COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 8 1 1 1 1 9

Company Name

FIGARO COFFEE GROUP, INC.

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

116 EAST MAIN AVE. PHASE V-SEZ
LAGUNA TECHNOPARK, BIÑAN,
LAGUNA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corporate@figaro.ph	8.671-4232	0917-8832172

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		6/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
SIGRID VON DE JESUS	corporate@figaro.ph	8.671.4232	0917-8832172

Contact Person's Address

***Note**: 1: In case of death, resgination 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.

THE Figaro Coffee Group

26 September 2022

PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, PSE Tower
5th Avenue cor 28th Street
Bonifacio Global City
Taguig City, Philippines

Attention: **Ms. ALEXANDRA D. TOM WONG**
OIC, Disclosure Department

RE: **FCG Annual Report**

Gentlemen:

Attached herewith is The Figaro Coffee Group, Inc.'s Annual Report - SEC Form Amended 17-A for the fiscal year ending June 30, 2022.

Very Truly Yours,

JOSE PETRONIO D. ESPANOL
Chief Financial Officer, Treasurer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: **JUNE 30, 2022**

2. SEC Identification Number : **CS201811119**

3. BIR Tax Identification No: **010-061-026-000**

4. Exact name of issuer as specified in its charter **FIGARO COFFEE GROUP, INC.**

5. **LAGUNA, PHILIPPINES**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **116 EAST MAIN AVE., PHASE V- SEZ LAGUNA TECHNOPARK, BINAN, LAGUNA, 4034**
   Address of principal office — Postal Code

8. **(632) 8812-17-18**
   Issuer's telephone number, including area code

9. **33 MAYON ST. BARANGAY MALAMIG, MANDALUYONG CITY**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**4,648,187,003**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [/] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    THE PHILIPPINE STOCK EXCHANGE, INC.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

As of 30 June 2022

Total Number of Outstanding Shares	4,648,187,003
Less: Outstanding Shares held by Affiliates	3,626,148,995
Shares held by Non-affiliates	1,022,038,008
Closing Price as of June 30, 2022	Php0.59
Aggregate Market Value of Voting Stock held by Non-affiliate	603,002,424.72
Level of Public Float based on available information as of June 30, 2022	21.99%

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Annex A ---: Sustainability Report ;

(b) Annex B ---: List of Stockholders

(c) Annex C ---: Consolidated Financial Statement of The Figaro Coffee Group, Inc. (the "Company") and The Figaro Coffee Systems, Inc. (the "Subsidiary") for the fiscal year ending June 30, 2022.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business Overview

The Figaro Group is proud to be a purely Filipino and home-grown diversified food group with over 25 years in the industry. Figaro Coffee Group, Inc. operates through its wholly-owned subsidiary, Figaro Coffee Systems, Inc.

The Figaro Group is a set of retail restaurants with 124 branches nationwide and international territories that servea wide variety of food offerings and services. As of 30 June 2022, the Figaro Group currently operates 56 Figaro coffee shops, 53 Angel's Pizza outlets, 6 Tien Ma's Taiwanese cuisine restaurants, 8 TFG Express outlet, and 1 Café Portofino outlet.

Quality is our top priority. We ensure high quality products by controlling our production process, from roasting our own coffee weekly, producing our own breads, pastries and food products, and engaging with suppliers that meet the same high-quality standards. Daily internal and external auditors are present to keep improving our quality standards. Across all our brands, we seek to deliver the best value-for-money. We strive to offer the best-tasting products at the best price. Compared to all our competitors, our products; taste profiles and price is unbeatable.

People are our assets. We value our employees and customers because they are what make us great.

We have extensive and innovative menu offerings that cater to a wide market. We are best known for coffee drinksand pastries (Figaro Coffee), creamy spinach dip pizza (Angel's Pizza), and xiao long bao (Tien Ma's Taiwanese cuisines). We cater to families and groups through our large-sized offerings at Tien Ma's and through our pizzas and bundles at Angel's Pizza, and we also cater to corporate and private functions/ events through Figaro coffee.We have developed three different successful store formats – full store, kiosk, and cart. We complement our dine-in services with an efficient delivery system and an expanding online sales platform. We believe that our various store formats and sales channels provide us the flexibility to locate in and grow with the different markets we serve.

The Philippines is one of the most dynamic economies in the East Asia Pacific region and its GDP grew organically between 2016 and 2019 before experiencing a decline due to the COVID-19 pandemic in 2020. We believe that we are well positioned to capture these growth opportunities and meet the needs of this market as their dining choices shift from fast food establishments to full-service dining experiences in a well-designed, comfortable, clean and guest-oriented atmosphere.

Item 2. Properties

As of June 30, 2022 we lease the following properties:

Stores	Date of Expiration	Rental Fees	Terms of Renewal	Remarks
HEAD OFFICE				
FCGI-Biñan Laguna	7-Jun-30	5,000.00	9	
FCSI- Mayon	14 Dec 2025	714,000.00	10	
FIGARO COFFEE				

ABOITIZ	01 May 2023	15% on sales	3	
ANALOG 1	02 Sept 2024	15% on sales	3	
ANALOG 2	02 Sept 2024	15% on sales	3	
BPI PASEO	31 Dec 2024	15% on sales	1	
CITI PLAZA	31 Oct 2022	15% on sales	2	
COLLINS	08 Aug 2025	15% on sales	4	
DELOS SANTOS	31 Dec 2024	38,994.42	3	
FIRST SUMIDEN	30 June 2022	15% on sales	2	
HIGHSTREET	31 Dec 2021	68,043.84	1	For Renewal
MAXIM	31 Jan 2025	15% on sales	3	
MEDICAL CITY	31 Dec 2023	70,946.67	2	
ONSEMICON	22 Apr 2025	15% on sales	2	
PGH	30 Sept 2023	21,498.81	4	
PNB	19 Feb 2022	27,000.00	3	Letter of Intent submitted
SHANGRILA	30 June 2022	30,840.00	1	
SM BAGUIO	31 Oct 2021	81,575.40	2	Letter of Intent submitted
TOSHIBA	30 June 2022	15% on sales	2	
TRINOMA	31 Aug 2022	22,155.03 + 5% of sales	1	
UST	31 Dec 2023	51,031.82	3	

THE FIGARO GROUP EXPRESS

C. RAYMUNDO	18 Nov 2022	35,000.00	1	
CONGRESSIONAL	14 July 2022	35,000.00	1	
E. RODRIGUEZ	14 Dec 2023	22,500.00	1	
JP. RIZAL	16 Dec 2022	35,000.00	1	Waiting for the Lease Contract
KATIPUNAN	11 Nov 2022	35,000.00	1	
REGALADO	28 Oct 2022	22,500.00	1	
SHAW BOULEVARD	14 Dec 2022	22,500.00	1	
SUCAT	25 Nov 2022	35,000.00	1	
VALENZUELA	09 Dec 2022	35,000.00	1	

TIEN MAS

MAKATI	15 Jan 2026	120,000.00	5	
RETIRO	31 Dec 2023	129,470.00	3	

ANGELS PIZZA

ANGELES	31 Mar 2026	65,000.00	5	
ANTIPOLO	15 Feb 2025	61,790.40	5	
BACOOR	30 Apr 2026	90,000.00	5	
BGC	30 June 2026	118,158.50	5	
CAINTA	30 June 2026	89,999.00	5	
DASMA CAVITE	31 May 2028	90,000.00	6	
DONA SOLEDAD	28 Feb 2027	165,850.00	6	
FAIRVIEW	07 Feb 2024	10,000.00	3	
GEN TRI	31 July 2026	72,576.00	5	
GREENHILLS	30 Sept 2022	24,000.00	1	
IMUS	04 Apr 2023	80,628.00	5	
KALAYAAN	31 Jan 2023	25,000.00	3	
LAS PINAS	15 Mar 2026	100,000.00	5	
LIPA	15 Dec 2026	77,575.00	5	
MAKATI	15 Jan. 2026	120,000.00	5	
MALATE	31 Jan 2023	49,440.93	1	
MANDALUYONG	14 Dec 2025	17,576.44	10	
MARIKINA	14 Oct 2022	50,950.31	3	
MONUMENTO	30 Nov 2024	107,080.00	3	
NORTHRIDGE	04 Nov 2026	65,520.00	5	
ORTIGAS (HANSTON)	30 Sept 2026	123, 153.41	5	
PASIG	06 Oct 2025	53,928.00	5	
PETRON - DASMA	06 June 2023	71,636.50	2	
RETIRO	30 Dec 2023	121,000.00	1	
SAN FERNANDO	30 Nov 2026	114,000.00	5	
SAN PEDRO	28 Apr 2028	112,651.00	6	

SAN SEBASTIAN	15 Nov 2022	32,000.00	1	For Renewal
SUCAT	14 June 2024	27,430.00	3	
TAYTAY	30 Apr 2027	111,000.00	5	
VALENZUELA	04 June 2026	61,355.94	5	

In the next 12 months, we plan to expand our company-owned stores. We plan to focus on the following areas, subject to various factors such as market and economic conditions, and results of our operations and performance: (i) for

Angel's Pizza – various viable locations in NCR, Bulacan, Laguna, Cavite, Pampanga and Batangas; (ii) for Figaro Coffee – viable locations in Metro Manila including malls, hospitals and mixed-use areas or CBDs; (iii) for Tien Ma's – viable locations in NCR; and (iv) for TFG Express – also in various locations in NCR. The locations for such stores shall be leased from third parties. We will fund these new stores through internally generated funds and the proceeds from this IPO.

As of date, we do not hold any land. Our head office is located at 116 E. Main Avenue,Phase V, SEZ Laguna Technopark, Biñan, Laguna. We lease our head office. All our warehouse facilities and operating headquarters are in Mandaluyong.

We lease spaces for our Company-owned stores. Our franchisees have independent leasing arrangements for their franchised stores or may own the land on whichthe store is located. Lease terms and rates vary depending on whether the store is located in or outside of a mall.

Item 3. Legal Proceedings

As of June 30, 2022, the Company is not involved in any legal proceedings but its subsidiary, FCSI,is involved in the pending cases listed below. One case is a case instituted by FCSI.

1. Filipino Society of Composer, Authors and Publishers, Inc., Plaintiff -versus- Figaro Coffee Systems Inc., Nelia T. Liu, Brian Gregory T. Liu, Michael Stephen T. Liu, Divina Gracia Cabrera,Sigrid De Jesus and Justin Liu, defendants.

Civil Case No. R-QZN-17-06048-CV; RTC, Quezon City (Copyright Infringement)

This case is a civil action for copyright infringement filed against FCSI and its directors for publicly performing musical compositions without securing licenses from the plaintiff.

Plaintiff is claiming actual damages in the amount of ₱1,124,707.58, moral damages in the amount of ₱500,000.00, and attorney's fees and litigation expenses in the amount of ₱100,000.00.

The action was instituted on March 9, 2017.

Status: The pre-trial scheduled on 09 March 2022 was cancelled due to the appointment of the president Judge to the Sandiganbayan. Waiting for the new setting.

2. BDO Unibank, Inc., plaintiff, -versus– Figaro Coffee Systems, Inc. and Divine Cabrera, defendants.

Civil Case No. R-MKT-17-01307-CV; Branch 132, Makati City (Collection and Damages with Application for the Issuance of Writ of Preliminary Attachment)

Fernando C. Go, doing business under single proprietorship "Café Ferdigo" is a franchisee of FCSI. He operated a Figaro store in the Podium Keppel Center. In order to renovate the coffee shop, Mr. Go secured

a loan from BDO Unibank, Inc. and as security for the loan, Mr. Go assigned by way of security his rights under the franchise agreement without the consent of and without notice to, FCSI.

In February 2016, Mr. Go informed FCSI through a letter that he sold his business to a third party.

BDO Unibank Inc. is demanding that FCSI and Divine Cabrera pay the following: (a) ₱3,804,113.33 outstanding loan obligation; (b) ₱1,000,000.00 in moral damages; (c) ₱500,000.00 in exemplary damages; and (d) costs of suit.

The case was instituted on February 17, 2020. As of the date of this Prospectus, .the plaintiff's first witness took the stand last 11 August 2022. On the same date, the witness was also cross examined. Plaintiff is set to present its second witness in 21 October 2022.

3. Figaro Coffee Systems, Inc., plaintiff, -versus- Philippine Air Asia, Inc., defendant.

Civil Case No. 21-01559; RTC Branch 118; Pasay City (Sum of Money)

FCSI filed a case for collection for sum of money amounting to ₱16,746,587.99 plus legal interests accruing from the date of extra-judicial demand against Philippine Air Asia, Inc. ("Air Asia"). The case arose from Air Asia's failure to pay its obligations under the Supply Agreement dated July 17, 2017 for the supply of meals and food products for its crew and employees.

The case was instituted on July 27, 2021. As of the date of this Prospectus, the case is at the pre-trial stage.

Status: Air Asia and FCSI have confirmed the arrangement under which Air Asia will pay the amount of Php 1 million per month installment starting January 2022 until the full settlement of the obligation. As of 31 August 2022, with the outstanding balance of Php 16,746,587.99, Air Asia has paid Php 3,000,000.00 to the Company. The remaining balance to date is Php 13, 746,587.99, and is expected to be fully paid by Air Asia in July 2023.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the annual meeting of the stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Company's common shares are traded in the Main Board of The Philippine Stock Exchange, Inc. ("PSE"). The common shares were listed on January 24, 2022.

The following table shows the high and low prices (in pesos per common share) of the Company's shares in the PSE for each quarter within the last six (6) months:

PERIOD	HIGH	LOW
January 2022	1.02	0.74
February 2022	0.96	0.66
March 2022	0.71	0.49
April 2022	0.65	0.52
May 2022	0.55	0.475

June 2022	0.63	0.485
January to June 2022	**1.02**	**0.475**

Source: https://edge.pse.com.ph/companyPage/stockData.do?cmpy_id=689

Total shares outstanding as of June 30, 2022 is **4,648,187,003.**

There were 12 shareholders as of June 30, 2022. The shareholders as of the same date are as follows:

	No. of Shareholders	Percentage
Camerton Inc.	3,251,148,995	69.94%
PCD Nominee Corporation-Filipino	967,863,005	20.82%
Carmetheus Holdings	375,000,000	8.07%
PCD Nominee Corporation – Non Filipino	54,130,000	1.16%
[redacted] ***	10,000	0.00%
[redacted] ***	10,000	0.00%
[redacted] ***	10,000	0.00%
[redacted] ***	10,000	0.00%
[redacted] ***	5,000	0.00%
Corazon P. Guidote	1	0.00%
Senen L. Matoto	1	0.00%
Hector Villanueva	1	0.00%
TOTAL	**4,648,187,003**	**100%**

*** ***Personal Information***

Item 6. Management's Discussion and Analysis or Plan of Operation.

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

Fiscal Year 21-22 Results of Operations

Key Highlights

- FCG, from its full acquisition of its subsidiary, Figaro Coffee Systems, Inc (FCSI) in June 21, 2021, saw a Consolidated FY July- June 30, 2022 Profit before tax of ₱264.25 million, 876% increase from June 30, 2021 Profit before tax of ₱27.08 million, primarily because of the 10 day period consolidated operations in June 2021.

- System-wide Sales FY ending June 30, 2022, amounted to ₱2.57 Billion, 84% increase from same periods ending June 30, 2021 System-wide Sales of ₱1.39 Billion
- Consolidated Revenues for FY ending June 30, 2022 stood at ₱2.44 Billion, 80% increase over same periods of Consolidated Pro-forma Revenues of ₱1.35 Billion.
- The increase in Revenues was primarily driven by the store openings from 91 store count ending June 30, 2021 to 123 stores ending June 30, 2022 or 32 new store opening during the period or 35% increase in store count, which primarily are Angels Pizza Stores or about 68% of the newly opened stores.

STORE COUNT PER BRAND		
Concept	June 30, 2022	June 30, 2021
Figaro	56	53
Angel's Pizza	52	30
Tien Ma's	6	7
Café Portofino	1	1
TFG Express	8	0
TOTAL	123	91

Cost of Sales

For the FY ending June 30, 2022, consolidated direct costs increased to ₱1.24 billion or 66% increase from ₱0.76 billion based on pro-forma direct costs.

Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc. Massive cost reductions implemented in 2021 and 2022 have significantly reduced the direct costs to 51% of the revenues from 56% ending June 30, 2021 pro-forma financial operations.

Consolidated gross profit improved to ₱1.19 billion for the FY ending June 30, 2022, representing a 101% increase from the ₱0.59 billion in the previous year same periods. This yielded a gross profit margin of 49%, a significant improvement versus the previous year's 44%.

Operating Expenses

For the twelve months ending June 30, 2022, consolidated operating expenses totaled ₱945 million, representing a cost-to-sales ratio of 39% from last year's same periods cost-to-sales ratio of 25%, primarily because of the store opening and the IPO related activities.

Net Interest Expense

Interest expense of ₱1.6 million was recorded for the twelve months ending June 30, 2022. This decline from the audited Interest expense of ₱16 million of the same periods primarily because of the termination of loan during the periods which was brought down to ₱20M bank loan as of June 30, 2022 and was fully terminated as of this date.

Other Income

Other income totaled ₱16 million as of FY ending June 30, 2022 from the placements of IPO proceeds.

Net Income

For the FY ending June 30, 2022, consolidated net income after tax stood at ₱198.2 million, yielding a net income margin of 8.1%.

FY21 Financial Condition

FCG had consolidated total assets of ₱1.88 billion as of June 30, 2022, an increase of ₱0.88 versus total assets of ₱1.0 billion as of June 30, 2021, primarily because of the Initial Public Offering in Jan. 24, 2022.

Cash and cash equivalents

As of June 30, 2022, cash and cash equivalents totaled ₱607.6 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables stood at ₱89.4 million as of FY end June 30, 2022 compared to ₱56.7 million in2021.

Inventories

As of June 30, 2022, inventories increased to ₱95.7 million from ₱59.4 million in June 30, 2021.

Property, plant, and equipment

Consolidated net property, plant, and equipment stood at ₱611.6 million as of FY end June 30, 2022 from ₱487.2 million which were primarily invested in the opening of new stores

Accounts payable and other current liabilities

Accounts payable and other current liabilities stood at ₱296 million from ₱161 million or 84% increase from the previous year primarily because of the increased operations resulting from store opening activities.

Loans payable

As of June 30, 2022, the Company's total interest-bearing debt stood at ₱20 million from last year's same period ,short-term loans amounting to ₱80 million. The remaining balance was fully paid as of September 2022. Thus FCG has zero loan as of this date.

Capital stock and Additional paid-in capital

The increase in capital stock and additional paid-in capital is from the IPO in January 24, 2022 of 1,023,182,000 primary shares, including the 93,016,000 option shares at P0.75 offering price per share by FCG. Capital stock increased by 44% while additional paid-in capital increased by 256% as a result of the Initial Public Offering.

Cash flows

Consolidated net cash used by operating activities amounted to ₱286 million for the FY ending June 30, 2022, from ₱47.7 million cashflow from operations provided from last year.

Consolidated net cash used in investing activities was ₱108 million. This is mainly attributable to capital expenditures for new store openings and commissary and equipment upgrades.

Consolidated net cash provided in financial activities was ₱309 million in FY ending June 30, 2022, which includes the proceeds from IPO, settlement of loans and Advances, financing cost and dividend payments.

All in all, net cash used for the year totaled ₱85 million, leading to cash and cash equivalents balance of ₱195.68 million FY ending June 30, 2022.

Key Performance Indicators (KPIs)

	Audited 12 Months Ended June 30, 2022	**Proforma 12 Months Ended June 30, 2021**
Gross Profit Margin	49%	44%
Before Tax Return on Sales	11%	19%
Return on Equity	20%	19%
Net Gearing Ratio	0.01x	0.01x
Current Ratio	3.2x	1.2x

Notes:

1 Gross Profit margin = Gross Profit / Net Revenue

2 Before Tax Return on Sales = Net Profit Before Tax / Net Revenue

3 Return on Equity = Net Income / Average Equity

4 Net gearing ratio = (Interest-bearing liabilities – Cash) / Total Equity

5 Current Ratio = Total Current Assets / Total Current Liabilities

Item 7. Financial Statement

The Company's Financial Statement and Notes is attached herewith as "Annex C".

