables from customers

**Other non-current assets**

Gross carrying amount of other non-current assets

**FIGARO COFFEE GROUP, INC.**

**SCHEDULE B**

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

June 30, 2021, 2020 and 2019

Amounts owed by Related Parties									
Name and designation of debtor *	Balance at beginning of period	Additions	Amounts collected**	Amounts Written Off ***	Current	Not Current	Balance at the end of the period		
<b>As of June 30, 2021</b>									
<b>Ultimate parent</b>									
Carmetheus Holdings, Inc.	P 9,375,000	f -	P 9,375,000	P -	P -	P -	P -		
<b>Immediate parent</b>									
Camerton, Inc.	-	134,375,000	(66,502,564)	-	67,872,436	-	67,872,436		
<b>Key management personnel</b>									
Stockholders	570,999	-	-	-	570,999	-	570,999		
	P 9,945,999	f 134,375,000	P (57,127,564)	P -	P 68,443,435	P -	P 68,443,435		
<b>As of June 30, 2020</b>									
<b>Ultimate parent</b>									
Carmetheus Holdings, Inc.	P 9,375,000	f -	P -	P -	P -	P -	P -		
<b>Key management personnel</b>									
Stockholders	500	-	-	-	500	-	500		
	P 9,375,500	f -	P -	P -	P 500	P -	P 9,375,500		
<b>As of June 30, 2019</b>									
<b>Ultimate parent</b>									
Carmetheus Holdings, Inc.	P 9,375,000	f -	P -	P -	P -	P -	P -		
<b>Key management personnel</b>									
Stockholders	500	-	-	-	500	-	500		
	P 9,375,500	f -	P -	P -	P 500	P -	P 9,375,500		

\* The amounts outstanding are non-interest bearing, unsecured, will be settled in cash and collectible on demand.

No guarantees or collateral have been received.

\*\* All amounts collected were in cash.

\*\*\* No amount written off during the period.

**FIGARO COFFEE GROUP, INC.**

**SCHEDULE C**

**SUPPLEMENTARY SCHEDULE OF AMOUNTS OF RECEIVABLE FROM  
RELATED PARTIES WHICH ARE ELIMINATED DURING THE  
CONSOLIDATION OF FINANCIAL STATEMENTS**

June 30, 2021, 2020 and 2019

<b>Receivables from related parties which are eliminated during the consolidation</b>							
<b>Name and designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amount collected</b>	<b>Amount written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of period</b>

----- Nothing to Report -----

**FIGARO COFFEE GROUP, INC.**  
**SCHEDULE D**  
**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
June 30, 2021, 2020 and 2019

<b>Long-term Debt</b>			
<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "current portion of long-term" in related Staement of Financial Position</b>	<b>Amount shown under caption "long-term debt" in related Statement of Financial Position</b>

----- Nothing to Report -----

**FIGARO COFFEE GROUP, INC.**

**SCHEDULE E**

**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED  
PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**

June 30, 2021, 2020 and 2019

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**Indebtedness to related parties (Long-term loans from related companies)**

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<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
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----- Nothing to Report -----

**FIGARO COFFEE GROUP, INC.**

**SCHEDULE F**

**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF  
OTHER ISSUERS**

June 30, 2021, 2020 and 2019

<b>Guarantees of Securities of Other Issuers</b>				
<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount owned by person for which statement is filed</b>	<b>Nature of guarantee</b>

----- Nothing to Report -----

**FIGARO COFFEE GROUP, INC.**  
**SCHEDULE G**  
**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**  
June 30, 2021, 2020 and 2019

Capital Stock						
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
<b>As of June 30, 2021</b>						
Common Stock	5,000,000,000	3,225,005,000	-	3,225,000,000	5,000	-
<b>As of June 30, 2020</b>						
Common Stock	1,500,000	93,755	-	93,750	5	-
<b>As of June 30, 2019</b>						
Common Stock	1,500,000	93,755	-	93,750	5	-

The following are the significant changes made since the date of the last Statements of Financial Position filed:

**Increase in authorized capital stocks**

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 Company from ₱100.00 per share to ₱0.10 per share. SEC approved the Company's application to increase authorized capital stock on June 23, 2021.

**Issuance of shares**

At incorporation, Camertheus Holdings, Inc. (CHI) subscribed to ₱37,500,000 worth of shares in the Company. Out of such subscription, ₱9,375,000 had been paid by CHI at incorporation of the 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 Company:

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 Company for a total subscription price of ₱125,000,000. The subscribed shares were fully paid and issued on June 22, 2021.

On June 20, 2021, the board of the 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 Company; and 350,000,000 shares of the Company with par value of ₱0.10 per share for a total subscription price of ₱35,000,000.

As of June 30, 2021, the outstanding capital of the Company is ₱322,500,500 (excluding the additional paid-in capital of ₱196,938,000 with 3,225,005,000 shares issued).

As of June 30, 2021, the Company is 88.37% owned by Camerton, Inc. and 11.63% owned by Carmetheus Holdings, Inc.