Item 8. Information on Independent Auditor

R.S. Bernaldo & Associates ("RSBA") has audited and rendered an unqualified audit report on the Company's separate financial statements as of June 30, 2022, June 30, 2021, December 31, 2020, December 31, 2019 and December 31, 2018; and on FCSI's interim financial statements for the six month period ended June 30, 2021 and June 30, 2020 and audited financial statements for the years ended December 30, 2021, December 31, 2020, December 31, 2019, December 31, 2018 and December 31, 2017. RSBA has acted as the Company's external auditor since the calendar year of 2018. Mr.Romeo A. de Jesus, Jr. is the current audit partner for the Company and has served as such since the calendar year of 2018. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. RSBA has neither shareholding inthe Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. RSBA will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. RSBA is not a promoter, underwriter, voting trustee, director, officer or employee of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the years ended June 30, 2021 and June 30, 2022 for professional services rendered by RSBA, excluding fees directly related to the Offer:

For the year ended	June 30, 2022	June 30, 2021
Audit and Audit-Related Services	**265,865.60**	**281,520.00**
All Other Fees	0.00	0.00
Total	**265,865.60**	**281,520.00**

In relation to the audit of our annual financial statements, our Manual on Corporate Governance provides that the audit committee shall, among other activities, oversee, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, engage and provide oversight of the Company's internal and external auditors.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Directors and Officers

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's amended articles of incorporation, the Company's board of directors shall consist of eleven (11) members, of whom three (3) are independent directors.

The table below sets forth each member of the board of directors as of June 30, 2022:

Name	Age	Nationality	Position
Jerry S. Liu	73	Filipino	Chairman Emeritus
Justin T. Liu	40	Filipino	Chairman
Michael Stephen T. Liu	37	Filipino	Director
Brian Gregory T. Liu	35	Filipino	Director
Divina Gracia G. Cabuloy	44	Filipino	President and CEO
Sigrid Von D. De Jesus	48	Filipino	Chief Compliance Officer, Assistant Corporate Secretary
Michael T. Barret	43	Filipino	Chief Operations Officer, Corporate Information Officer, Chief IR Officer
Senen L. Matoto	75	Filipino	Independent Director
Corazon P. Guidote	61	Filipino	Independent Director
Hector Villanueva	86	Filipino	Independent Director
Jose Petrono Vicente Español III	48	Filipino	Treasurer Chief Finance Officer Chief Risk Officer
Lowela L. Concha	57	Filipino	Corporate Secretary
Marilou R. Roca	38	Filipino	Comptroller Chief Accounting Officer

Jerry S. Liu

Mr. Liu is the Chairman Emeritus of FCGI. Mr. Liu holds a Bachelor of Science degree in Physics from

Chung Yuan University of Taiwan and an MBA from the University of the East. As Chairman Emeritus, he does not participate in the management of the Company nor does he have any voting rights. It is merely an honorary title to acknowledge the support that he has provided to us.

Justin T. Liu

Mr. Justin Liu is the Chairman and a Director of Figaro Coffee Group, Inc. He is also the Vice President of the Mercantile Insurance Co., Inc. Prior to serving in his current positions, he was Vice President of Research in Evergreen Stock Brokerage and Securities, Inc., and Operations Manager of Pizzatek and Foods, Corp., Domino's Pizza. He holds a Master of Science in Financial Analysis degree from University of San Francisco, and a B.S. Business Management and Entrepreneurship degree from De La Salle University.

Michael Stephen T. Liu

Mr. Michael Liu is a Director of Figaro Coffee Group, Inc., Director of Cirtek Holdings Phils. Corp., and EVP and Corporate Secretary of Cirtek Advanced Technologies and Solution, Inc. Previously, he served as Special Project Development Lead at Cirtek Electronics Corp., Product Engineer at Silicon Link Inc., General Manager of Cirtek Advanced Technologies & Solutions Inc., and President at QUINTEL. He graduated from De La Salle

University with a Bachelor's degree in Electronics and Communications Engineering, and completed an Entrepreneurship course at the Ateneo Graduate School of Business.

Brian Gregory T. Liu

Mr. Brian Liu is a Director of Figaro Coffee Group, Inc., EVP & CFO of Cirtek Holdings Phils. Corp., Managing Director and COO of Cirtek Elect. Corp., Director of Cirtek Land Corp., Director of Cayon Holdings Corp., and General Manager of Tuborg Trading. Previously, he was involved in the Design, Planning, Construction, Operation and Sales of Capri Villa in New Manila. He graduated from De La Salle University with a Bachelor's degree in Management of Financial Institutions. He trained as an Analyst under Mr. Peter Gaisano of Evergreen Stockbrokerage & Securities, Inc.

Divina Gracia G. Cabuloy

Ms. Cabuloy is the President, CEO, and a Director of Figaro Coffee Group, Inc. Previously, she was a Cost Control Officer of Hotel Rembrandt, Restaurant Manager of Burger King Philippines and PERF Restaurants, Store Manager, Area Manager and Operations Manager of Figaro Coffee Company and Operations Director and Deputy COO of Figaro Coffee Systems, Inc. She holds a Bachelor's degree in Hotel and Restaurant Management.

Sigrid Von D. De Jesus

Ms. De Jesus is the Assistant Corporate Secretary and a Director of Figaro Coffee Group, Inc., and the HRAD and Training Director and Financial Comptroller of Figaro Coffee Systems, Inc. Previously, she was the General Manager of Zuriel Pizza and Pasta, General Manager, Commissary Manager, and Accounting Officer of Pizzatek and Foods Corporation, Collection Officer of Citibank Philippines, Executive Assistant of CAC Insurance Agency, General Manager of 788 Car Care Center, Executive Assistant of Cannondale Auto Center, and Assistant Manager of Divina Bakery and Restaurant. She holds Bachelor's and Master's degrees in Nutrition and Dietetics.

Michael T. Barret

Mr. Barret is EVP, Chief Operations Officer, Corporate Information Officer, Chief IR Officer and a Director of Figaro Coffee Group, Inc. He is also Deputy Chief Operating Officer of Figaro Coffee Company.

Previously, he was Franchise and Business Development Director, Area Manager and Store Manager of Figaro Coffee Company, Deputy Store Operations Manager of Highlands Coffee in Hanoi, Vietnam, Franchise Manager of Figaro Coffee Systems, Inc. and Warehouse Supervisor of SM Mart, Inc. He holds Bachelor's and Master's degrees in Mass Communications and Business Administration, respectively.

Senen L. Matoto

Mr. Matoto is an Independent Director of Figaro Coffee Group, Inc. He is currently a director of AgriNurture Inc., Greenergy Holdings Inc., Scholars' Dormitory Inc., Independent Director and Audit Committee Chairman of Yuanta Savings Bank, Senior Advisor the Chairman of Cirtek Holdings Philippines Inc. and Board Advisor of Clean and Green Energy Solutions Inc. Mr. Matoto obtained a Bachelor of Science degree in Business Administration from the University of the Philippines, and post-graduate studies from the Asian Institute of Management.

Corazon P. Guidote

Ms. Guidote is an Independent Director of Figaro Coffee Group, Inc. A Certified Public Accountant, Ms. Guidote is a Bachelor of Science graduate, major in Accountancy at the University of Santo Tomas in 1982. The UST College of Commerce eventually recognized her as one of its most outstanding alumnae in 2004. She holds a Master's Degree in Applied Business Economics from the University of Asia and the Pacific where she likewise received an Achievement Award in 1997 from the ABEP Alumni Association. She is now a member of the teaching faculty at the Institute of Corporate Directors currently specializing in the field of Sustainability Reporting otherwise referred to as ESG or (Environmental, Social and Governance). She successfully concluded her 15-year career in Investor Relations on October 2017. It was during this period that her pioneering spirit ushered her into two of her most challenging tasks of setting up the Investor Relations offices; first, at the Bangko Sentral ng Pilipinas (BSP), and second at SM Investments Corporation.

Hector Villanueva

Mr. Villanueva is an Independent Director of Figaro Coffee Group, Inc. He has held senior positions in both private and public sectors. He was Chairman of the Board of First Metro Philippine Equity Exchange Traded Fund, Inc., Chairman, Postmaster General & CEO of Philippine Postal Corporation, Member of the Advisory Board, First Metro Investment Corporation, and Publisher and Editor-in-Chief of Sun Star Manila. Mr. Villanueva was also Cabinet Secretary from 1995-1998. Mr. Villanueva obtained a Bachelor of Science degree in Economics from the London School of Economics and Political Science, and post-graduate studies from Royal Institute of Bankers, United Kingdom.

Jose Petronio Vicente Español III

Mr Español is the Treasurer and Chief Finance Officer of Figaro Coffee Group, Inc. He started as a Senior Auditor in SGV & Co in 1995, until he became the Company Accountant of Alsons' Cement Corporation. He was the Chief Accountant of Domino's Pizza Transnational Philippines for 5 years and was promoted as the Finance Head of American Express Transnational Travel for 3 years until he was promoted as General Manager of Transnational Logistics, Inc. for 6 years. Currently, he is an Independent Director of Rural Bank of Capalonga and the Managing Director of JDESystems Logistics, Inc and H&P Consulting. He is a Certified Public Accountant and a Certified Management Accountant with masteral units in Industrial Relations in UP and Supply Chain Management in Ateneo Business School. He was a graduate of University of Sto. Tomas in 1995.

Lowella L. Concha

Ms. Concha is a partner at the law firm Garay Usita Concha and Jimenea. She is a litigator with almost 30 years of experience representing individual and corporate clients in disputes involving commercial law,

criminal law, civil law, and family law among others. In active general law practice while continuing to render legal advice to clients from a wide spectrum of industries on corporate governance, real estate transactions, human resources administration, and contract management. She obtained a Bachelor of Science degree in Marketing from St. Paul's University in Quezon City, and her law degree from San Beda University College of Law in 1992. She was admitted to the Philippine Bar in 1993.

Marilou R. Roca

Ms. Roca is Comptroller and Chief Accounting Officer of FCGI. Previously, she was Accounting and Finance OIC, Treasury Officer, Cost Control Officer and Accounting Assistant at Figaro Coffee Systems, Inc. She holds a BS Accounting Management degree from Batangas State University.

(2) Significant Employees

No single person is expected to make a significant contribution to the business since we consider the collective efforts of all our employees as instrumental to the overall success of our performance.

Item 10. Executive Compensation

Summary Compensation Table
The following table identifies and summarizes the aggregate compensation of the Company's President and four most highly compensated executive officers, as well as the aggregate compensation paid to all other directors and all other officers as a group, for the years ended December 31, 2019, 2020, 2021 and what we expect to be paid on the ensuing year.

Name	Position
Justin Liu	Chairman
Divina Gracia Cabuloy	President & CEO
Michael Barret	COO
Sigrid Von De Jesus	CCO

	Year	Salary (in thousands)	Bonus (in thousands)	TOTAL (in thousands)
	2019	3,893.53	3,244.60	7,138.13
	2020	3,893.53	3,244.60	7,138.13
	2021	4,756.21	3,986.00	8,742.21
	June 2022	3,834.30	2,000.00	5,834.30

Employment Contracts Between the Company and Named Executive Officers

We have no special employment contracts with the named executive officers.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by our board of directors for every

meeting, there are no standard arrangements pursuant to which our directors are compensated directly or indirectly, for any services provided as a director.

Other Arrangements

There are no other arrangements pursuant to which any of member of our board of directors is compensated, directly or indirectly, for any service provided as a director.

Warrants and Options

There are no outstanding warrants or option held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

Family Relationships

Justin T. Liu, Michael Stephen T. Liu, and Brian Gregory T. Liu are brothers and their father is Jerry S. Liu. Aside from the foregoing, there are no family relationships between any Directors and any members of the Company's senior management as of the date of this Prospectus.

Interlocking Directors

Except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone; provided, that if the interest of the interlocking director in one corporation is substantial and his interest in the other corporation or corporations is merely nominal, he shall be subject to the provisions of the preceding section insofar as the latter corporation or corporations are concerned. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS AS OF JUNE 30, 2022

The following table sets forth security ownership of the Company's Directors and Officers as of June 30, 2022:

Title of Class	Name of Beneficial Owners	Amount and Nature of Beneficial Ownership	Citizenship	% of total Outstanding Shares	
Common	Justin T. Liu	1 (Indirect)	Filipino	Nil	
Common	Michael Stephen T. Liu	1 (Indirect)	Filipino	Nil	
Common	Brian Gregory T. Liu	1 (Indirect)	Filipino	Nil	
Common	Divina Gracia G. Cabuloy	1 (Indirect)	Filipino	Nil	
Common	Sigrid Von D. De Jesus	1 (Indirect)	Filipino	Nil	
Common	Michael T. Barret	1 (Indirect)	Filipino	Nil	
Common	Senen L. Matoto	1 (Direct)	Filipino	Nil	
Common	Corazon P. Guidote	1 (Direct)	Filipino	Nil	
Common	Hector Villanueva	1 (Direct)	Filipino	Nil	
Common	Jose Petronio Espanol III	-	Filipino	-	
Common	Lowela Concha	-	Filipino	-	
Common		**6 (Indirect)**			

Common		**3 (Direct)**			

There is no directors or key officer of the Company that owns at least 10% of its issued and outstanding shares of common or preferred stock.

Voting Trust Holders of 5% or More

There is no voting trust arrangement executed among the holders of five percent (5%) or more of the issued outstanding shares of our common stock.

Changes in Control

There has been no change of control in our beneficial ownership since our incorporation.

Item 12. Certain Relationships and Related Transactions

All sales to, and purchases from, related parties are made at prevailing market prices. Outstanding year end balances pertain to the extension and receipt of, and advances to and from, related parties. For further information,such as outstanding advance balances, see note 9 to the audited financial statements of FCGI and note 17 of the audited financial statements of FCSI. These balances are unsecured, short-term and interest-free, and settlement occurs in cash. There have been no guarantees received or provided for any related party-receivables or payables,respectively.

Our policy is to subject any related party transaction to Board approval. The transaction must be supported by a Secretary's Certificate signifying the approval of the Board.

We have limited related party transactions. Our operations can handle our financing requirements, and we have been funding our capital expenditures through internally generated cash flows.

FCSI, as the operating company, does not own land. It entered into a lease arrangement with LC International Garments Corp. to lease the land where its office is located. The commercial building has a total floor area of 3,968.07 sqm. The lease will expire 2025 and FCSI does not anticipate any issues with its renewal.

On January 4, 2017, FCSI entered into a lease agreement with Cirtek Land Corporation for the period commencing on January 16, 2021 and ending on January 16, 2026. Said lease agreement covers the lease of a commercial building located at 1 Constellation St. cor. Makati Avenue, Makati City, for use by the Makati City branches for Angel's Pizza and Tien Ma's. The lease agreement will be renewed in due course.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board of Directors, the management, officers and employees of the Company believe that sound and effective governance is fundamental to its continued success and long-term existence.

The Group is committed to the principles and best practices contained in the FCGI Manual on Corporate Governance (" Manual") and acknowledge that the same may guide the attainment of our corporate goals.

The Company's corporate governance framework is based on the following principles:

Accountability – This Manual establishes the Company's accountability to all its shareholders and guides the Board in setting strategies and monitoring the Company's management.

Fairness – The Company obligates itself to safeguard shareholder rights and ensure fair treatment of all shareholders, including minority shareholders.

Transparency – The Company ensures that timely and accurate disclosures are made on all material matters, including the financial situation, performance, ownership, and governance, in a manner easily accessible to the public and all interested parties.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Reports filed with SEC 17-C from January 24-June 30

FILED DATE	PSE FORM NO	CIRCULAR NO.	PARTICULARS
31-Jan-22	Form 4-31	C00514-2022	Press Release : FCG - IPO Listing
02-Feb-22	Form 17-6	CR00926-2022	Initial Statement of Beneficial Ownership of Securities
04-Feb-22	Form 4-31	C00624-2022	Press Release : FCG New Keto Friendly Pastries product launch
04-Feb-22	Form 4-31		Press Release : FCG Expansion Plans
07-Feb-22	Form 4-31	C00668-2022	Press Release : FCSI 2021 Financial Highlights
07-Feb-22	Form 4-30	C00674-2022	Material Information : Weekly Stabilization Report
14-Feb-22	Form 4-30	C00823-2022	Material Information : Weekly Stabilization Report wk3
15-Feb-22	Form 4-30	C00846-2022	Material Information : Result of the Board Meeting / Approval of Quarterly Report Qtr ending Dec 31, 2021
16-Feb-22	Form 17-2	CR01126-2022	Quarterly Report : Ending Dec 31, 2021
21-Feb-22	Form 4-30	C00999-2022	Material Information: Price Stabilization Report wk4
23-Feb-22	Form 4-30	C01069-2022	Material Information: Public Notice of Price Stabilization Activities for FCGI Shares
01-Mar-22	Form 4-31	C01190-2022	Press Release : Growth of Multi Store Franchisees with FCG
01-Mar-22	Form 17-7	CR01233-2022	Statement of Changes in Beneficial Ownership of Securities_Camerton Inc.
14-Mar-22	Form 4-31	C01649-2022	Press Release : FCG's 2022 Ongoing Expansion
18-Apr-22	Form POR-1	CR02079-2022	Public Ownership Report
19-Apr-22	Form 4-29	C02550-2022	Disbursement of Proceeds and Progress Report
19-Apr-22	Form 17-12-A	CR02319-2022	List of Top 100 Stockholders (Common Shares)
29-Apr-22	Form 17-12-A	CR02574-2022	List of Top 100 Stockholders (Common Shares)_Amended
10-May-22	Form 4-30	C03290-2022	Material Information : Result of the May 10, 2022 BOD Meeting on Quarterly Report ending March 31, 2022
12-May-22	Form 17-2	CR02835-2022	Quarterly Report : Ending March 31, 2022
15-Jun-22	Form 4-31	C04404-2022	Press Release : Target for 150 Stores by yearend
15-Jun-22	Form 4-30	C04403-2022	Material Information: Target for 150 Stores by yearend

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on OCT 13, 2022

By:

DIVINA GRACIA CABULOY
Principal Executive Officer

MARILOU R. ROCA
Principal Accounting Officer/ Comptroller

MICHAEL T. BARRET
Principal Operating Officer

JOSE PETRONIO D. ESPANOL
Principal Financial Officer

LOWELA L. CONCHA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of OCT 13 2022 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
DIVINA GRACIA CABULOY	LTO LICENSE N25-09-009920	06 JUNE 2018	MANILA
JOSE PETRONIO ESPANOL	TIN NO. 198-167-050-00000	15 APR 2021	MANILA
MICHAEL BARRET	LTO N07-12-002159	19 OCT 2019	MANILA
LOWELA CONCHA	TIN ID NO. 244 459-518-000	31 MAR 2006	MANILA

Notary Public

KATRINA ISABELLE G. PIMENTEL
Appointment No. M-336
Notary Public for Makati City
Until December 31, 2023
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 80892
PTR No. 9015884/Makati City/05-26-2022
IBP No. 213748/Makati City/05-21-2022
MCLE Exempted-Admitted to the bar in 2022

Doc. No. 36;
Page No. 9;
Book No. I;
Series of 2022

ANNEX A

SUSTAINABILITY REPORT

CONTEXTUAL INFORMATION	
Name of Organization	Figaro Coffee Group, Inc. (FCGI) (PSE:FCG)
Location of Headquarters	116 East Main Ave, Phase V-SEZ, Laguna Technopark, Biñan, Laguna
Report Boundary: Legal entities (e.g Subsidiary) included in this report	Figaro Coffee Systems, Inc. (FCSI)
Business Model. Including Primary Activities, Brands, Products, and Services	Full-service restaurant chain
Reporting Period	July 1, 2021 to June 30, 2022
Highest Ranking Person responsible for this report	Divina Gracia G. Cabuloy, President & CEO Michael T. Barret, Director/ CIO
Contact for questions regarding the report	Investor Relations corporate@figaro.ph

MATERIALITY PROCESS

FIGARO COFFEE GROUP, INC., as a Parent Company of its wholly owned operating subsidiary, Figaro Coffee Systems, Inc. ("FCSI" or the "Subsidiary"), has minimal activities. The sustainability report of the Company depends on the actions performed by its Subsidiary to manage risk and capitalize on possible opportunities. Thus, references to "FCG", the "Company" or "Group" throughout this report pertains to both the Parent Company and its Subsidiary, unless otherwise specified in the statement.

We always practice good governance and actively pursue the cause of socio-cultural and environmental concerns. The Group creates long-term value for its shareholders and business partners through profitable operations and business sustainability, and dignity of life for its employees. As the Company moves towards the accomplishment of its corporate goals and ultimately to create and sustain increased value for all its shareholders, the Board of Directors, the management, officers and employees of the Company believe that sound and effective governance is fundamental to its continued success and long-term existence.

a. Environment

FCG's Environmental, Social and Governance ("ESG") Policy goals are embedded and remain our core in everything we do in business. We believe we have a responsibility to minimize the energy, carbon, water and waste impacts of our business and recognize that these impacts occur not just in the daily operations of our portfolio but also through our entire value chain. As a result, we strive to reduce environmental impacts across the full life cycle of our buildings and our corporate operations.

b. People

A deep commitment to social responsibility is core to who we are as a Company. We believe people are the heart of our business and take pride in our outstanding work culture. We strive to be an optimal player to our employees, business partners, as well as valued partners to our communities.

We create fun, spirited work environments that reward innovation and collaboration at all levels. Also, the health and safety of our employees, tenants, and vendors is of the utmost importance to us. E ach year, we conduct various health seminars and awareness programs which require our employees to complete safety training.

Our management team has a strong background in the food and beverage industry, with an average of 31 years of exposure in different aspects of restaurant/café operations management such as store operations, business development, sales and marketing, international store expansion, research, and development. We maximize our employees' potential by honing their unique skills and motivating them to become an important part of the organization. We continue to develop processes and procedures to train our employees on the techniques required to effectively operate our kitchens.

c. Product

The Company Mission is to deliver quality, innovative and value-for-money food favorites that every customer will love and want to share. Our Company continues to work towards our vision to be the top-of-mind food company in delivering happiness to customers and value to our partners and shareholders. We ensure that our products are of top quality and meet the requirements of Food Safety Regulators. FCG also develops products that health-conscious individuals would love.

Our products are produced under the strict supervision of our Quality Assurance Department, making sure that all produced goods will be of the highest quality. With the well-established systems and the presence of the dynamic individuals from the Research and Development group, we are highly confident that we can capture a larger share of the food and beverage segment by providing a variety of new products to a broader spectrum of customers. Principles of professionalism, sustainability and customer focus runs our business philosophy. We operate our own roasting facility, warehouse and supplies and commissaries to cater and supply our stores and business partners. Our commissary is capable of producing high volume products without compromising on its quality. Our roasting facility operations guarantee the freshness and quality of our coffee products. Our Roasting Team members are trained at the Institution of Coffee Excellence located in Mandaluyong City. Training courses include Coffee 101, Roasting and Third Wave,

among others. We highlight the importance of Quality, Consistency and Value in all the goods that we are producing.

Our commissary was previously Halal certified and HACCP compliant. Due to the pandemic, this has not yet been renewed. However, the Company's operations continue to adhere to the strict standards on food preparation, safety and quality. Our facilities also adhere to the highest quality standards and having complied with the Rules and Regulations Governing the Operations of Food and Food Products Manufacturing and Processing Establishments, and the Good Manufacturing Practices Requirements under Administrative Order No.153, series of 2004, the Food and Drug Administration issued a Certificate of Good Manufacturing Practices (GMP) in favor of the Company, valid until 05 May 2024.

COVID-19 IMPACT AND DEVELOPMENTS

The COVID 19 Pandemic is 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 needs 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. The Group's Safety Officer regularly attends seminars to improve our safety measures. This has become crucial to our operations, especially during the COVID-19 pandemic. In compliance with the government's COVID-19 Health & Safety Protocols, FCGI has set its own COVID Guidelines & Policy ("COVID Policy") and Pandemic Preparedness Plan as embodied in the ESG Policy. The Company's COVID Policy includes, among others, store safety protocols and guidelines. Under the said protocols, all staff are expected to abide with strict measures including the procedures enumerated below. These measures have since then been accordingly adjusted and re-calibrated based on the prevailing COVID alerts, mandates and guidelines set by government health authorities.

1. Non-Contact temperature screening will be done upon entering the store. Temperature checking should be done every time an individual enters the store.
2. A standardized Health Declaration Form will be given to be strictly used.
3. A foot bath will be set up at the main entrance door.
4. A Guest Contract Tracing Form will also be provided.
5. A "No Face Mask No Entry" policy will be strictly implemented
6. Wearing of PPEs such face shields and hand gloves will be required for all staff on duty
7. A Cash Tray will be made available to use by guests to settle their payments to minimize physical contact with others
8. Preventive and safety signage will be provided to be posted on all visible areas in the store.
9. All utensils, wares and equipment must undergo a comprehensive sanitation procedure using the food grade Liquid Chlorine Sanitizer (Chlorinex).
10. Observe physical distancing in the work area
11. Clean and disinfect all tables, chairs and all frequently handled/used surfaces regularly.

As of end of September 2022, the Group has completed 100% inoculations for all employees as to the first dose, 100% of the employees for the second dose, and 80% with booster shots.

Notwithstanding the challenges of the pandemic, our delivery business significantly increased and has been breaking historical sales records. Please refer to the Company's Annual Report for the fiscal year ended June 30, 2022 for the details on FCG's sales and revenues, with the Management's Discussion and Analysis of these financial results. Further, the Company was still able to successfully launch a total of 123 new stores, company and franchise-owned stores within the fiscal year period covering 01 July 2021 to 30 June 2022. The following table shows the total number of stores launched for the fiscal year period from 01 July 2021 to 30 June 2022:

STORES	NEW STORES OPENED
FIGARO	**56**
ANGEL'S PIZZA	**53**
TIEN MA	**6**
TFG EXPRESS	**8**

The online store we launched last 2020 – the Figaro Group Online (www.thefigarogroup.ph) to cater to the ever-changing consumer demand brought by the pandemic continues to serve our customers and we ensure that our systems are up-to-date, reliable and secure. We have successfully directed our efforts in developing ready-to-eat (RTE) meals and capitalized in our strong delivery team to provide convenience to our valued customers. We make sure that our well-loved products can still be enjoyed in the comforts of their homes or offices. Among the products targeted for health-conscious customers that were launched for this fiscal year period include (i) Tien Mas's Fresh Vegetarian Spring Rolls, Steamed Vegetable Dumpling and Asparagus & Mushrooms, and (ii) Figaro Coffee's Sugar-Free Keto Brownies, Honey, Nuts and Oatmeal Bars, Keto Coconut Tiramisu and Gourmet Tuna Sandwich.

The Group's Angel's Pizza brand became one of the top food delivery brands identified by Grab, and Creamy Spinach continues to be the Group's top selling Pizza variant.

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 a better and stronger brand for the new normal.

CORPORATE SOCIAL RESPONSIBILITY

Despite the global pandemic, the Company remained committed to continue its Corporate Social Responsibility ("CSR") program in line with our commitment in "Strengthening our Communities" as stated in our ESG Policy. We have a long history of providing meaningful, and often transformational, support to the communities in which we operate. We support activities and programs geared towards community welfare and environmental protection. We also provide charitable support to key industry and professional organizations, often in the form of event sponsorships.

Our CSR activities for this fiscal year period include the following:

- Donations and visit at Hospicio De San Jose on March 19, 2022. FCG has been supporting Hospicio de San Jose, a welfare institution in Manila that serves as a foster home for orphans,

the abandoned, children with special needs and the elderly. More activities are lined up as initiated and supported by FCG for this institution, including a Christmas celebration this year.

- Food sponsorship for GMA Kapuso Foundation's "Kalusugan Karavan" Medical Mission on June 07, 2022 in Obando, Bulacan. The medical missions of GMA Kapuso Foundation provide medical assistance to indigent Filipinos, particularly done in areas where basic health services are inaccessible. The Company provided and distributed packed Ready-To-Eat (RTE) meals to the beneficiaries as well as to the volunteers during the duration of the program.
- The "Sagip Dugtong Buhay" project of GMA Kapuso Foundation, which upholds the value of volunteerism through blood donation in order to help save or extend lives. This bloodletting project of the network started in 2017, and FCG has served as one of the sponsors for this project by primarily providing food for the blood donors and the volunteers during the activities:
  - 05 November 2021, in partnership with the Armed Forces of the Philippines, Philippine Red Cross and Ever Gotesco Mall/Go Tong Foundation;
  - 30 May 2022, in partnership with the Philippine Red Cross and UP-PGH.
- Sourcing of poultry products only from animal-friendly farms and growers through partnership with The Philippine Animal Welfare Society (PAWS) for The Better Chicken Option (TBCO) campaign.
- Local sourcing of fresh vegetables. Our supply of vegetables for our NCR stores are sourced from Baguio and Nueva Ecija. FCG is committed in promoting and sustaining the Angkat sa Baguio initiative in support of the farmers in Baguio, Benguet and the rest of the Cordillera Administrative Region. Our provincial stores also source fresh vegetables directly from the local community markets where the stores are located.

ECONOMIC

ECONOMIC PERFORMANCE

DISCLOSURE	AMOUNT	UNITS
Direct Economic value generated (revenue)	2,453,472,780.00	Php
Direct economic value distributed:		
a. Payments to Suppliers and Operating Costs	1,069,527,224.00	Php
b. Taxes given to government	56,256,089.00	Php
c. Interest payments to loan providers	1,608,491.00	Php
d. Dividends given to stockholders	208,138,000.00	Php
e. Employee wages and benefits	285,457,640.00	Php
f. Investment to communities (eg. Donations, CSR)	1,032,253.00	Php

Management Approach on Economic Performance

Php 1,622 million of Php 2,453 million revenues is funneled towards our key stakeholders, including our business partners, suppliers, stockholders, employees, banks, and government agencies.

The Group continues to make its mark in industry through the growth of store network and product developments. From 96 number of stores in 2021, our Subsidiary, in less than six (6) months after being publicly listed, has 123 stores nationwide as of 30 June 2022. Additional **27** stores are still in progress as part of the 150 stores target by end of the year 2022.

FCG owns 100% of its Subsidiary, thus any negative effect in the Subsidiary's business would greatly affect the financial performance of the Company.

Climate Related Risks and Opportunities

Impacts of climate change in the Philippines are immense. Heavy rainfall and floods are just some of the major impacts which also is a risk to our business.

We are committed to driving down our energy and carbon impacts, as we believe that climate change is one of the greatest risks to our world. The company supports a vision to be net zero carbon and to reduce our greenhouse emissions. Our sustainability program is committed to environmentally sustainable initiatives that deliver near-term efficiency, value, and health for our business, tenants and community.

Climate change is a priority issue for our business. We have a long-standing strategy to reduce our carbon footprint. We approach this challenge by reducing the impact we have on climate change; by identifying the risks a changing climate has on our business; and by collaborating with key stakeholders to amplify our actions. Our climate strategy supports our sustainable agriculture, water and waste strategies.

We are committed to driving down our energy and carbon impacts, as we believe that climate change is one of the greatest risks to our world. The Company supports a vision to be net zero carbon and to reduce

our greenhouse emissions. Our sustainability program is committed to environmentally sustainable initiatives that deliver near-term efficiency, value, and health for our business, tenants and community.

Our business is a contributor in the emission of greenhouse gas emissions, be it direct or indirect, beginning from our business partners, including suppliers and franchisees, up to our consumers. To help the environment, we have established Company policies on different aspects of our business – whether our water, waste, and energy conservation efforts. These Company Policies and Guidelines being strictly implemented by the Group include (i) Stores Proper Waste Management Policy, (ii) Commissary Proper Waste Management Policy, (iii) Waste Management & Disposal Guidelines, (iv) Drainage System Guidelines, (v) Waste Segregation & Disposal Guidelines, and (vi) Waste Collection Guidelines.

PROCUREMENT PRACTICES

DISCLOSURE	QUANTITY	UNIT
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers*	47% (Local) 53% (Imported 100% (Procurement Budget)*	%

**The Company sources all its materials (both local and imported materials and ingredients) for its products through FCG's accredited local suppliers and distributors.*

The Company uses raw materials that are manufactured locally and abroad. All of the Company's supply of fresh vegetables, processed meat and coffee beans are sourced locally from our accredited local suppliers, while our supply of dairies, mozzarella, cream cheese, frozen spinach and shrimp are imported from foreign suppliers through our accredited local distributors. Our store equipment, furniture and fixtures are likewise manufactured overseas but we procure through local distributors as well. Meanwhile, our stainless equipment is locally fabricated. The following summary provides details on the percentage of our procurement budget spent on local and imported materials:

LOCAL	%	IMPORTED	%
Perishable (vegetables, processed meat, coffee)	35%	Perishable (Dairies, Shrimp, frozen spinach)	45%
Non-perishable	1%	Non-perishable	4%
Equipment	3%	Equipment	4%
Packaging	8%	Packaging	0

Management Approach on Procurement Practices

Food Safety is a top priority and we dedicate significant resources, including our supply chain team and quality assurance team, to help ensure that our customers enjoy safe, quality food products. We have taken various steps to mitigate food quality and safety risks, including having personnel focused on this goal together with our supply chain team. Our stores undergo third-party food safety reviews, internal safety audits and routine health inspections. We also consider food safety and quality assurance when selecting our suppliers.

Maintaining a high degree of quality in our stores depends in part of our ability to acquire from reliable suppliers' ingredients and other necessary supplies that consistently meet our specifications. We carefully select suppliers based on quality and their understanding of our brand, and we seek to develop mutually beneficial

long-term relationships with them. We work closely with our suppliers and negotiate the terms of our contracts consistent with the industry standards. We rely on key suppliers for certain raw materials. We do not depend on a single supplier that would have a material adverse effect on its operations. Despite having key suppliers, we do not have any exclusive supply agreements and instead have several suppliers for each key raw materials and equipment needs.

To ensure high quality and safe materials, supplies, equipment and services by accrediting suppliers and regularly evaluating their performance. The procedure covers the activities from the assessment of the application for accreditation to the evaluation of the performance of accredited suppliers. They are also being audited by our Quality Assurance Department based on a comprehensive Assessment Checklist to make sure that suppliers meet the set standards.

As of date, FCG engages local suppliers and distributors for all of the raw materials needed for our products. Fresh vegetables are sourced from Baguio and Nueva Ecija for the NCR stores and Commissary, while for our provincial stores, we give priority to the communities and local markets in their respective areas to supply fresh products once approved by our Purchasing Department and R&D Team. Further, while our dairy products are imported, the Management is currently in discussion with a local manufacturer of dairy products for evaluation and testing.

In addition, the Company has continued to champion the local Barako coffee and now offers a wide selection of different coffee flavors, as our Figaro Coffee brand has become the epitome of what a world-class global homegrown Filipino brand can become. We source our coffee beans from local suppliers that have passed our stringent accreditation standards to ensure that every batch of coffee beans supply has passed our strict Quality Assurance. We have no long-time warehousing, we do not import roasted coffee and we do not use broken or old green beans. We roast our coffee in our own roasting facility, and directly supply each of our Figaro Coffee branch and other stores serving our brand.

The Company's Procurement Team is also working on finding additional suppliers for our expansion plans. The Company considers suppliers who not only qualify based on our criteria and standards for accreditation of suppliers, but also those who share the same vision and goals as the Group.

ANTI-CORRUPTION

DISCLOSURE	AMOUNT	UNITS
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Management Approach on Anti-Corruption

FCG ensures that all Rules and Regulations, including our Anti-Corruption policies, are properly cascaded to new employees during employees' orientation. The Company likewise ensures that FCG's Business Integrity principles are integrated in the engagements, contracts and dealings among franchisees, suppliers, service providers and government authorities. FCG strongly abides with its Code of Business Conduct and

Ethics ("Code") which upholds Business Integrity at all times through its commitment that, "any form of corruption, extortion and embezzlement shall be prohibited. We shall not offer, pay nor accept bribes or participate in other illegal inducements in business or government relationships. We shall work against corruption in all its forms."

Incidents of Corruption

DISCLOSURE	AMOUNT	UNITS
Number of incidents in which directors were remove or disciplined for corruption	0	%
Number of incident in which employees were dismissed or disciplined for corruption	0	%
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	%

Management Approach on Incidents of Corruption

As of date, there has been no incident of corruption involving our directors, employees, and business partners. The Company's HR Policies provide the appropriate procedures and sanctions for violations of Company Policies and Code that will be accordingly implemented by Management should there be any incident of corruption.

ENVIRONMENT

RESOURCE MANAGEMENT

We have a long-term environmental performance target for the portfolio that addresses energy and water consumption. To achieve our targets, each of our properties are monitored regularly by our third-party consultants. Water Potability sampling, testing and monitoring are done on a monthly basis by our accredited service provider, Scientia Tech. Water Potability and LPG usage of the Company are also being monitored by the accredited service providers endorsed by the respective LGUs where the Company's stores or branches are located. The Company's LPG or gas line suppliers likewise conducts monitoring and inspection of our stores.

Energy Consumption within the organization

DISCLOSURE	AMOUNT	UNIT	REDUCTION
Energy consumption (LPG)	253,935	Kls	-
Energy consumption (Diesel)	129,824.99	Liters	-
Energy consumption (Electricity)	7,349	GJ	-

Management Approach on Energy Consumption

Our corporate office, stores, and commissaries run primarily on electricity, LPG, and gasoline. The Company is committed to ensure efficiency in energy consumption for its business operations and will continue to study and find ways to be even more efficient in the use of energy resources. Our energy consumption initiatives include energy retrofits, energy management system upgrades, and equipment upgrades. We have adopted sustainability policies for our head office and all corporate and franchise stores that include criteria such as energy-efficient lighting and appliances, water-efficient fixtures, recycling programs, and e-waste collection events which promotes a healthy, safe working environment for all. We also consistently encourage our employees to conserve electricity not just to help the environment but also to optimize the operating expenses of the Company. The Management believes that efficiency in energy consumption is significant in the sustainability program of the Group.

Water consumption within the organization

DISCLOSURE	AMOUNT	UNIT	REDUCTION
Water consumption			
- Stores (Figaro Coffee, Angel's Pizza, TFG Express, Tien Ma's and Café Portofino)	8,880.93	Cubic meter	-
- FCG Head Office (Corporate Offices Commissary and Angel's Pizza Mayon branch)	11,096	Cubic meter	-

Management Approach on Water Consumption

Water is a critical resource in the Company's business. The programs for efficiency in energy consumption likewise cover the Company's water consumption management, which includes the efficient use of water by our employees and implementation of water conservation measures in our stores. The Company regularly monitors water usage through checking of the water bills of the stores on a monthly basis.

ENVIRONMENTAL IMPACT MANAGEMENT

Solid and Hazardous Waste

DISCLOSURE	AMOUNT	UNITS
Total solid waste generated	38,304	kg
Reusable	N/A	kg
Recyclable	No available information	kg
Composted	No available information	kg
Incinerated	No available information	kg
Residuals / Landfilled	38,304*	kg

** Stated amount pertains to solid waste generated from FCG's commissaries and our Head Office.*

As this is the first Sustainability Reporting of the Group, the Company has not yet established the systems to measure specific quantities and units of pollutants, including air pollutants, solid and hazardous wastes, and effluents for this current fiscal year period. The details will be provided in the next reporting period based on the monitoring systems that FCG has recently established, such as the updated Waste Segregation and Disposal Guidelines recently being implemented in all of the Company's stores.

Management Approach on Environmental Impact Management

Environmental impact may be hard to limit yet we are finding ways to manage our emissions through reducing our energy consumption as much as we can. We are also looking into using only highly efficient and energy saving equipment as we purchase for our newly built stores and for the renovation of old stores.

The FCG corporate office, commissary, and stores are fully compliant with the environmental requirements and permits prescribed by the government. The Company secures all required permits and licenses, including, but not limited to, Business Permit, Environmental Clearance, Locational Clearance and Sanitary, Occupancy and Fire Permits, and complies with all applicable operational and reporting requirements prior to any store openings. Annual and periodic inspections are conducted by the respective LGUs and relevant government authorities prior to the renewal of these permits to ensure our compliance with the business operations standards and requirements, that are relevant to our over-all environment impact management.

Our existing systems in place, such as the ESG Manual and all supporting policies and guidelines including Proper Waste Management Policy of our stores and commissaries, Guidelines for Waste Segregation and Disposal, and Guidelines for Drainage Systems, Waste Water and Hazardous Waste, ensure the safe handling, movement, storage, recycling, reuse or management of waste, air emissions and waste water discharges. Any waste, waste water or emissions with potential to adversely impact human or environmental health must be appropriately managed, controlled and treated prior to release into the environment. We likewise have existing systems to ensure safety in handling, storage and releasing of hazardous materials, as well as procedures to manage and contain accident spills and releases as stated in our Sanitation Standard Operating Procedures. These Guidelines are being reviewed and updated to improve the Company's environmental impact management.

Also, as a matter of policy, our Company has initiated and implemented lesser use of paper and plastic cups at work.

ENVIRONMENTAL COMPLIANCE

Non-compliance with Environmental Laws and Regulations

DISCLOSURE	AMOUNT	UNITS
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

Management Approach on Environmental Compliance

The Company views good governance as essential to creating and preserving value for our shareholders and other stakeholders. This includes a committed approach to corporate governance that complies with all applicable laws, rules, regulations and policies as well as unwavering adherence to our values. Thus, we are committed to fully comply with all applicable environmental rules and regulations covering all of our business operations. Prior to store openings, all required environmental, business, fire, sanitary and occupancy permits, licenses and locational clearances are obtained. To facilitate the government's annual inspection of our business and the smooth renewal of permits, the Group consistently abides with the environmental laws and regulations, without any violation.

SOCIAL

EMPLOYEE MANAGEMENT

Employee Hiring and Benefits

Employee Data

DISCLOSURE	AMOUNT	UNITS
Total number of employees	1,386	
a. Number of female employees	579	#
b. Number of male employees	807	#
Attrition rate	2.94	Rate
Ratio of lowest paid employee against minimum wage	0	Ratio

Management Approach on Employee Hiring and Benefits

A deep commitment to social responsibility is core to who we are as a Company. We believe that our people are at the heart of our business and take pride in our outstanding work culture. We strive to be an optimal employer to our employees, business partners, as well as a valued partner to our communities.

We provide equal employment opportunity (EEO) to all employees without regard to gender, sexual orientation, religion, ethnicity, age, disability, marital status in accordance with our ESG Manual and applicable government regulations. We embrace and value diversity in all its forms, whether gender, age, ethnicity or cultural background. Equal opportunity is integral to our recruitment process, as we aim to develop a community of diverse talent. We seek to maintain a positive workplace, free from discrimination and harassment. We champion pay equity and mutual respect, promoting an environment of fairness and equality. Our commitment to diversity and inclusion applies to the highest levels of the organization, including at the board level, where we recognize that diversity strengthens board performance and promotes long-term shareholder value.

We contribute positively to the promotion of social responsibility in the community in which we live and work by supporting activities and programs geared towards community welfare and environmental protection. Also, the Company, particularly our stores across all brands, prioritizes hiring locally in providing job opportunities to the community. We ensure that employees are assigned to the nearest branch from their residence.

The hiring, training and development of FCG directly affect the efficiency and productivity of our operations. The Company's rules and regulations ensure, among others, that employees are well informed with respect to salary and benefits. We comply with applicable wage laws, including minimum wage, overtime hours and mandated benefits. Individual KRA assessment is also being done monthly aside from the Performance Evaluation being done quarterly which assesses the level of performance done by employees which will be the basis if they are qualified for incentives and/or salary increases.

As we are still in the phase of recovery from the pandemic, FCG ensures that the health and safety of employees are of utmost priority. Despite the pandemic, we made sure that training is given to employees to educate them such as First Aid conducted by Philippine Red Cross and Basic Occupational Safety and Health by DOLE to promote safety and health in the workplace. We also continue to remind employees of the importance of vaccines especially during this pandemic.

DISCLOSURE	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	6.74	7.06
PhilHealth	Y	15	15
Pag-Ibig	Y	5.53	8.30
Parental Leaves	N	1	0
Vacation Leaves*	Y	34.02	39.78
Sick Leaves*	Y	34.02	39.78
Medical Benefits (aside from PhilHealth)	Y	23.32	23.17
Housing Assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	N		
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible working hours	N		
(Others)	N		

**Vacation leave and sick leaves are paid if not used.*

Compensation and Benefits

The Group sets a competitive and market-based compensation system that is anchored on the principle of equal pay for substantially equal work, in conformance with legally mandated regulations on condition of employment. We offer competitive compensation and benefits to all regular full-time employees, including but not limited to paid holiday, vacation, and sick leave, retirement savings plan and medical, dental, and vision coverage.

Employee Training and Development

DISCLOSURE	AMOUNT	UNITS
Total training hours provided to employees		
a. Store Staff	120	Hours/employee
b. Management Trainees	240	Hours/employee
c. Office Staff	24	Hours/employee

d. Food Safety / Commissary Staff	40	Hours/employee

Management Approach on Employee Training and Development

At FCG, employee training both for operations and office staff are vital for the employees to perform at their best. When it comes to promotion, the Management focuses on giving the opportunity internally before posting on job portals for external hiring to recognize the performance of existing employees.

We manage the development of our employees through the following processes:

1. Monthly KRA assessment is conducted to assess the performance of employees. They are evaluated by their supervisors and given appropriate commendations and/or recommendations.
2. Quarterly / Semi-annual Performance Evaluation is also conducted to assess the quality of work of the employee. Recommendations such as salary increase and/or additional allowances are given depending on the results of the evaluation.
3. We also provide continuous learning opportunities to employees such as virtual seminars during the pandemic. Face-to-face seminars are also conducted whenever possible.

To ensure consistent quality in our services, our managers undergo a Basic Supervisory Skills Training Program which is a three-month intensive training program covering, among others, the Figaro Group's philosophy, concept and established procedures. For franchise stores, our Franchise Relations Team provides operations and marketing support, on-site consultations and spot quality assurance audits of all the stores under the Figaro Group's brands. We have a Safety Officer who regularly attends seminars to improve our safety measures. This has become crucial to our operations, especially during the COVID-19 pandemic.

We also organize and conduct training programs in coordination with our major suppliers of equipment for Basic Knowledge and Training on Proper Equipment Handling, Usage and Maintenance.

Food safety is a top priority and we dedicate significant resources, including our supply chain team and quality assurance teams, to help ensure that our customers enjoy safe, quality food products. We have taken various steps to mitigate food quality and safety risks, including having personnel focused on this goal together with our supply chain team. We have developed processes and procedures to train our employees on the techniques required to effectively operate our kitchens. Our Manager Training Program adheres to the following curriculum:

1. Company Orientation
2. Basic Behaviour
3. Legendary Standards
4. Company Rules and Regulations
5. WOW Experience.

This Training Curriculum provides the following training points:

- Introduction / Orientation
- Customer Service
- Product-specific Training
- Food Preparation
- Social Responsibility
- Cashier Training
- Product Quality Assessment

- Inventory Training

Labor Management Relations

DISCLOSURE	AMOUNT	UNITS
% of employees covered with Collective Bargaining Agreements	None	%
Number of consultations conducted with employees concerning employee-related policies		
For Corporate stores personnel	Twice per month per store/area	#
Head Office personnel	Weekly	#

Management Approach on Labor Management Relations

Communication is the best way to actively engage with all employees. At FCG, we keep communication channels open throughout the Company through Department Heads and the HR Team to be constantly aware of the employees' well-being and to foster healthy professional relationships. Among others, providing employees with open lines of communication in voicing out their opinions allows Management to manage expectations and risks in relation to labour relations.

Diversity and Equal Opportunity

DISCLOSURE	AMOUNT	UNITS
% of female workers in the workforce	41.77	%
% of male workers in the workforce	58.23	%
Number of employees from indigenous committees and/or vulnerable sector*	0	#

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

Management Approach on Diversity and Equal Opportunity

As a Company with a workforce of about 1,482 employees as of June 30, 2022, our Human Resources Department plays a vital role throughout the hiring process up to development and promotion of employees. We provide equal employment opportunity to all employees regardless of gender, sexual orientation, religion, ethnicity, age, disability, and marital status. Equal opportunity is integral to our recruitment process as we aim to develop a community of diverse talent. We provide a workplace free of harassment, discrimination, harsh and inhumane treatment.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

DISCLOSURE	AMOUNT	UNITS
Safe Man-hours	1,441,440	Manhours
No. of work-related injuries*	3	instances
No. of work-related fatalities	0	#
No. of work-related ill-health**	1	instances
No. of safety drills		#

* *The 3 work-related injuries pertain to minor injuries related to (1) equipment use during operation of the unit, (2) vehicle sustained injuries of a delivery rider, and (3) slip/fall accident.*

*** The 1 work-related ill-health pertain to a natural illness.*

Management Approach on Occupational Health and Safety

FCG gives importance to the health and safety of its employees. The Company provides continuous training to all staff from store level up to office level to educate them on the importance of Health and Safety. The Company's Safety Committee likewise ensures that appropriate safety measures are in place and that we always maintain a safe and sustainable working environment.

As stressed in this report, food safety is a top priority of the Group, and we dedicate significant resources, including our supply chain team and quality assurance teams, to help ensure that our customers enjoy safe, quality food products, as well as the health and safety of all our employees. We have taken various steps to mitigate food quality and safety risks, including having personnel focused on this goal together with our supply chain team. Our stores undergo third-party food safety reviews, internal safety audits and routine health inspections. We have developed processes and procedures to train our employees on the techniques required to operate our kitchens effectively and in compliance with the strict health and safety standards.

Labor Laws and Human Rights

DISCLOSURE	AMOUNT	UNITS
No. of legal actions or employee grievances involving forced or child labor	0	#

Management Approach on Labor Laws and Human Rights

The Company and its business partners support and respect the internationally recognized human rights principles and practices that promote and protect human rights, and ensure that we are not complicit in human rights abuses.

Our Human Rights Policy reflects our long-standing dedication to the preservation of basic rights and human dignity in our workplace and beyond. The Figaro Group holds human rights to be an essential component of our business. The Code of Business Conduct and Ethics policy applies to our operations and affiliates in all assets we own and operate.

SUPPLY CHAIN MANAGEMENT

Supplier Accreditation Policy of the Organization

TOPIC	Y/N	If YES, cite reference in the supplier policy
Environmental Performance	Y	Supplier Selection and Accreditation Purchasing Manual on Materials Management
Human rights	Y	Supplier and Purchase Agreements
Bribery and corruption	Y	Supplier and Purchase Agreements

Management Approach on Supply Chain Management

From our supply chain, commissary, manufacturing and logistics, we are fully integrated to ensure high quality products and services, and to maximize efficiency and optimize costs. Through technology, the Company integrates outside partners as well as internal departments to always be up to speed on data analytics needed for quick decision-making and resolution of issues.

The Company expects all of its business partners to exhibit the same values of fairness, transparency, accountability and integrity, as a condition to their engagement. Our business partners must be aligned and demonstrate compliance with the Company's principles and standards as stated in the FCG Code as a condition to their continued business relationship with the Company, as well as apply the Code to the parties with whom they work with in providing goods and services to the Company. Our business partners must value the health and safety of human beings and the protection of the environment. They must adhere to effective and efficient management systems to meet contractual obligations, facilitate continual improvement, and uphold the image and brands of the Company.

To facilitate the selection of our business partners, a summary of FCG's general accreditation process is provided below:

1. FCG shall deal only with legitimate, reputable, reliable, competent and responsible suppliers who will pass the prescribed accreditation process.
2. Product samples are presented by the potential suppliers and must undergo product testing through R&D (Research and Development Department) for the evaluation of the products.
3. Potential suppliers must present all documentary requirements that establish its legal capacity to contract and operate its business and in compliance with Good Manufacturing Practice (GMP) in respect of its facilities and manufacturing processes. The required documents shall be updated regularly.
4. A facility audit or onsite visit shall be conducted as part of the accreditation process to survey the premises, structures, equipment, personnel as well as the procedures in relation to production, receiving, storage, distribution and compliance with the statutory requirements with respect to operations.
5. Suppliers who satisfactorily passed the assessment with product samples that meet standards will proceed with the accreditation process.

RELATIONSHIP WITH COMMUNITY

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous people? (Y/N)	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Manpower *(stores)*	Cities where stores are located (NCR, Luzon, Visayas and Mindanao)	-	**N**	-	-
Supplier *(Local suppliers/markets)*	- Baguio / Benguet - Nueva Ecija - Local suppliers and markets where community stores are located	-	**N**	-	-

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

Management Approach on Significant Impacts on Local Communities

We have a long history of providing meaningful, and often transformational, support to communities in which we operate. As reported in the previous section on procurement practices and CSR activities, our commissary and stores across all our brands, particularly our provincial stores, provide business opportunities to the local markets for the supply of raw materials, such as coffee beans, vegetables and processed meat. Our supply of vegetables for our NCR stores are sourced from Baguio and Nueva Ecija. FCG is committed in promoting and sustaining the Angkat sa Baguio initiative in support of the farmers in Baguio, Benguet and the rest of the Cordillera Administrative Region. Our provincial stores source fresh vegetables directly from the local community markets where the stores are located. As further reported above, the Company has continued to champion the local Barako coffee. We source our coffee beans from local coffee beans suppliers that have passed our stringent accreditation standards. The Company's Procurement Team is also working on finding additional suppliers from local communities to support our expansion plans.

Our operations have also provided business opportunities and instruments for wealth creation for our franchisees in the Philippines and abroad. Our provincial franchisees are men and women in their respective cities and provinces who share the same vision as the Company to provide quality and sustainable food and food services to Filipinos throughout the country.

Further, as likewise cited above, the Company prioritizes hiring locally, particularly in the areas where our stores are located, thus, providing job opportunities to these communities. As a matter of policy, our employees are assigned to the nearest branch from their residence.

CUSTOMER MANAGEMENT

FCG strives to be the customer's preferred choice. We listen to our customers to understand and anticipate their needs. Customers choose us because we provide them with products and services that exceed their expectations.

Customer Satisfaction

DISCLOSURE	SCORE	Did a third party conduct the customer satisfaction study (Y/N)
Customer Satisfaction	*See discussion below*	N

In line with our mission "to deliver quality, innovative and value-for-money food favorites that every customer will love and want to share", the Company has established programs to assess and monitor customer satisfaction, including our Mystery Shopper Program, Customer Feedback and social media monitoring.

Through our Mystery Shopper Program, we are able to measure the quality of service and gather specific information about the products and services being offered in our stores. This is our principal method for identifying customer service behaviors, measuring employee performance and evaluation in ways to improve and promote excellence in customer service and customer satisfaction. The frequency of this program is done on a monthly basis to all Corporate-owned stores. Our Customer Feedback program is being implemented in our Corporate and franchise stores. Aside from customer feedback received directly in our stores, customer complaints, comments, suggestions and concerns are also being monitored through our Facebook and Instagram brand/corporate accounts, managed by our Marketing Department and our Call Center's Admin Department. With the assistance of our Area Managers, all customer feedback matters are consolidated on a weekly basis and reported to Management. For product concerns, customers are provided with complimentary gift vouchers for product replacement. Depending on the gravity of the concern, store managers are trained to manage immediate customer concerns. Also, our Digital Marketing Assistant manages FCG's social media activities through our Facebook pages and Instagram accounts. Our social media platforms enable us to identify customer service behavior, measure employee performance and conduct appropriate evaluation to improve and promote excellence in customer service and customer satisfaction.

It is our Company's vision is to be top-of-mind company in delivering happiness to customers and value to partners and shareholders. To be value-oriented is one thing, but to be Customer-Value oriented is a higher level in itself. We make every decision and action regarding our products based on what would be the best for our customers and what would delight them the most. We believe in being obsessed with customer satisfaction and aligning every facet of our strategy and goals with our valued customers. We have received the following awards during this fiscal year period in recognition of our continuous commitment to realize our Company's vision:

- Time Globe Rewards Awardee for 2021
- 2021 Golden Grab Award "Grab Signature Campaign" and "Merienda Masters"
- 2021 Golden Grab Award for "Fan Favorite Pizza"
- 2022 Grab Food Signature Trailblazer Award

Health and Safety

DISCLOSURE	Quantity	Units

No. of substantiated complaints on products or service health and safety*	0	#
No. of complaints addressed	-	-

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

Management Approach on Health and Safety

As of date, no complaints regarding health and safety were filed. Despite that, our Food Safety Practices are all fully implemented in all our branches as well as our commissaries, as managed by the Safety Committee headed by the Company's Safety Officer. In case of complaints, we have existing procedures for handling such complaints, and our personnel training includes Crisis Management and Customer Service modules. Health and safety matters that may be raised by customers are part of the weekly monitoring that is reported to Management, as monitored and consolidated by our Area Managers, Marketing Department and our Call Center.

Marketing and Labelling

DISCLOSURE	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	-	#

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

Management Approach on Marketing and Labeling

As of date, no complaints regarding our marketing activities and strategy were filed against the Company. Our Marketing Department manages the marketing activities of our Group, including activities through our social media platforms. As stated above, a weekly consolidated report is elevated to Management that includes matters on customer management and the function of marketing to manage and improve customer relations and satisfaction.

Customer Privacy

DISCLOSURE	Quantity	Units
No. of substantiated complaints on privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purpose	0	#

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

Data Security

DISCLOSURE	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

Management Approach on Customer Privacy and Data Security

Our Company respects individuals in a manner consistent with the rights to privacy and data protection. We ensure that information about our customers and business partners are used appropriately for necessary business purposes and shall be protected from misuse to prevent undue harm to individuals such as discrimination, stigmatization or other damage to reputation and personal dignity, impact on physical integrity, fraud, financial loss, or identity theft. The Company shall continue to strictly enforce its Data Privacy Policy as integrated in our business operations, including FCG's online customer and delivery portals, to ensure full compliance with the data privacy laws and regulations.

UN SUSTAINABLE DEVELOPMENT GOALS

Our philosophy has always been long-term sustainability and business viability. We achieve this through diversification, prudent investing and growth management. We ensure that capital expenditures will be put to good use to create long-term value for the Company. We expand at our own pace based on what will create the best long-term sustainable value for customers, our shareholders, the Company and our business partners.

Key Products and Services	UN Sustainable Development Goals	Social Value / Contribution to SDG
• Purely Filipino and home-grown diversified food group, operating more than 120 corporate and franchise branches nationwide and international territories: Figaro Coffee, Angel's Pizza, Tien Ma's, TFG Express and Café Portofino stores • FCG ensures high quality products by controlling our production process, from roasting our own coffee weekly, producing our own breads, pastries and food products, and engaging with suppliers that meet the same high-quality standards. • Extensive and innovative menu offerings that cater to a wide market – families and groups through our large-sized offerings at Tien Ma's and through our pizzas and bundles at Angel's Pizza; also cater to corporate and private functions/ events through Figaro coffee. • Developed three different successful store formats – full store, kiosk, and cart. We complement our dine-in services with an efficient delivery system and an expanding online sales platform. • FCG's Commissary business offers customized and large-volume products to institutional clients in a B2B model. Our products range from rice meals, baked goods, ready-to-eat, frozen	SDG 2: Zero Hunger	FCG sources raw materials from local farmers and suppliers, like vegetables from Baguio, Nueva Ecija and in the local community markets where our provincial stores are located. Our coffee beans are likewise sourced from local coffee suppliers.
	SDG 3: Good Health and Well-being	As FCG pursues its mission and vision - "spreading happiness through food and value" – we maintain a sustainable working environment and provide high-quality and healthy food products and services to our customers. We have launched new products launched in 2021 that cater to health-conscious customers.
	SDG 5: Gender Equality	FCG provides equal opportunity to all employees without regard to gender, religion, ethnicity, age. We champion pay equity and mutual respect, promoting an environment of fairness and equality. Our women workforce has equal opportunities for career growth, and women continue to hold critical roles in our senior management team.
	SDG 6: Clean Water and Sanitation	FCG's ESG Manual and all supporting policies and guidelines including Stores Proper Waste Management Policy, Waste Disposal Control, and Guidelines for Waste Water and Hazardous Waste, ensure the safe handling, movement, storage, recycling, reuse or management of waste, air emissions and waste water discharges.

Key Products and Services	UN Sustainable Development Goals	Social Value / Contribution to SDG
food, customized coffee blends, various coffee solutions, among others.	SDG 8: Decent Work and Economic Growth	FCG provides employment through our stores and store network expansion and sets a competitive and market-based benefits, compensation, healthcare, continuous recruitment, training of employees. We also provide business opportunities for our business partners including local suppliers and franchisees. Our food products showcase Philippine culture and products, including how FCG has championed the Philippine barako coffee.
	SDG 12: Responsible consumption and production	Continuous strategic sourcing of our raw materials, goods and services while maintaining and improving service levels; FCG's commitment for sustainable practices including strict implementation of Waste Reduction and Proper Waste Management Policy, Waste Segregation and Disposal Guidelines, and Drainage System Guidelines, to support the environmental impact management of the Group. FCG's Procurement and Supply Chain Management policies are also aligned with FCG's principles and values of fairness, transparency, accountability and integrity.
	SDG 16: Peace and Justice Strong Institutions	FCG has established corporate governance policies and regulations for all employees across all business units (Operations, Support, Sales and Business development), for its Board of Directors, and its business partners.

TRUST BANKING GROUP
Fiduciary Services Division
3F Trust Banking Group
PNB Financial Center Pres. D. Macapagal Boulevard
Pasay City, Philippines
Trunk Lines: (632) 8891-6040 to 70 local 4575
Direct Line: (632) 8573-4575
Fax: (632) 8526-3379

July 04, 2022

FIGARO COFFEE GROUP INC.
116 E. Main Avenue, Phase V,
SEZ Laguna Technopark, Binan
Laguna

Attention : **MS. DIVINA GRACIA G. CABULOY**
President and CEO

Subject : **LIST OF STOCKHOLDERS**

Gentlemen:

As Transfer Agent for Figaro Coffee Group Inc. we submit herewith the report on the list of stockholders with corresponding name, nationality, number of shares and percentage of the company as of June 30, 2022, as follows:

	Name	Nationality	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION FILIPINO	FILIPINO	967,863,005	20.8223766465
2	PCD NOMINEE CORPORATION NON FILIPINO	NON FILIPINO	54,130,000	1.1645400662
3	CARMETHEUS HOLDINGS, INC	FILIPINO	375,000,000	8.0676616444
4	CAMERTON INC.	FILIPINO	3,251,148,995	69.9444534590
5	CORAZON P. GUIDOTE	FILIPINO	1	0.0000000215
6	SENEN L. MATOTO	FILIPINO	1	0.0000000215
7	HECTOR VILLANUEVA	FILIPINO	1	0.0000000215
8	JOSELITO C. HERRERA	[redacted]	10,000	0.0002151376
9	NADEZHDA ISKRA F. HERRERA	[redacted]	10,000	0.0002151376
10	GABRIELLE CLAUDIA F. HERRERA	[redacted]	10,000	0.0002151376
11	JENNIFER T. RAMOS	[redacted]	5,000	0.0001075688
12	JUAN TRINIDAD LIM	[redacted]	10,000	0.0002151376
	Total		**4,648,187,003**	**100.0000000000**

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

MARIA VICTORIA C. MENDOZA
Senior Assistant Vice President

EMYLYN P. AUDEMARD
Manager

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 8 1 1 1 1 9

Company Name

FIGARO COFFEE GROUP, INC.

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

116 EAST MAIN AVE. PHASE V-SEZ
LAGUNA TECHNOPARK, BIÑAN,
LAGUNA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corporate@figaro.ph	8.671-4232	0917-8832172

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		6/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
SIGRID VON DE JESUS	corporate@figaro.ph	8.671.4232	0917-8832172

Contact Person's Address

***Note**: 1: In case of death, resgination 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.

THE Figaro Coffee Group

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The Management of **FIGARO COFFEE GROUP, INC.** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at June 30, 2022 and 2021 and each for the three years in the period ended June 30, 2022, in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, Management is responsible for assessing the Parent Company'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 Parent Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements, including the schedule attached therein, and submits the same to the stockholders.

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company 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 G. CABULOY
President/Chief Executive Officer

For
JOSE PETRONIO D. ESPAÑOL III
Treasurer/ Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME
This ___ day of OCT 14 2022 in MANDALUYONG CITY

ATTY. MARIA CRISTINA A. TAN
NOTARY PUBLIC - MANDALUYONG CITY
UNIT 6 GROUND FLOOR G SQUARE ARCADE
451 BARANGKA DRIVE MANDALUYONG CITY
PTR NO. 4862731 01.03.2022 MANDALUYONG CITY
IBP LIFETIME NO. 010342
ROLL NO. 58573
APPOINTMENT NO. 0827-21
COMMISSION EXPIRES ON 12.31.2022
MCLE COMPLIANCE NO. VII - 0004477 issued on 08.21.2021

Doc. No. 075
Page No. 008
Book No. IX
Series of 2022

THE Figaro Coffee Group

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **FIGARO COFFEE GROUP, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended June 30, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/ or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended June 30, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of **FIGARO COFFEE GROUP, INC.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the **FIGARO COFFEE GROUP, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JUSTIN T. LIU
Chairman of the Board

for
JOSE PETRONIO D. ESPAÑOL III
Treasurer/ Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME
This ___ day of OCT 14 2022 in MANDALUYONG CITY

ATTY. MARIA CRISTINA A. TAN
NOTARY PUBLIC - MANDALUYONG CITY
UNIT 6 GROUND FLOOR G SQUARE ARCADE
451 BARANGKA DRIVE MANDALUYONG CITY
PTR NO. 4862731 01.03.2022 MANDALUYONG CITY
IBP LIFETIME NO. 010342
ROLL NO. 58573
APPOINTMENT NO. 0527-21
COMMISSION EXPIRES ON 12.31.2022
MCLE COMPLIANCE NO. VII - 0004477 issued on 08.21.2021

Doc. No. 004
Page No. 008
Book No. IX
Series of 2022

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the Separate Financial Statements of **FIGARO COFFEE GROUP, INC.** (the "Company"), which comprise the separate statements of financial position as at June 30, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the periods then ended, and notes to the Separate Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at June 30, 2022 and 2021, and its separate financial performance and its separate statements of cash flows for each of the three years in the period ended June 30, 2022 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the Separate 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.

Key Audit Matters

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

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

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the Separate 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 Separate 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 Separate 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Separate Financial Statements, including the disclosures, and whether the Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 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
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023

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
PTR No. 8855247
Issued on January 5, 2022 at Makati City

October 12, 2022

FIGARO COFFEE GROUP, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION
June 30, 2022, 2021 and 2020
(In Philippine Peso)

	NOTES	**2022**	2021
A S S E T S			
Current Assets			
Cash	6	**2,183,916**	-
Advances to related parties	10	**718,900,455**	67,872,936
Deferred input VAT	7	**62,229**	40,800
		721,146,600	67,913,736
Non-current Asset			
Investment in a subsidiary	8	**441,565,564**	441,565,564
TOTAL ASSETS		**1,162,712,164**	509,479,300
LIABILITY AND STOCKHOLDERS' EQUITY			
L I A B I L I T Y			
Current Liability			
Accrued professional fee	9	**580,800**	380,800
TOTAL LIABILITY		**580,800**	380,800
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	11	**464,818,700**	322,500,500
Additional Paid-in Capital	11	**697,831,235**	186,938,000
Deficit		**(518,571)**	(340,000)
TOTAL STOCKHOLDERS' EQUITY		**1,162,131,364**	509,098,500
TOTAL LIABILITY AND STOCKHOLDERS' EQUITY		**1,162,712,164**	509,479,300

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended June 30, 2022, 2021 and 2020

(In Philippine Peso)

	NOTE	**2022**	2021	2020
PROFESSIONAL FEES		**178,571**	100,000	80,000
LOSS		**178,571**	100,000	80,000
BASIC LOSS PER SHARE	13	**0.00**	0.00	0.00

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the Years Ended June 30, 2022, 2021 and 2020

(In Philippine Peso)

	Note	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balance at July 1, 2019	11	9,375,500	-	(160,000)	**9,215,500**
Loss				(80,000)	**(80,000)**
Balance at June 30, 2020	11	**9,375,500**	**-**	**(240,000)**	**9,135,500**
Loss				(100,000)	**(100,000)**
Issuance of shares	11	313,125,000	186,938,000		**500,063,000**
Balance at June 30, 2021	11	**322,500,500**	**186,938,000**	**(340,000)**	**509,098,500**
Loss				(178,571)	**(178,571)**
Issuance of shares	11	142,318,200	510,893,235		**653,211,435**
Balance at June 30, 2022	11	**464,818,700**	**697,831,235**	**(518,571)**	**1,162,131,364**

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.
SEPARATE STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022, 2021 and 2020
(In Philippine Peso)

	NOTES	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		**(178,571)**	(100,000)	(80,000)
Operating cash flows before changes in working capital		**(178,571)**	(100,000)	(80,000)
Increase in deferred input VAT		**(21,429)**	(12,000)	(9,600)
Increase in accrued professional fee		**200,000**	112,000	89,600
Net cash from operating activities		**-**	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances collected from related parties	10	**67,872,936**	75,877,564	-
Payment for investment in a subsidiary	8	**-**	(441,565,564)	-
Advances given to related parties	10	**(718,900,455)**	(134,375,000)	-
Net cash used in investing activities		**(651,027,519)**	(500,063,000)	-
CASH FLOW FROM A FINANCING ACTIVITY				
Proceeds from issuance of capital stock	11	**653,211,435**	500,063,000	-
Net cash from financing activities		**653,211,435**	500,063,000	-
NET INCREASE IN CASH		**2,183,916**	-	-
CASH AT BEGINNING OF YEAR		**-**	-	-
CASH AT END OF YEAR		**2,183,916**	-	-

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.
NOTES TO SEPARATE FINANCIAL STATEMENTS
June 30, 2022, 2021 and 2020

1. CORPORATE INFORMATION

Figaro Coffee Group, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 6, 2018. The principal activities of the 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 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 recognized and to pay thereof 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.

On March 31, 2021, the Company's Board of Directors and Stockholders approved the following:

a. The 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 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.

On March 31, 2021, the Company's Board of Directors and Stockholders approved: (a) 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.

On September 16, 2021, the Securities and Exchange Commission approved the Company's increase in authorized capital stock to ₱660,000,000 divided into 6,600,000,000 shares with a par value of ₱0.10 per share.

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

Camerton, Inc. (CI) subscribed to the following shares of the 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 June 22, 2021.

b. 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.

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 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 outstanding capital of the Company is ₱322,500,500 (excluding the additional paid-in capital of ₱186,938,000 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.

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.

On January 24, 2022, the Company completed its Initial Public Offering (IPO) and was listed in the Philippine Stock Exchange (PSE) under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share. This resulted to an additional issuance of capital stock of 1,423,182,003 with par value of ₱0.10 per share for a total of ₱142,318,200.

As of June 30, 2022, the outstanding capital of the Company is ₱464,818,700 (excluding the additional paid-in capital of ₱697,831,235 with 4,648,187,003 shares issued).

As of June 30, 2022, the Company is 69.94% owned by Camerton, Inc. and 8.07% owned by Carmetheus Holdings, Inc.

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 Company. 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 Separate Financial Statements

The following new and revised PFRSs have also been adopted in these separate 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 beyond June 30, 2022

  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 June 30, 2022 (rather than only payments originally due on or before June 30, 2022);
  - require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2022;
  - 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 PAS 8.

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

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

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

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

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

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

- Annual Improvements to PFRS Standards 2018-2021 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 PFRS 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 accompanying PFRS 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.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

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

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

- 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 2021 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 2021 amendments continues to be permitted.

- Amendments to PAS 8, Definition of Accounting Estimates

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

  The amendment also clarifies the following:

  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

  - A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  - A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

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

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

  The amendments to PAS 1 are the following:

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

  The amendments also clarify the following:

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

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

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

- Amendment to PAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is 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, 2025. 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 affective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, "Initial Application of PFRS 17 and PFRS 9—Comparative Information"

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

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

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

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

3. BASIS FOR THE PREPARATION AND PRESENTATION OF SEPARATE FINANCIAL STATEMENTS

3.01 Statement of Compliance

The separate 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.

3.02 Functional and Presentation Currency

Items included in the separate financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its separate financial statements using its functional currency.

3.03 Basis of Preparation

These separate financial statements were based from the Company's own transactions, exclusive of transactions of its subsidiary, the latter transactions are being used in the preparation of the consolidated financial statements, which are also available for public use.

The accompanying separate financial statements of the Company have been prepared on a historical cost basis. The Company's separate financial statements are presented in Philippine Peso, the Company's functional and presentation currency, and all values are rounded to the nearest Peso except when otherwise stated.

3.04 Current and Non-current Presentation

The Company 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 Company classifies all other assets as non-current.

The Company 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 Company 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 Company in the preparation of its separate financial statements are enumerated below and are applied to the period presented, unless otherwise stated.

4.01 Fair Value Measurement

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

When measuring fair value the Company 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 Company 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date 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 Financial Assets

4.02.01 Initial Recognition and Measurement

The Company recognizes a financial asset in its separate statement of financial position when, and only when, the Company 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 Company 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,

4.02.02 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 Company's financial asset at amortized cost includes advances to related parties only.

Advances to related parties

Advances to related parties are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has no financial assets measured at fair value either through profit or loss or other comprehensive income in both years.

4.02.03 Reclassification

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

4.02.04 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.

4.02.05 Impairment

The Company measures expected credit 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 Company adopted the general approach in accounting for impairment.

- General Approach

  The Company applies general approach to advances to related parties. At each reporting date, the Company 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 Company measures the loss allowance equal to 12-month expected credit losses.

  The Company compares the risk of default occurring as at the reporting date with the risk of 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, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

  The Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

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

If the Company 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 Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Company 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 Company performs the assessment of significant increases in credit risk on an individual basis.

The Company did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit-impaired or not. The Company determines that financial asset is credit-impaired if it became past due for more than one (1) year.

The Company 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.

4.02.06 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows 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.

4.02.07 Write-off

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

4.03 Deferred Input VAT

Deferred input VAT arises from the purchase of goods or services. This is recognized as input VAT upon receipt of official receipts and applied against output VAT. The remaining balance is recoverable in future periods. This is carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

4.04 Investment in a Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity known as parent. Control is the exposure or rights, to variable returns from the involvement with an investee and the ability to affect those returns through its power over an investee.

Investment in a subsidiary is accounted under the cost method. Under the cost method, the Company recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

If the Company loses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost or recognizes any resulting difference as a gain or loss in profit or loss attributable to the Company.

4.05 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than 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 Company 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.

4.06 Financial Liabilities

4.06.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its separate statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

At initial recognition, the Company measures 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.

4.06.02 Classification

The Company classifies 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; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liability measured at amortized cost includes accrued professional fees only.

The Company has no financial liabilities at fair value through profit or loss.

4.06.03 Derecognition

An entity shall remove a financial liability (or part of a financial liability) from its separate statements 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, shall be recognized in profit or loss.

4.07 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 Company are recognized at the proceeds received, net of direct issue costs.

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.

4.08 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.09 Employee Benefits

4.09.01 Short-term Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. The Company has no employees as of the end of the reporting period. The Company shall provide salaries and other benefits and SSS, PHIC, HDMF and other contributions to its future employees.

4.10 Expense Recognition

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

The Company recognizes expenses in the separate statements 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.

4.11 Related Parties and Related Party Transactions

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

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

- The entity and the Company 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 Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- 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 Company 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.

4.12 Taxation

Income tax expense represent deferred tax.

4.12.02 Deferred Tax

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

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

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

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

4.13 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company 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 date and adjusted to reflect the current best estimate.

4.14 Events after the Reporting Period

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

4.15 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations as disclosed in Note 2.01 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 Company'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 Judgment in Applying Accounting Policies

The following are the 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 separate financial statements.

5.01.01 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgement, the Company 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 the basic lending arrangement. The Company's financial assets amounted to ₱718,900,455 and ₱67,872,936 as of June 30, 2022 and 2021, as disclosed in Note 15.01.

5.01.02 Assessment of Control

The Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The Company controls an entity when it has the three elements of control as disclosed in Note 4. In making its judgments, the Company considers all facts and circumstances when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Company having 100% ownership and voting interest assessed that it has control over its subsidiary, Figaro Coffee Systems Inc., since it has power over the subsidiary, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns. The carrying amount of investment in a subsidiary amounted to ₱441,565,564 as of June 30, 2022 and 2021, as disclosed in Note 8.

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 period 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 Company evaluates the expected credit losses related to its financial assets based on an individual assessment and current and forecast information.

The Company assessed that there is no expected credit losses on its advances to related parties by considering the following:

- No historical default experience.
- Macro-economic factors such as GDP, interest rate, inflation rates including the industry and financial information of the Company's creditors indicates no significant increase in the credit risk.

Therefore, the Management did not recognize provision on expected credit losses on its advances to related parties, as disclosed in Note 9. The carrying amount of the Company's financial asset amounted to ₱718,900,455 and ₱67,872,936 as of June 30, 2022 and 2021, as disclosed in Note 15.01.

5.02.02 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of deferred input VAT and investment in subsidiary, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect the financial statements. 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 Company 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.

Management determined that there was no indication of impairment that occurred on deferred input VAT and investment in a subsidiary. As of June 30, 2022 and 2021, the carrying amounts of aforementioned assets amounted to ₱441,627,793 and ₱441,606,364, as disclosed in Notes 7 and 8.

5.02.03 Deferred Tax Assets

The Company 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 Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Management believed that the Company will not generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized. As such, the Company's unrecognized deferred tax asset amounted to ₱89,643 and ₱65,000 as of June 30, 2022 and 2021, respectively, as disclosed in Note 12.

6. CASH

For the purpose of the statements of cash flows, cash include cash on hand only.

Cash at the end of each reporting period as shown in the statements of cash flows that can be reconciled to the related items in the statements of financial position amounted to ₱2,183,916 and nil as of June 30, 2022 and 2021, respectively.

7. DEFERRED INPUT VAT

The Company's deferred input VAT from professional fee amounted to ₱62,229 and ₱40,800, as of June 30, 2022 and 2021, respectively.

8. INVESTMENT IN A SUBSIDIARY

Details of the Company's subsidiary are as follows:

Subsidiary	Principal Activities	Country of Incorporation	Percentage of Voting and Ownership Interest	
			2022	2021
Figaro Coffee Systems Inc.	Food business including but not limited to operation of retail food stores and restaurants	Philippines	100%	100%

The carrying amount of the Company's investment in subsidiary amounted to ₱441,565,564 as of June 30, 2022 and 2021, respectively.

The voting interest on the investment is equal to its right to ownership.

In both years, no impairment loss was recognized on investment in a subsidiary.

The summarized financial information of the subsidiary as of and for the periods ended June 30, 2022 and 2021 is as follows:

		2022		2021
Total assets	₱	**1,445,451,784**	₱	966,728,621
Total liabilities		**572,069,130**		690,902,388
Net assets		**873,382,654**		275,826,233
Revenue		**2,397,089,485**		862,986,583
Direct costs		**1,242,315,613**		410,614,771
Operating expense		**658,507,607**		293,714,005
Finance cost		**1,608,491**		488,136
Profit before tax		**123,739,626**		158,169,671

On June 21, 2021, F Coffee Holdings Corporation, the 'Seller' agreed to sell and the Company, the 'Buyer' agreed to buy, all the seller's rights, title and interests to a total of 2,500 common shares with a par value of ₱50.00 per share or an aggregate par value of ₱125,000 of Figaro Coffee Systems, Inc. (FCSI) for and in consideration of ₱1,851.0256 per share or total purchase price of ₱4,627,564.

On June 23, 2021, FCGI subscribed 7,500 shares of the Company at ₱27,751.73 per share resulting to issuance of shares amounting to ₱375,000 and additional paid-in capital of ₱207,763,000.

On June 27, 2021, the Company subscribed additional 4,576,000 shares of FCSI at ₱50.00 par value resulting to capital stock of ₱228,800,000.

As of June 30, 2021, FCSI became wholly-owned subsidiary of the Company.

9. ACCRUED PROFESSIONAL FEES

The Company's accrued professional fees amounted to ₱580,800 and ₱380,800, as of June 30, 2022 and 2021, respectively.

10. RELATED PARTY TRANSACTIONS

Nature of relationship of the Company and its related party are disclosed below:

Related Parties	**Nature of Relationship**
Carmetheus Holdings, Inc. (CHI)	Ultimate Parent
Camerton, Inc. (CI)	Parent
Figaro Coffee Systems, Inc.	Subsidiary
Stockholders	Key Management Personnel

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

10.01 Advances to related parties

Balance of advances to related parties as shown in the separate statements of financial position are summarized per category as follows:

10.01.01 Ultimate Parent

The Company collected advances amounting to nil and ₱9,375,500 in 2022 and 2021, respectively.

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

10.01.02 Parent

Transactions with parent are as follows:

	June 30, 2022		June 30, 2021	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
CI				
Advances	**₱ 718,900,455**	**₱ 718,900,455**	₱ 134,375,000	₱ 67,872,436

The Company collected advances amounting to ₱67,872,436 and ₱66,502,564 in 2022 and 2021, respectively.

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

10.01.03 Key Management Personnel

Transactions with key management personnel are as follows:

	June 30, 2022		June 30, 2021	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	**₱ -**	**₱ -**	₱ -	₱ 500

The Company collected advances amounting to ₱500 in 2022 and 2021, respectively.

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

10.02 Remuneration of Key Management Personnel

There was no remuneration given to key management personnel in both periods.

10.03 Revenue Regulations No. 34 – 2020

The Company is not covered by the requirements and procedures for related party transactions provided in RR 34-2020.

11. CAPITAL STOCK

The issued capital of the Company are as follows:

		2022		2021
Capital stock	₱	**464,818,700**	₱	322,500,500
Additional paid-in capital		**697,831,235**		186,938,000
	₱	**1,162,649,935**	₱	509,438,500

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

	2022			2021		
	Shares		**Amount**	Shares		Amount
Authorized						
₱0.10 par value per share	**6,600,000,000**	₱	**660,000,000**	5,000,000,000	₱	500,000,000
Issued and fully paid						
Balance, beginning	**3,225,005,000**		**322,500,500**	93,755,000		9,375,500
Additional issuance	**1,423,182,003**		**142,318,200**	3,131,250,000		313,125,000
Balance, end	**4,648,187,003**	₱	**464,818,700**	3,225,005,000	₱	322,500,500

11.01 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 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 of June 23, 2021.

On September 16, 2021, the Securities and Exchange Commission approved the Company's increase in authorized capital stock to ₱660,000,000 divided into 6,600,000,000 shares with a par value of ₱0.10 per share.

11.02 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:

a. In support of the application for increase in authorized capital stock, 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.

b. On June 20, 2021, the board of the Company approved the additional paid-in capital in the amount of ₱83,138,0000 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 Company; and

d. 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 ₱186,938,000 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.

On January 24, 2022, the Company completed its IPO and was listed in the PSE under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share. This resulted to an additional issuance of capital stock of 1,423,182,003 with par value of ₱0.10 per share for a total of ₱142,318,200.

As of June 30, 2022, the outstanding capital of the Company is ₱464,818,700 (excluding the additional paid-in capital of ₱697,831,235 with 4,648,187,003 shares issued).

As of June 30, 2022, the Company is 69.94% owned by Camerton, Inc. and 8.07% owned by Carmetheus Holdings, Inc.

11.03 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, issue/offer price and 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.

On January 24, 2022, the Company completed its IPO and was listed in the PSE under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share.

12. INCOME TAXES

The Company's income tax expenses amounted to nil in both years.

A numerical reconciliation between tax benefit and the product of accounting loss multiplied by the tax rate in 2022, 2021 and 2020 is as follows:

		2022		2021		2020
Accounting loss	₱	**178,571**	₱	100,000	₱	80,000
Tax benefit at 25% and 30%, respectively		**44,643**		25,000		24,000
Effect of non-recognition of deferred tax on net operating loss carry-over		**(44,643)**		(25,000)		(24,000)
	₱	-	₱	-	₱	-

Details of NOLCO are as follows:

Year Incurred		**Amount**		**Applied Previous Year**		**Applied Current Year**		**Expired**		**Unapplied**	**Expiry Date**
2019	₱	80,000	₱	-	₱	-	₱	80,000	₱	-	2022
2020		80,000		-		-		-		80,000	2023
	₱	**160,000**	**₱**	-	**₱**	-	**₱**	**80,000**	**₱**	**80,000**	

Details of NOLCO covered by Revenue Regulations No. 25-2020 is as follows:

Year Incurred		**Amount**		**Applied Previous Year**		**Applied Current Year**		**Expired**		**Unapplied**	**Expiry Date**
2021	₱	100,000	₱	-	₱	-	₱	-	₱	100,000	2026
2022		178,571		-		-		-		178,571	2027
	₱	**278,571**	**₱**	-	**₱**	-	**₱**	-	**₱**	**278,571**	

The Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2021 and 2022.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

Management believes that the Company will not generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized. The Company's unrecognized deferred tax asset from NOLCO amounted to ₱89,643 and ₱65,000 as of June 30, 2022 and 2021, respectively.

13. BASIC LOSS PER SHARE

The Company's basic loss per share is nil in 2022, 2021and 2020.

		2022		2021		2020
a. Net loss from operations/ attributable to ordinary equity holders of the Company for earnings	**₱**	**(178,571)**	₱	(100,000)	₱	(80,000)
b. Weighted average number of ordinary shares for the purposes of earnings per share		**3,936,596,600**		1,659,380,000		93,755,000
c. Earnings per share (a/b)		**(0.00)**		(0.00)		(0.00)

The weighted average number of ordinary shares for the periods 2022, 2021 and 2020 used for the purposes of basic earnings per share were computed as follows:

	Number of Ordinary Shares	**Proportion to Period**	**Weighted Average**	**Total**
June 30, 2022				
Outstanding shares at the beginning of the period	**3,225,005,000**	**6/12**	**1,612,502,500**	**1,612,502,500**
Outstanding shares at the end of the period	**4,648,188,200**	**6/12**	**2,324,094,100**	**2,324,094,100**
				3,936,596,600
June 30, 2021				
Outstanding shares at the beginning of the period	93,755,000	6/12	46,877,500	46,877,500
Outstanding shares at the end of the period	3,225,005,000	6/12	1,612,502,500	1,612,502,500
				1,659,380,000
June 30, 2020				
Outstanding shares at the beginning and end of the period	93,755,000	12/12	93,755,000	93,755,000

14. FAIR VALUE MEASUREMENT

14.01 Fair Value of Financial Assets and Liability

The carrying amounts and estimated fair values of the Company's financial assets and liability as of June 30, 2022 and 2021 are presented below:

	June 30, 2022		June 30, 2021	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial assets:				
Cash	**₱ 2,183,916**	**₱ 2,183,916**	₱ -	₱ -
Advances to related parties	**718,900,455**	**718,900,455**	67,872,936	67,872,936
	₱ 721,084,371	**₱ 721,084,371**	₱ 67,872,936	₱ 67,872,936
Financial liability:				
Accrued professional fee	**₱ 580,800**	**₱ 580,800**	₱ 380,800	₱ 380,800

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

- Due to short-term nature and demand features, Management believes that the carrying amounts of cash, advances to related parties and accrued professional fee approximate their fair values due to either the demand feature or relative short-term duration of these asset and liability.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

15.01 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from advances to stockholders, all at amortized cost.

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

- Advances to related parties

  The Company transacts with creditworthy stockholders. The Company assesses the current and forecast information of the counterparty's industry and the macro-economic factors such as GDP rate, inflation rate and foreign exchange rate to determine the possible impact to the counterparty.

Financial asset measured at amortized cost pertaining to advances to related parties amounted to ₱718,900,455 and ₱67,872,936 as of June 30, 2022 and 2021, respectively.

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 one year that a counterparty will not be able to make scheduled repayments. PD depends not only on the tenant'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 Company loses when a tenant 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. In most cases, LGD is determined after a review of a Company's entire portfolio, using cumulative losses and exposure for the calculation.

- Exposure at Default (EAD)

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

Below is the summary of computation of allowance for expected credit losses in 2022 and 2021:

	June 30, 2022				
	PD rate	**LGD rate**		**EAD**	**ECL**
	a	**b**		**c**	**d=a*b*c**
Advances to related parties	**0.00%**	**100.00%**	**₱**	**718,900,455**	**-**
	June 30, 2021				
	PD rate	LGD rate		EAD	ECL
	a	b		C	d=a*b*c
Advances to related parties	0.00%	100.00%	₱	67,872,936	-

Advances to related parties

The Company determined the probability of default rate by considering the credit ratings, credit history and forecast of macro-economic factors affecting the food and restaurant industry. The probability of default rate is estimated to be nil.

Loss given default rate is 100% because the Company expects to lose the whole amount in case of default.

Exposure at default is equal to the gross carrying amount.

15.02 Liquidity Risk Management

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

The Company'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 Company 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 Company may be required to pay.

	Weighted Average Effective Interest Rate		Within One (1) Year
June 30, 2022			
Accrued professional fee	-	**₱**	**580,800**
June 30, 2021			
Accrued professional fee	-	₱	380,800

The following table details the Company'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 Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate		On demand
June 30, 2022			
Cash	-	**₱**	**62,229**
Advances to related parties	-		**718,900,455**
	-	**₱**	**718,962,684**
June 30, 2021			
Advances to related parties	-	₱	67,872,936

16. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Management reviews the capital structure of the Company on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company has a target gearing ratio of 1:1 determined as the proportion of debt to equity.

		2022		2021
Debt	**₱**	**580,800**	₱	380,800
Cash		**2,183,916**		-
Net Debt		**(1,603,116)**		(380,800)
Equity		**1,162,131,364**		509,098,500
Debt to equity ratio	**₱**	**0.00:1**	₱	0.00:1

The Company's liabilities are composed of accrued professional fee as disclosed in Note 9. The Company's equity is composed of capital stock, additional paid-in capital and deficit.

17. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

These separate financial statements were approved and authorized for issuance by the Board of Directors on October 12, 2022.

18. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15–2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

18.01 Taxes and Licenses Paid or Accrued

The Company has not paid or accrued taxes and licenses during the taxable period.

18.01.01 Documentary Stamp Tax

The amount of documentary stamp tax paid relating to the initial public offering amounted to ₱7,673,865.

18.01.02 Deficiency Tax Assessments and Tax Cases

No deficiency tax assessments and tax cases during the period.

19. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below is the disclosure required by the said Regulation:

19.01 Itemized Deduction

The Company's itemized deduction which pertains to professional fees amounted to ₱178,571 during the taxable year.

REPORT ON THE SUPPLEMENTARY SCHEDULES

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

We have issued our report dated October 12, 2022 on the basic separate financial statements of **FIGARO COFFEE GROUP, INC.** as of and for each of the three years in the period ended June 30, 2022. Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements of **FIGARO COFFEE GROUP, INC.** taken as a whole. The information in the index to the separate financial statements for the period ended June 30, 2022, which is not a required part of the separate financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management of **FIGARO COFFEE GROUP, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate 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
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023

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
PTR No. 8855247
Issued on January 5, 2022 at Makati City

October 12, 2022

THE Figaro Coffee Group

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **FIGARO COFFEE GROUP INC. AND SUBSIDIARY** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at June 30, 2022 and 2021 and for the three years ended June 30, 2022, 2021 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 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 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 G. CABULOY
President/ Chief Executive Officer

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

SUBSCRIBED AND SWORN to before me
this ____ day of ____ at MANDALUYONG CITY
Affiant exhibits to me her/his _____
with No. _____
her/his identity.

OCT 13 2022

OCT 13 2022

ATTY. JAMES K. ABUGAN
Notary Public
Appt. No. 0442-21 Until Dec. 31, 2022
IBP No. 175123 01/06/2022 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VII-0020184 Until 4/14/2025
TIN No. 116-239-956
PTR No. 4871351 / 01-06-2022
Mandaluyong City Tel. No. 02-85452321

DOC. No. 473
PAGE NO. 96
BOOK NO. 108
SERIES OF 2022

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 financial statements of **FIGARO COFFEE GROUP, INC. AND SUBSIDIARY** (the "Group"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the years ended June 30, 2022, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits 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 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 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.

Key Audit Matters

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

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

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

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

In preparing the consolidated 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 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
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023

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
PTR No. 8855247
Issued on January 5, 2022 at Makati City

October 12, 2022

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021
(In Philippine Peso)

	NOTES	2022	2021
A S S E T S			
Current Assets			
Cash	7	**195,682,918**	281,145,694
Short-term investments	8	**411,900,455**	-
Trade and other receivable	9	**89,442,740**	56,651,759
Inventories	10	**95,681,440**	59,452,449
Due from related parties	19	**287,081,477**	68,443,435
Prepayments and other current assets	11	**149,366,161**	31,981,675
		1,229,155,191	497,675,012
Non-current Assets			
Property and equipment – net	12	**611,638,360**	487,214,072
Intangible assets – net	13	**3,803,060**	379,748
Right-of-use assets – net	14	**4,800,092**	7,369,323
Other non-current assets	15	**21,123,770**	9,425,037
Deferred tax assets	29	**5,153,929**	4,579,163
		646,519,211	508,967,343
TOTAL ASSETS		**1,875,674,402**	1,006,642,355
LIABILITIES AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Current Liabilities			
Trade and other payables	16	**296,336,758**	161,079,788
Due to a related party	19	-	154,986,809
Loans payable	17	**20,000,000**	80,000,000
Lease liabilities	18	**2,317,695**	2,540,057
Income tax payable		**66,063,272**	35,064,263
		384,717,725	433,670,917
Non-current Liabilities			
Lease liabilities – net of current portion	18	**2,877,394**	5,038,691
Retirement benefits obligation	25	**19,813,040**	17,949,555
		22,690,434	22,988,246
TOTAL LIABILITIES		**407,408,159**	456,659,163
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	20	**464,818,820**	322,500,500
Additional Paid-in Capital	20	**665,068,300**	186,938,000
Retained Earnings		**340,868,525**	40,544,692
Remeasurements – net	25	**(2,489,402)**	-
TOTAL STOCKHOLDERS' EQUITY		**1,468,266,243**	549,983,192
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**1,875,674,402**	1,006,642,355

(See Notes to Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended June 30, 2022, 2021 and 2020

(In Philippine Peso)

	NOTES	**2022**	2021	2020
REVENUES	22	**2,437,396,762**	53,539,134	
DIRECT COSTS	23	**1,242,346,413**	31,174,799	-
GROSS PROFIT		**1,195,050,348**	22,364,335	-
FINANCE INCOME	8	**16,076,018**	-	-
OPERATING EXPENSES	24	**945,264,785**	12,860,427	80,000
FINANCE COST	17,18	**1,608,491**	16,076,018	-
GAIN ON BARGAIN PURCHASE	21	**-**	33,656,761	-
PROFIT (LOSS) BEFORE TAX		**264,253,090**	43,160,669	(80,000)
INCOME TAXES	28	**66,063,272**	2,375,977	-
PROFIT (LOSS)		**198,189,818**	40,784,692	(80,000)
OTHER COMPREHENSIVE LOSS				
ITEM THAT WILL NOT BE RECLASSIFIED				
SUBSEQUENTLY TO PROFIT OR LOSS:				
REMEASUREMENT LOSS	25	**(72,518)**	-	-
INCOME TAX RELATING TO				
OTHER COMPREHENSIVE LOSS	25	**18,130**	-	-
		(54,388)	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**198,135,430**	40,784,692	(80,000)
EARNINGS PER SHARE				
Basic Earnings per Share	30	**0.06**	0.02	0.00

(See Notes to Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended June 30, 2022, 2021 and 2020
(In Philippine Peso)

	Notes	Capital Stock	Additional Paid-in Capital	Retained Earnings	Remeasurement	Total
Balance at July 1, 2019		9,375,500	-	(160,000)	-	**9,215,500**
Loss				(80,000)	-	**(80,000)**
Balance at June 30, 2020	20,25	**9,375,500**	**-**	**(240,000)**	**-**	**9,135,500**
Profit				40,784,692		**40,784,692**
Issuance of shares	20	313,125,000	186,938,000			**500,063,000**
Balance at June 30, 2021	20,25	**322,500,500**	**186,938,000**	**40,544,692**	**-**	**549,983,192**
Profit				198,189,818		**198,189,818**
Issuance of shares	20	142,318,320	478,130,300	102,134,015		**722,582,635**
Remeasurement loss	25				(2,489,402)	**(2,489,402)**
Balance at June 30, 2022	20,25	**464,818,820**	**665,068,300**	**340,868,525**	**(2,489,402)**	**1,468,266,243**

(See Notes to Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022, 2021 and 2020
(In Philippine Peso)

	NOTES	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		**264,253,090**	43,160,669	(80,000)
Adjustments for:				
Depreciation	12,14,23,24	**211,822,338**	-	-
Amortization	12,24	**5,669,824**	-	-
Retirement benefits	25	**3,069,461**	-	-
Finance costs	17,18	**1,715,823**	-	-
Gain on bargain purchase option	21	**-**	(33,656,761)	-
Net identifiable assets acquired	21	**-**	38,284,325	-
Operating cash flows before changes in working capital		**486,530,536**	47,788,233	(80,000)
Increase in operating assets:				
Short-term investment		**(401,900,455)**	-	-
Trade receivables		**(16,714,963)**	(53,539,134)	-
Inventories		**(36,228,991)**	-	-
Prepayments and other current assets		**(117,384,486)**	(12,000)	(9,600)
Other non-current assets		**(11,689,943)**	-	-
Increase in trade and other payables		**135,256,966**	53,481,031	89,600
Cash generated from operations		**37,868,665**	47,718,130	-
Income taxes paid		**(32,688,283)**	-	-
Net cash from operating activities		**5,180,382**	47,718,130	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances collected from related parties	19	**67,872,936**	75,877,564	-
Additions to intangible assets	13	**(9,093,146)**	-	-
Additions to property and equipment	12	**(333,677,393)**	-	-
Advances granted to related parties	19	**(727,200,330)**	(134,375,000)	-
Net cash used in investing activities		**(1,002,097,933)**	(58,497,436)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	20	**653,211,435**	500,063,000	-
Advances received from related parties	19	**551,142,823**	-	-
Dividend declared and paid	20	**-**	(208,138,000)	-
Finance costs paid	17,18	**(1,715,823)**	-	-
Payments of lease liabilities	18	**(2,383,659)**	-	-
Payments of loans	17	**(60,000,000)**	-	-
Payment of advances to a related party	19	**(228,800,000)**	-	-
Net cash from financing activities		**911,454,776**	291,925,000	-
NET INCREASE (DECREASE) IN CASH		**(85,462,776)**	281,145,694	-
CASH AT BEGINNING OF YEAR		**281,145,694**	-	-
CASH AT END OF YEAR		**195,682,918**	281,145,694	-

(See Notes to Consolidated Financial Statements)

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

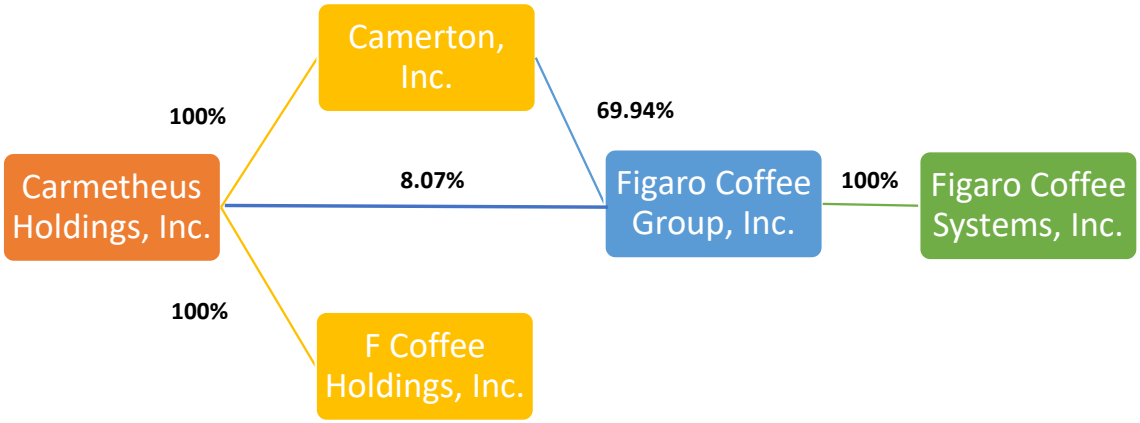
June 30, 2022

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

June 30, 2022



FIGARO COFFEE GROUP, INC. AND SUBSIDIARY

INDEX II

Reconciliation of Retained Earnings Available for Dividend Declaration

June 30, 2022

Unappropriated retained earnings (deficit), beginning	₱	40,544,692
Add/(Deduct) net income/(loss) actually earned during the period		198,189,818
Retained earnings available for dividend declaration	**₱**	**238,734,510**

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY

INDEX III

Financial Soundness Indicators

June 30, 2022

	Formula	Amount		Ratio
1 Current Ratio	**Current Assets/Current Liabilities**		₱	**3.19**
	Current Assets	1,229,155,191.00		
	Current Liabilities	384,717,725.00		
2 Debt/Equity Ratio	**Bank Debts/ Total Equity**			**0.01**
	Bank Debts	20,000,000.00		
	Total Equity	1,468,266,243.00		
3 Net Debt/Equity Ratio	**Bank Debts-Cash & Equivalents**			**-0.12**
	Bank Debts-Cash	(175,682,918.00)		
	Total Equity	1,468,266,243.00		
4 Asset to Equity Ratio	**Total Assets/Total Equity**			**1.28**
	Total Assets	1,875,674,402.00		
	Total Equity	1,468,266,243.00		
5 Interest Cover Ratio	**EBITDA/Interest Expense**			**164.29**
	EBITDA	264,253,090.32		
	Interest Expense	1,608,491.00		
6 Profitability Ratios				
6.1 GP Margin	**Gross Profit/Revenues**			**0.49**
	Gross Profit	1,195,050,348.32		
	Revenues	2,437,396,762.00		
6.2 Net Profit Margin	**Net Income/Revenues**			**0.08**
	Net Income	198,189,818.32		
	Revenues	2,437,396,762.00		
6.3 EBITDA Margin	**EBITDA/Revenues**			**0.11**
	EBITDA	264,253,090.32		
	Revenues	2,437,396,762.00		
6.4 Return on Assets	**Net Income/Total Assets**			**0.11**
	Net Income	198,189,818.32		
	Total Assets	1,875,674,402.00		
6.5 Return on Equity	**Net Income/Total Equity**			**0.13**
	Net Income	198,189,818.32		
	Total Equity	1,468,266,243.00		

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
SCHEDULE A
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
June 30, 2022

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
Amounts owed by related parties				
Stockholders	₱ 287,081,477	₱ 287,081,477	₱ 287,081,477	₱ nil
Cash				
Banks	Not applicable	411,900,455	411,900,455	16,076,018
Trade receivables				
Customers	Not applicable	73,366,723	73,366,723	nil
Other non-current assets				
Lessors	Not applicable	18,038,829	8,570,031	nil
Contractors	Not applicable	2,484,941	255,006	nil
Others	Not applicable	600,000	600,000	nil
	₱ 287,081,477	**₱ 793,472,425**	**₱ 781,773,692**	**₱ 16,076,018**

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. AND SUBSIDIARY

SCHEDULE B

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

June 30, 2022

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**
Ultimate parent							
Carmetheus Holdings, Inc.	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -
Under common control							
Camerton, Inc.	-	-	(67,872,436)	-	-	-	-
Key management personnel							
Stockholders	570,999	287,081,477	(570,999)	-	287,081,477	-	**287,081,477**
	₱ 570,999	**₱ 287,081,477**	**₱ (68,443,435)**	**₱ -**	**₱ 287,081,477**	**₱ -**	**₱ 287,081,477**

* 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. AND SUBSIDIARY

SCHEDULE C

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

June 30, 2022

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

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

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
SCHEDULE D
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
June 30, 2022

Long-term Debt			
Title of issue and type of obligation	**Amount authorized by indenture**	**Amount shown under caption "current portion of long-term" in related Sttaement of Financial Position**	**Amount shown under caption "long-term debt" in related Statement of Financial Position**

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

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
SCHEDULE E
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2022

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	**Balance at beginning of period**	**Balance at end of period**

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

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
SCHEDULE F
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2022

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

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

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
SCHEDULE G
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
June 30, 2022

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**
Common Stock	6,600,000,000	4,648,188,200	-	4,648,183,200	5,000	-

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.

On September 16, 2021, the Securities and Exchange Commission approved the Company's increase in authorized capital stock to ₱660,000,000 divided into 6,600,000,000 shares with a par value of ₱0.10 per share.

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.

On January 24, 2022, the Company completed its IPO and was listed in the PSE under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share. This resulted to an additional issuance of capital stock of 1,423,182,200 with par value of ₱0.10 per share for a total of ₱142,318,320.

As of June 30, 2022, the outstanding capital of the Company is ₱464,818,700 (excluding the additional paid-in capital of ₱697,831,235 with 4,648,188,200 shares issued).

As of June 30, 2022, the Company is 69.94% owned by Camerton, Inc. and 8.07% owned by Carmetheus Holdings, Inc.

FIGARO COFFEE GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022, 2021 and 2020

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.

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 recognized and to pay thereof 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.

The Parent Company

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

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

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.

On September 16, 2021, the Securities and Exchange Commission approved the Group's increase in authorized capital stock to ₱660,000,000 divided into 6,600,000,000 shares with a par value of ₱0.10 per share.

As of June 30, 2021, the Group 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 Group and the Offer Shares.

On January 24, 2022, the Group completed its Initial Public Offering (IPO) and was listed in the Philippine Stock Exchange (PSE) under stock symbol "FCG." The Group issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share. This resulted to an additional issuance of capital stock of 1,423,182,003 with par value of ₱0.10 per share for a total of ₱142,318,200.

As of June 30, 2022, the outstanding capital of the Group is ₱464,818,700 (excluding the additional paid-in capital of ₱697,831,235 with 4,648,187,003 shares issued).

As of June 30, 2022, the Group is 69.94% owned by Camerton, Inc. and 8.07% owned by Carmetheus Holdings, Inc.

The Subsidiary

The Parent Company's subsidiary is as follows:

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

The summarized financial information of the subsidiary for the year ended June 30, 2022 is as follows:

Total assets	**₱ 1,601,204,422**
Total liabilities	**1,123,213,841**
Net assets	**477,990,581**
Revenue	**2,437,396,762**
Direct costs	**1,329,350,492**
Operating expense	**810,180,344**
Finance cost	**1,715,823**
Profit before tax	**296,150,103**

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 ₱50.00 par value resulting to capital stock of ₱228,800,000.

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 Financial Statements

The following new and revised PFRSs have been adopted in these consolidated 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 beyond June 30, 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 June 30, 2022 (rather than only payments originally due on or before June 30, 2022);
  - require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2022;

- require a lessee applying the amendment to do so retrospectively, recognizing 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 PAS 8.

The amendments are effective for annual reporting periods beginning on or after April 1, 2022, 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 company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

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

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

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

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

- Annual Improvements to PFRS Standards 2018-2021 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 PFRS 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 accompanying PFRS 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.

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 financial statements.

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

- 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 2021 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 2021 amendments continues to be permitted.

- Amendments to PAS 8, Definition of Accounting Estimates

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

The amendment also clarifies the following:

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

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

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

The amendments to PAS 1 are the following:

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

The amendments also clarify the following:

- accounting policy information may be material because of its nature, even if the related amounts are immaterial;

- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

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

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

- Amendment to PAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is 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, 2025. 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 affective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9—Comparative Information*

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

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

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

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

3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

3.01 Statements of Compliance

The 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 either at fair value or at amortized cost and inventories carried at lower of cost or net realizable value.

3.02 Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Group operates (the "functional currency").

The Group chose to present its consolidated financial statements using its functional currency.

3.03 Basis of Consolidation

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

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (its subsidiary) 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 consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the 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 consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

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

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

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

4.02 Segment Information

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

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

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

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

4.03 Financial Assets

4.03.01 Initial Recognition and Measurement

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

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

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

4.03.02 Classification

- Financial Asset at Amortized Cost

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

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

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

  a) Cash in Banks

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

  b) Trade Receivables and Due from related parties

  Trade receivables and due from related parties are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for expected credit losses of trade receivables and 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 in both years.

4.03.03 Reclassification

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.03.02. 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 (1) year or the group's normal operating cycle, whichever is longer. Otherwise, these are classified as other non-current assets.

4.04.02 Advances to Suppliers

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

4.04.03 Advances to Contractors

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

4.05 Business Combination

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

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

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

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

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

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

4.05.01 Acquisition Method

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

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

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

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

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

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

4.05.02 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 interest 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 judgement 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 interest 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.

4.05.03 Consolidation

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

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

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

4.05.04 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.

4.05.05 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.

4.05.06 Inter-group Balances

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

4.05.07 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.

4.05.08 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 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 lives of the assets as follows:

Office and store equipment	5 to 10 years
Building and building improvements	5 to 20 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.

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 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.14 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.

4.15 Employee Benefits

4.15.01 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.

4.15.02 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 consolidated 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 consolidated 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.

4.16 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.

4.17 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.

4.17.01 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.

4.17.02 Royalty

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

4.17.03 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.

4.17.04 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.

4.18 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 consolidated statements 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.

4.19 Leases

4.19.01 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.

Subsequent to initial recognition, ROU assets are carried at cost less accumulated depreciation and accumulated impairment losses. 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.

4.20 Related Parties and Related Party Transactions

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

4.21 Taxation

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

4.21.01 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.

4.21.02 Deferred Tax

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

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

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

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

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

4.21.03 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.

4.21.04 Impact of Change in Tax Regime

Components of tax expense include any adjustments recognized in the period for current tax of prior period and the amount of deferred tax expense (income) relating to changes in tax rates. The provision for current income tax during the year include the difference between income tax per prior year financial statements and prior year income tax return.

Deferred tax assets and liabilities as of reporting period is remeasured using the new tax rates. The impact of remeasurement is recognized in profit or loss (i.e., provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account as provided for in PAS 12.61A.

Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

4.22 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.

4.23 Changes in Accounting Policies

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

5.01 Critical Judgments in Applying Accounting Policies

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

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

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

5.01.03 Assessment of Principal-Agency Arrangement

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

In June 30, 2022, 2021 and 2020 the Group assessed that it is acting as a principal on its sales derived from third-party food delivery supports because the Group has the primary responsibility for fulfilling the promise to provide goods to customers, bears the risk on the goods and has the discretion in determining the selling price of the goods. The Group recognized commission expense on amount paid to third-party delivery supports amounting to ₱180,836,659, nil and nil, in June 30, 2022, 2021 and 2020 respectively, as disclosed in Note 24.

5.01.04 Assessment of Timing of Satisfaction of Performance Obligations

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

Management assessed that performance obligation is satisfied at a point in time, this is when there is a present right to payment for goods, transfer of physical possession of goods, acceptance of the same by its customers and transfer of significant risk and rewards of the goods. In 2022, 2021 and 2020 revenues recognized amounted to ₱2,437,396,762, ₱53,539,134 and nil as disclosed in Note 22.

5.01.05 Assessment of Contractual Terms of a Financial Asset

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

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with basic lending arrangement. As of June 30, 2022 and 2021, the carrying amounts of financial assets measured at amortized cost amounted to ₱1,291,953,226 and ₱406,590,733 respectively, as disclosed in Note 32.02.

5.01.06 Assessment of the Allocation of Transaction Price to Performance Obligations

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

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

5.01.07 Assessment of 30 days Rebuttable Presumption

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

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

5.01.08 Assessment of 90 days rebuttable presumption

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

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

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

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

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

5.02 Key Sources of Estimation Uncertainties

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

5.02.01 Estimating Allowance for Expected Credit Losses of Financial Assets

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

The Group uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its cash in banks. In view of the foregoing factors, Management believes that the expected credit loss is nil in 2022 and 2021.

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 2022 and 2021.

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 2022, 2021 and 2020, no provision for expected credit loss was recognized on Group's financial assets.

As of June 30, 2022 and 2021, the carrying amounts of financial assets measured at amortized cost amounted to ₱1,291,953,226 and ₱406,590,733 as disclosed in Note 32.02.

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 2022 and 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, 2022 and 2021, inventories amounted to ₱73,366,722 and ₱59,452,449 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 both years, 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, 2022 and 2021 the carrying amounts of the Group's property and equipment are ₱611,638,360 and ₱487,214,072 as disclosed in Note 12.

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

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

In both years, Management assessed that there are no indications that there has been any change in pattern used by the Group in consuming its intangible assets' future economic benefits. As of June 30, 2022 and 2021, the carrying amounts of the amounted ₱3,803,060 and ₱379,748, as disclosed in Note 13.

5.02.05 Asset Impairment

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

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

In both years, Management assessed that no indicators of impairment had existed on prepayment and other current assets, property and equipment, right-of-use assets and intangible assets. As of June 30, 2022 and 2021, the aggregate carrying amounts of the aforementioned assets amounted to ₱769,607,674 and ₱526,944,818, respectively, as disclosed in Notes 11, 12, 13, and 14.

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 ₱5,153,928 and ₱4,579,163, in 2022 and 2021, as disclosed in Note 29.

5.02.07 Post-employment and Other Employee Benefits

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

The Group's retirement benefit amounted to ₱1,866,673, nil and nil in June 30, 2022, 2021 and 2020, respectively, as disclosed in Note 24. The Group's retirement benefit obligation as of June 30, 2022 and 2021, amounted to ₱21,128,122 and ₱17,949,555, respectively, as disclosed in Note 25. Remeasurement recognized as other comprehensive gain and loss, net of related tax, amounted to ₱81,829 and ₱82,732 in June 30, 2022 and 2021, 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:

	2022	2021
Angel's Pizza	**₱1,631,578,807**	₱ 49,194,358
Figaro Coffee Group	**743,002,890**	3,112,884
Tien Ma's Taiwanese Cuisine	**62,815,065**	1,231,892
	₱ 53,539,134	₱ 53,539,134

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:

	2022	2021
National Capital Region	**₱1,788,734,534**	₱ 43,474,632
Provincial Areas	**648,662,228**	10,064,502
	₱2,437,396,762	₱ 53,539,134

7. CASH

For the purpose of the consolidated statements 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:

	2022	2021
Cash on hand	**₱ 4,202,116**	₱ 9,075,192
Cash in banks	**191,480,802**	272,070,502
	₱ 195,682,918	₱ 281,145,694

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

Finance income from banks amounted to nil in 2022 and 2021 since bank accounts maintained are current accounts which do not earn interest.

8. SHORT-TERM INVESTMENT

Short-term investments consist of money market placements made for six (6) months and earn interest of 8%. As of June 30, 2022 and 2021, short-term investments amounted to ₱401,900,455 and nil, respectively. Accrued interest income amounted to ₱16,076,018, nil and nil as of June 30, 2022, 2021 and 2020.

9. TRADE AND OTHER RECEIVABLE

The details of the Group's trade and other receivable are shown below:

	2022	2021
Trade	**₱ 73,366,723**	₱ 56,651,759
Accrued interest receivable (Note 8)	**16,076,018**	-
	₱ 89,442,741	₱ 56,651,759

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:

	2022	2021
1 to 30 days	₱ **29,363,769**	₱ 3,507,836
31 to 60 days	**5,715,081**	2,831,135
Over 60 days	**22,981,284**	26,685,764
	₱ **58,060,134**	₱ 33,024,735

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 2022, 2021 and 2020, 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.

10. INVENTORIES

The Group's inventories pertaining to foods, beverages, store and kitchen supplies amounted to ₱95,681,440 and ₱59,452,449, as of June 30, 2022 and 2021, as disclosed in Note 22.

The cost of inventories recognized as an expense amounted to ₱852,213,448 and ₱31,174,799, in 2022, 2021 and 2020, 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 noncancellable commitments for the future purchase of inventory items.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2022	2021
Prepaid expenses	₱ **62,228**	₱ 2,036,334
Prepaid rent (Note 17)	**6,986,338**	3,241,741
Advances to contractors	**130,920,470**	10,718,507
Advances to suppliers	**8,498,676**	13,048,202
Advances to officers and employees	**2,898,450**	1,533,079
Advances to franchisor	-	1,403,812
	₱ **149,366,162**	₱ 31,981,675

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.

12. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Group's property and equipment as of June 30, 2022 and 2021, are as follows:

	Office and Store Equipment	Building and Building Improvements	Total
June 30, 2020			
Cost	₱ -	₱ -	₱ -
Accumulated depreciation	-	-	-
Carrying Amount	**-**	**-**	**-**
Movements during 2021			
Balance, July 1, 2020	-	-	-
Acquired from business combination	179,348,175	**307,865,897**	**487,214,072**
Balance, June 30, 2021	**179,348,175**	**307,865,897**	**487,214,072**
June 30, 2021			
Cost	247,777,510	496,151,616	**743,929,126**
Accumulated depreciation	(68,429,335)	(188,285,719)	**(256,715,054)**
Carrying Amount	**179,348,175**	**307,865,897**	**487,214,072**
Movements during 2022			
Balance, July 1, 2021	179,348,175	307,865,897	**487,214,072**
Additions	253,703,630	79,973,765	**333,677,395**
Depreciation	(10,120,690)	(199,132,417)	**(209,253,107)**
Balance, June 30, 2022	**422,931,115**	**188,707,245**	**611,638,360**
June 30, 2022			
Cost	501,481,140	576,125,381	**1,077,606,521**
Accumulated depreciation	(78,550,025)	(387,418,136)	**(465,968,161)**
Carrying Amount	**₱ 422,931,115**	**₱ 188,707,245**	**₱ 611,638,360**

In 2022, 2021, and 2020, all additions were paid in cash.

Depreciation is allocated as follows:

	2022	2021	2020
Direct cost	**₱ 89,463,451**	₱ -	-
Operating expenses	**119,789,656**	-	-
	₱209,253,107	₱ -	-

In 2022, 2021 and 2020, Management assessed that there were no indications of impairment existing in property and equipment.

13. INTANGIBLE ASSETS – net

The carrying amounts of the Group's intangible assets as of June 30, 2022 and 2021 are as follows:

		2022		2021
Balance, July 1				
Cost	₱	**1,331,195**	₱	-
Accumulated amortization		**(951,447)**		-
Carrying Amount		**379,748**		-
Movements during the year				
Balance, July 1		**379,748**		-
Acquired from business combination		**-**		379,748
Additions		**9,093,146**		-
Amortization		**(5,669,824)**		-
Balance, June 30		**3,803,070**		379,748
June 30				
Cost		**10,424,331**		1,331,195
Accumulated amortization		**(6,621,271)**		(951,447)
Carrying Amount	₱	**3,803,060**	₱	379,748

In 2022, 2021 and 2020, all additions were paid in cash.

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

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

14. RIGHT-OF-USE ASSETS – net

The carrying amounts of the Group's right-of-use assets as of June 30, 2022 and 2021, are as follows:

		2022		2021
Balance, July 1				
Cost	₱	**12,228,382**	₱	-
Accumulated depreciation		**(4,859,059)**		-
Carrying Amount		**7,369,323**		-
Movements during the year				
Balance, July 1		**7,369,323**		-
Recognition		**-**		9,779,627
Depreciation		**(2,569,231)**		(2,410,304)
Balance, June 30		**4,800,092**		7,369,323
June 30				
Cost		**12,228,382**		12,228,382
Accumulated depreciation		**(7,428,290)**		(4,859,059)
Carrying Amount	₱	**4,800,092**	₱	7,369,323

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

15. OTHER NON-CURRENT ASSETS

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

		2022		2021
Refundable deposits	₱	**18,038,829**	₱	8,570,031
Construction bond		**2,484,941**		255,006
Others		**600,000**		600,000
	₱	**21,123,770**	₱	9,425,037

Refundable deposits include those related to lease amounting to ₱16,682,622 and ₱8,541,131 as of June 30, 2022 and 2021,respectively, as disclosed in Note 27. Other refundable deposits are receivable from franchise stores.

16. TRADE AND OTHER PAYABLES

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

	2022	2021
Trade	**₱ 185,899,180**	₱ 119,634,256
Due to government agencies	**79,722,817**	3,855,102
Customers' deposits	**29,422,778**	27,209,634
Gift certificate payable	**711,183**	-
Accrued expenses	**580,800**	10,380,796
	₱ 296,336,758	₱ 161,079,788

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.

17. LOANS PAYABLE

Details of Group's loans payable are as follows:

	2022	2021
Balance, July 1	**₱ 80,000,000**	₱ -
Assumed from business combination	**-**	80,000,000
Payments	**(60,000,000)**	-
Balance, June 30	**₱ 20,000,000**	₱ 80,000,000

The loans availed is used for additional working capital of the Group. The loans bear an interest rate of 5.5% to 8% with a term of 180 days to 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 2022, 2021 and 2020, finance costs incurred and paid amounted to ₱1,519,647, nil and nil, respectively.

The Group is not required to maintain any ratios or thresholds. In 2022 and 2021, the Group is compliant with the terms and conditions of the loan contract.

18. LEASE LIABILITIES

The Group, as lessee, entered into various leasing arrangements as disclosed in Note 27. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2022	2021	**2022**	2021
Not later than one (1) year	**₱ 2,438,159**	₱2,736,233	**₱ 2,317,695**	₱2,540,057
Later than one (1) year but not later than five (5) years	**2,967,710**	5,405,869	**2,877,394**	5,038,691
	5,405,869	8,142,102	**5,195,089**	7,578,748
Discount	**(210,780)**	(563,354)	-	-
Present value of minimum lease payments	**5,195,089**	7,578,748	**5,195,089**	7,578,748
Current portion	**2,317,695**	2,540,057	**2,317,695**	2,540,057
Non-current portion	**₱ 2,877,394**	₱5,038,691	**₱ 2,877,394**	₱5,038,691

Movement in lease liabilities are as follows:

	2022	2021
Balance, beginning	**₱ 7,578,748**	₱ 9,842,838
Finance cost (Note 27)	**196,176**	243,789
Payments	**(2,579,835)**	(2,507,879)
Balance, ending	**₱ 5,195,089**	₱ 7,578,748

The payment above includes finance cost incurred amounting to ₱196,176 and ₱243,789 and lease liability payment amounting to ₱2,383,659 and ₱2,264,090 in June 30, 2022 and 2021, respectively.

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.

19. 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
F Coffee Holdings Corporation	Under common control
Stockholders	Key management personnel

19.01 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:

		2022		2021
Under common control	₱	-	₱	-
Immediate parent		-		67,872,436
Key Management Personnel		**287,081,477**		570,999
	₱	**287,081,477**	₱	68,443,435

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

19.01.01 Ultimate Parent

The Group collected nil and ₱9,375,000 in 2022 and 2021,respectively.

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

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

19.01.02 Immediate Parent

Transactions with immediate parent are as follows:

	June 30, 2022				June 30, 2021			
		Amount/ Volume		**Outstanding Balances**		Amount/ Volume		Outstanding Balances
CI								
Advances	₱	-	₱	-	₱	134,375,000	₱	67,872,436

The Group collected ₱67,872,436 and ₱66,502,564 in 2022 and 201, respectively.

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

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

19.01.03 Key Management Personnel

Transactions with key management personnel are as follows:

	June 30, 2022		June 30, 2021	
	Amount/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
Stockholders				
Advances	**₱ 287,081,477**	**₱ 287,081,477**	₱ -	₱ 570,999

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.

19.02 Due to a related party

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

19.02.01 Immediate Parent

Advances from immediate parent 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.

19.02.02 Key Management Personnel

Transactions with key management personnel are as follows:

	June 30, 2022		June 30, 2021	
	Amount/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
Stockholders				
Advances	**₱ -**	**₱ -**	₱ -	₱ 154,986,809

Advances paid to stockholders amounted to ₱47,986,809 in 2022 and 2021, respectively.

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

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

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

19.03 Remuneration of Key Management Personnel

In both years, no remuneration was given to the directors and members of key management personnel.

20. CAPITAL STOCK

The issued capital of the Group are as follows:

	2022	2021
Capital stock	**₱ 464,818,820**	₱ 322,500,500
Additional paid-in capital	**665,068,300**	186,938,000
	₱1,129,887,120	₱ 509,438,500

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

	2022			2021		
	Shares		**Amount**	Shares		Amount
Authorized						
₱0.10 par value per share	**6,600,000,000**	**₱**	**660,000,000**	5,000,000,000	₱	500,000,000
Issued and fully paid						
Balance, beginning	**3,225,005,000**		**322,500,500**	93,755,000		9,375,500
Additional issuance	**1,423,183,200**		**142,318,320**	3,131,250,000		313,125,000
Balance, end	**4,648,188,200**	**₱**	**464,818,820**	3,225,005,000	₱	322,500,500

19.01 Dividend Declaration

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

19.02 Increase in Authorized Capital Stock

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

On September 16, 2021, the Securities and Exchange Commission approved the Company's increase in authorized capital stock to ₱660,000,000 divided into 6,600,000,000 shares with a par value of ₱0.10 per share.

19.03 Issuances of Shares

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

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

a. In support of the application for increase in authorized capital stock, Camerton, Inc. (CI), on March 31, 2021, subscribed to 1,250,000,000 shares of the Parent Company for a total subscription price of ₱125,000,000. The subscribed shares were fully paid and issued on June 22, 2021.

b. On June 20, 2021, the Board of Directors of the Parent Company approved the additional paid-in capital in the amount of ₱83,138,000 paid by CI into the Parent Company.

c. 1,250,000,000 shares with par value of ₱0.10 per share for a total subscription price of ₱228,800,000, or ₱0.18304 price per share. The said subscription resulted to an additional capital stock of ₱125,000,000 and an additional paid-in capital of ₱103,800,000 in the Parent Company; 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 outstanding capital of the Parent Company is ₱322,500,500 (excluding the additional paid-in capital of ₱186,938,000 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.

On January 24, 2022, the Company completed its IPO and was listed in the PSE under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share. This resulted to an additional issuance of capital stock of 1,423,183,200 with par value of ₱0.10 per share for a total of ₱142,318,200.

As of June 30, 2022, the outstanding capital of the Company is ₱464,818,700 (excluding the additional paid-in capital of ₱697,831,235 with 4,648,187,003 shares issued).

As of June 30, 2022, the Company is 69.94% owned by Camerton, Inc. and 8.07% 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, issue/ offer price and 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.

On January 24, 2022, the Company completed its IPO and was listed in the PSE under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share.

21. 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 exchange 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 ₱50.00 per share or an aggregate par value of ₱125,000 of Figaro Coffee Systems, Inc. (FCSI) for and in consideration of ₱1,851.0256 per share or total purchase price of ₱4,627,564. The difference between the consideration paid and the fair value of the interest acquired in FCSI was recognized as gain on bargain purchase amounting to ₱33,656,761, determined as follows:

Cash consideration	₱	**4,627,564**
Less fair value of net identifiable assets acquired		**38,284,325**
Gain on bargain purchase	₱	**33,656,761**

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	₱	**4,627,564**
Less cash acquired from subsidiary		**281,145,694**
	₱	**276,518,130**

From the acquisition date, FCSI contributed ₱53,539,134 of revenues and ₱9,603,908 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 ₱1,354,700,778 and ₱197,365,890, 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
Total identifiable assets acquired	**885,189,487**
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
Total identifiable liabilities assumed	**846,905,162**
Net identifiable assets acquired	**38,284,325**

22. REVENUE

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

	2022	2021	2020
Angel's Pizza	**₱ 1,631,578,807**	₱ 49,194,358	₱ -
Figaro Coffee Group	**743,002,890**	3,112,884	-
Tien Ma's Taiwanese Cuisine	**62,815,065**	1,231,892	-
	₱ 2,437,396,762	₱ 53,539,134	₱ -

23. DIRECT COSTS

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

	2022	2021	2020
Inventories, July 1 (Note 9)	₱ **59,452,449**	₱ -	₱ -
Purchases	**887,784,666**	-	-
Inventories acquired from business combination	**-**	75,358,116	
Inventories, June 30 (Note 9)	**(95,681,440)**	(59,452,449)	
Cost of materials used	**851,555,675**	15,905,667	
Direct labor (Note 24)	**251,207,924**	3,458,782	
Overhead	**138,925,041**	11,810,350	-
	₱ **1,242,346,413**	₱ 31,174,799	₱ -

Details of the overhead is as follows:

	2022	2021	2020
Store and kitchen supplies	₱ **39,594,371**	₱ 11,810,350	₱ -
Communication, light and water	**27,315,059**	-	-
Rentals (Note 24)	**24,325,480**	-	-
Security services	**10,279,257**	-	-
Taxes and licenses	**10,094,784**	-	-
Repairs and maintenance	**9,571,488**	-	-
Wastages and spoilage	**6,819,588**	-	-
Professional fees	**5,541,575**	-	-
Depreciation (Notes 10 and 12)	**1,942,387**	-	-
Representation and entertainment	**300,727**	-	-
Association Dues	**86,799**	-	-
Others	**3,053,526**	-	-
	₱ **138,925,041**	₱ 11,810,350	₱ -

24. OPERATING EXPENSES

This account is composed of the following expenses:

		2022		2021		2020
Advertisement and promotion	₱	**355,041,339**	₱	12,760,427	₱	-
Depreciation (Note 10)		**211,366,157**		-		-
Commission		**180,836,659**		-		-
Short-term employee benefits (Note 22)		**36,209,315**		-		-
Professional fees		**34,838,767**		100,000		80,000
Transportation and travel		**32,087,345**		-		-
Communication, light and water		**11,159,238**		-		-
Taxes and licenses		**9,803,636**		-		-
Rentals (Note 24)		**8,370,000**		-		-
Management fees		**5,000,000**				
Representation and entertainment		**7,159,097**		-		-
Amortization (Note 11)		**3,975,558**		-		-
Security services		**2,357,121**		-		-
Retirement benefits (Note 22)		**1,866,673**		-		-
Supplies		**1,169,118**		-		-
Repairs and maintenance		**1,045,286**		-		-
Insurance		**238,321**		-		-
Others		**42,741,155**		-		-
	₱	**945,264,785**	₱	12,860,427	₱	80,000

25. EMPLOYEE BENEFITS

Aggregate employee benefits expense, as disclosed in Notes 23 and 24, is comprised of:

		2022		2021		2020
Short-term employee benefits (Note 25.01)	₱	**287,417,239**	₱	3,458,782	₱	-
Retirement Benefits (Note 25.02)		**1,866,673**		-		-
	₱	**289,283,912**	₱	3,458,782	₱	-

25.02 Short-term Employee Benefits

An analysis of the Company's short-term employee benefits as disclosed in Notes 23 and 24 is as follows:

		2022		2021		2020
Salaries and wages	₱	**236,276,682**	₱	3,458,782	₱	-
SSS, PhilHealth and HDMF contributions		**23,790,785**		-		80,000
Other employee benefits		**27,349,772**		-		-
	₱	**287,417,239**	₱	3,458,782	₱	80,000

Allocation of short-term employee benefits is as follows:

		2022		2021		2020
Cost of sales (Note 23)	₱	**251,207,924**	₱	3,458,782	₱	-
Operating expenses (Note 24)		**36,209,315**		-		-
	₱	**287,417,239**	₱	3,458,782	₱	-

25.01 Post-employment Benefits

25.01.01 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:

	2022	2021
Discount rate	**5.18%**	5.0%
Expected rate of salary increase	**5.00%**	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).

	2022	2021
Retiring after the reporting period	**5.18%**	5.0%
Male and Female	**5.00%**	5.0%

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

		Impact on Defined Benefit Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
June 30, 2022			
Discount rate	**+/-1.00%**	**5.60%**	**6.37%**
Salary increase rate	**+/-1.00%**	**8.41%**	**7.79%**
June 30, 2021			
Discount rate	+/-1.00%	5.97%	3.97%
Salary increase rate	+/-1.00%	6.00%	4.00%

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

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

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

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

	2022	2021	2020
Current service cost	**₱ 1,472,489**	₱ 2,106,276	₱ -
Interest on the retirement benefit obligation	**394,184**	755,814	-
	₱ 1,866,673	₱ 2,862,090	₱ -

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

	Change on financial assumption	**Experience adjustment**	**Total**	**Income tax**	**Net**
Gain (loss) Balance at June 30, 2020	₱ -	₱ -	₱ -	₱ -	₱ -
Assumed during the business combination	4,361,503	(858,957)	3,502,546	(875,636)	2,626,910
Gain (loss) Balance at June 30, 2021	**4,361,503**	**(858,957)**	**3,502,546**	**(875,636)**	**2,626,910**
Amount recognized during the year	(86,078)	-	(86,078)	21,520	**(64,559)**
Effect of change in tax rates	-	-	-	(72,950)	(72,950)
Gain (loss) Balance at June 30, 2022	**₱ 4,275,425**	**₱ (858,957)**	**₱ 3,416,468**	**₱ (927,066)**	**₱ 2,489,402**

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

		2022		2021
Balance, July 1	₱	**17,949,555**	₱	-
Current service cost		**1,472,489**		-
Interest expense		**394,184**		-
Assumed during business combination		**-**		17,949,555
Actuarial loss (gain)		**(3,188)**		-
	₱	**19,813,040**	₱	17,949,555

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.

26. FRANCHISE AGREEMENTS

26.01 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 ₱29,422,778 and ₱2,200,000 as of June 30, 2022 and 2021, respectively, which are to be refunded upon termination of the franchise agreement.

Royalty received from franchisees amounted to ₱44,886,825 and nil in 2022 and 2021, respectively.

27. LEASE AGREEMENT

27.01 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.

27.01.01 Angels Imus Branch

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

27.01.02 Angels Kalayaan Branch

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

27.01.03 Angels Pasig Branch

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

27.01.04 Angels Antipolo Branch

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

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

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

Summary of right-of-use assets:

		2022		2021
Angels Imus	₱	**672,185**	₱	1,031,969
Angels Kalayaan		**2,066,049**		3,171,894
Angels Pasig		**180,184**		276,627
Angels Antipolo		**1,881,674**		2,888,833
	₱	**4,800,092**	₱	7,369,323

Summary of lease liabilities:

		2022		2021
Angels Imus	₱	**760,263**	₱	1,109,094
Angels Kalayaan		**2,189,209**		3,193,682
Angels Pasig		**200,560**		292,583
Angels Antipolo		**2,045,057**		2,983,389
	₱	**5,195,089**	₱	7,578,748

Summary of finance cost:

		2022		2021	2020
Angels Imus	₱	**38,863**	₱	48,295	-
Angels Kalayaan		**75,427**		93,734	-
Angels Pasig		**8,831**		10,974	-
Angels Antipolo		**73,055**		90,786	-
	₱	**196,176**	₱	243,789	

Summary of depreciation:

		2022		2021	2020
Angels Imus	₱	**448,124**	₱	896,247	-
Angels Kalayaan		**317,854**		308,886	-
Angels Pasig		**154,443**		476,780	-
Angels Antipolo		**364,194**		728,390	-
	₱	**1,284,615**	₱	2,410,303	-

27.01.05 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 ₱6,986,338, as disclosed in Note 10. Refundable deposits paid by the Group amounted to ₱16,682,622, as of June 30, 2021, as disclosed in Note 15.

At reporting dates, the Group had outstanding commitments for future minimum lease payments amounting to ₱2,412,303.

28. INCOME TAXES

28.01 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery and Tax incentives for Enterprises Act" (CREATE Act), was passed into law. The salient provisions of the CREATE Act applicable to the Company are as follow:

- Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020 to June 20, 2023;
- Percentage tax reduced from 3% to 1% effective July 1, 2020 to June 30, 2023; and
- The imposition of improperly accumulated earnings is repealed effective July 1, 2020 to June 30, 2023.

28.02 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2022	2021	2020
Current tax expense	**₱ 66,955,606**	₱ 2,375,977	-
Deferred tax benefit	**(892,334)**	-	-
	₱ 66,063,272	₱ 2,375,977	-

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in June 30, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Accounting profit (loss)	**₱ 264,253,090**	₱ 43,160,669	(80,000)
Tax expense at 25%	**66,063,272**	10,790,167	20,000
Tax effects of:			
Effect of non-recognition of tax on net operating loss carry over	**-**	-	(20,000)
Effect of non-recognition of tax on gain on bargain purchase option	**-**	(8,414,190)	-
	₱ 66,063,272	₱ 2,375,977	-

29. DEFERRED TAX ASSETS

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

		Retirement benefit obligation		Right-of-use asset and Lease liabilities		Total
Balance, July 1, 2020	₱	4,565,839	₱	-	₱	**4,565,839**
Recognized in profit or loss		715,522		55,222		**770,744**
Impact of recognition of right-of-use assets and lease liabilities		-		36,553		**36,553**
Change in tax regime recognized in profit or loss		(579,246)		-		**(579,246)**
Recognized in other comprehensive income		(32,999)		-		**(32,999)**
Change in tax regime recognized in other comprehensive income		(181,728)		-		**(181,728)**
Balance, June 30 2021	**₱**	**4,487,388**	**₱**	**91,775**	**₱**	**4,579,163**
Recognized in profit or loss		786,292		106,042		**892,334**
Recognized in other comprehensive income		27,276		-		**27,276**
Balance, June 30 2022	**₱**	**5,300,956**	**₱**	**197,817**	**₱**	**5,498,773**

30. BASIC EARNINGS PER SHARE

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

		2022		2021		2020
a. Net income (loss) from operations/ attributable to ordinary equity holders of the Group for earnings	**₱**	**221,867,605**	₱	40,784,692	₱	(80,000)
b. Weighted average number of ordinary shares for the purposes of earnings per share		**3,936,596,600**		1,659,380,000		9,375,500
c. Earnings per share (a/b)		**0.06**		0.02		0.00

The weighted average number of ordinary shares for the years 2022, 2021 and 2020 used for the purposes of basic earnings per share were computed as follows:

	Number of Ordinary Shares	Proportion to Period	Weighted Average	Total
June 30, 2022				
Outstanding shares at the beginning of the period	**3,225,005,000**	**6/12**	**1,612,502,500**	**1,612,502,500**
Outstanding shares at the end of the period	**4,648,188,200**	**6/12**	**2,324,094,100**	**2,324,094,100**
				3,936,596,600
June 30, 2021				
Outstanding shares at the beginning of the period	93,755,000	6/12	46,877,500	46,877,500
Outstanding shares at the end of the period	3,225,005,000	6/12	1,612,502,500	1,612,502,500
				1,659,380,000
June 30, 2020				
Outstanding shares at the beginning and end of the period	93,755,000	12/12	93,755,000	93,755,000

31. FAIR VALUE MEASUREMENTS

31.01 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, 2022 and 2021 are presented below:

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash	**₱ 195,682,918**	**₱ 195,682,918**	₱ 281,145,694	₱ 281,145,694
Trade receivables	**89,442,740**	**89,442,740**	56,651,759	56,651,759
Due from related parties	**384,156,752**	**384,156,752**	68,443,435	68,443,435
Other non-current assets	**21,123,770**	**21,123,770**	9,425,037	9,425,037
	₱ 1,049,662,679	**₱1,049,662,679**	415,665,925	415,665,925
Financial Liabilities:				
Trade and other payables	**₱ 191,210,169**	**₱ 191,210,169**	₱ 157,224,686	₱ 157,224,686
Due to related parties	**107,000,000**	**107,000,000**	154,986,809	154,986,809
Loans payable	**20,000,000**	**20,000,000**	80,000,000	80,000,000
Lease liabilities	**5,195,089**	**5,195,089**	7,578,748	7,578,748
	₱ 922,534,890	**₱ 922,534,890**	₱ 399,790,243	₱ 399,790,243

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 and lease liabilities bear market interest rates; hence, Management believes that carrying amounts approximate their fair values.
- Lease liabilities bear incremental borrowing rate; hence, Management believes that carrying amounts approximate their fair values.

32. 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.

32.01 Market Risk Management

32.01.01 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 nine (9) day 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.

32.02 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:

	2022	2021
Cash in banks	**₱ 191,480,802**	₱ 272,070,502
Trade receivables	**89,442,740**	56,651,759
Due from related parties	**384,156,752**	68,443,435
Other non-current assets	**21,123,770**	9,425,037
	₱1,045,460,563	₱ 406,590,733

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

- Probability of Default (PD)

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

- Loss Given Default (LGD)

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

- Exposure at default (EAD)

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

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

	June 30, 2022					
	PD rate	**LGD rate**		**EAD**		**ECL**
	a	**b**		**c**		**d=a*b*c**
Cash in banks	**0.00%**	**0.00% to 99.35%**	**₱**	**191,480,802**	**₱**	**-**
Trade receivables	**0.00%**	**100.00%**		**89,442,740**		**-**
Due from related parties	**0.00%**	**100.00%**		**384,156,752**		**-**
Other non-current assets	**0.00%**	**100.00%**		**21,123,770**		**-**
			₱	**1,045,460,563**	**₱**	**-**

	June 30, 2021					
	PD rate	LGD rate		EAD		ECL
	a	b		c		d=a*b*c
Cash in banks	0.00%	0.00% to 99.10%	₱	272,070,502	₱	-
Trade receivables	0.00%	100.00%		56,651,759		-
Due from related parties	0.00%	100.00%		68,443,435		-
Other non-current assets	0.00%	100.00%		9,425,037		-
			₱	406,590,733	₱	-

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 99.35% and 0.00% to 99.10% as of June 30, 2022 and 2021, respectively.

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

Trade receivables

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

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

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

Due from related parties

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

In 2022 and 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 3.13% and 4.23% of the total financial assets. Hence, Management believes that the effect of provision for expected credit loss is immaterial to the financial statements as a whole.

In both years, the amount of expected credit loss for other non-current assets is nil.

32.03 Liquidity Risk Management

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

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

	Weighted Average Interest Rate	On Demand	Within one (1) Year	One (1) – Five (5) Years	Total
June 30, 2022					
Trade payables	-	₱ -	₱ 191,210,169	₱ -	₱ 191,210,169
Due to related parties	-	107,000,000	-	-	107,000,000
Loans payable	5.5%	-	20,000,000	-	20,000,000
Lease liabilities	2.3% to 3.02%	-	2,317,695	2,877,394	5,195,089
		₱ 706,129,632	₱ 213,527,864	₱ 2,877,394	₱ 922,534,890
June 30, 2021					
Trade payables	-	₱ -	₱ 129,992,656	₱ -	₱ 129,992,656
Due to related parties	-	154,986,809	-	-	154,986,809
Loans payable	5.5%	-	80,000,000	-	80,000,000
Lease liabilities	2.3% to 3.02%	-	2,540,057	5,038,691	7,578,748
		₱ 154,986,809	₱ 212,532,713	₱ 5,038,691	₱ 372,558,213

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 One (1) Year	Over Five (5) Years	Total
June 30, 2022					
Cash on hand	-	**₱ 4,202,116**	**₱ -**	**₱ -**	**₱ 4,202,116**
Cash in banks	**Floating rate**	**191,480,802**	**-**	**-**	**191,480,802**
Trade receivables	-	**-**	**89,442,740**	**-**	**89,442,740**
Due from related parties	-	**384,156,752**	**-**	**-**	**384,156,752**
Other non-current assets	-	**-**	**-**	**21,123,770**	**21,123,770**
		₱ 955,172,187	**₱ 56,651,759**	**₱ 21,123,770**	**₱ 1,049,662,679**
June 30, 2021					
Cash on hand	-	₱ 9,075,192	₱ -	₱ -	₱ 9,075,192
Cash in banks	Floating rate	272,070,502	-	-	272,070,502
Trade receivables	-	-	56,651,759	-	56,651,759
Due from related parties	-	68,443,435	-	-	68,443,435
Other non-current assets	-	-	-	9,425,037	9,425,037
		₱ 349,589,129	₱ 56,651,759	₱ 9,425,037	₱ 415,665,925

33. 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:

	2022	2021
Debt	**₱ 407,408,159**	₱ 456,659,163
Cash	**195,682,918**	281,145,694
Net debt	**211,725,241**	175,513,471
Equity	**1,468,266,243**	549,983,192
Net debt to equity ratio	**0.14:1**	0.32:1

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

34. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

	2022	2021
Beginning balance, July 1	**₱ 752,004,057**	₱ 9,375,500
Changes from financing cash flows		
Finance cost incurred	**88,844**	-
Proceeds from issuance of capital stocks	**-**	500,063,000
Financial liabilities acquired	**-**	450,703,557
Dividend declared and paid	**-**	(208,138,000)
Finance cost paid	**(88,844)**	-
Payment of lease liabilities	**(1,297,297)**	-
Payment of loan	**(60,000,000)**	-
Ending balance, June 30	**₱ 690,706,760**	₱ 752,004,057

35. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 12, 2022.

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 October 12, 2022 on the basic consolidated 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 financial statements of **FIGARO COFFEE GROUP, INC. AND SUBSIDIARY** taken as a whole. The information in the index to the consolidated financial statements and the supplementary schedules as of and for the year June 30, 2022, which are not required parts of the consolidated 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 separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate 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
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023

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
PTR No. 8855247
Issued on January 5, 2022 at Makati City

October 12, 2022