



13 November 2023

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex  
Roxas Boulevard, 1307 Pasay City

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

**THE PHILIPPINE STOCK EXCHANGE, INC.**

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

Attention: **Ms. France Alexandra D. Tom Wong**  
Head – Disclosure Department

Re: **QUARTERLY REPORT**

Gentlemen:

The Board of Directors of Figaro Coffee Group, Inc. (“FCG”) or (the “Company”) during its Regular Board Meeting held on 09 November 2023, has approved the release of the Company’s Quarterly Report (SEC Form 17-Q) for the quarter ending of 30 September 2023.

Sincerely Yours,

  
**JOSE PETRONIO VICENTE D. ESPAÑOL III**  
Treasurer, Chief Finance Officer and Chief Risk Officer

C S 2 0 1 8 1 1 1 1 9

SEC Registration Number

F I G A R O C O F F E E G R O U P , I N C .

(Company's Full Name)

1 1 6 E A S T M A I N A V E . P H A S E V - S E Z  
L A G U N A T E C H N O P A R K , B I N A N , L A G U N A  
4 0 3 4

(Business Address: No. Street City/Town/Province)

Sigrid Von D. De Jesus

(Contact Person)

0917-8832172

(Company Telephone Number)

0 6 3 0

Month Day  
(Fiscal Year)

SEC FORM 17-Q

(Form Type)

Dec 06

Month Day  
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

SEC-MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier


STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 SEPTEMBER 2023**
2. Commission 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. Province, country or other jurisdiction of incorporation or organization **LAGUNA, PHILIPPINES**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office **116 EAST MAIN AVE., PHASE  
V, SEZ, LAGUNA TECHNOPARK,  
BINAN, LAGUNA**
- Postal Code **4034**
8. Issuer's telephone number, including area code **(632)-8812-17-18**
9. Former name, former address and former fiscal year, if changed since last report **NO. 33 MAYON ST., BRGY. MALAMIG,  
MANDALUYONG CITY**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>COMMON SHARES</b>	<b>5,468,455,298</b>

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

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**PHILIPPINE STOCK EXCHANGE**

**COMMON SHARES**

12. Indicate by check mark whether the registrant:

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]

(Signature Page follows)

**FINANCIAL INFORMATION**

**Item 1: Quarterly Financial Statements for the Quarter ending  
30 September 2023 attached.**

**FIGARO COFFEE GROUP, INC.**



**JOSE PETRONIO VICENTE D. ESPAÑOL III**  
Treasurer / Chief Finance Officer / Chief Risk Officer



**MARILOU R. ROCA**  
Comptroller and Chief Accounting Officer

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

As of September 30, 2023 and June 30, 2023

(In Philippine Peso)

	NOTES	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
<b>A S S E T S</b>			
<b>Current Assets</b>			
Cash	7	435,094,853	463,290,392
Short-term investments	8	597,243,090	895,000,000
Trade and other receivable	9	213,420,945	162,093,489
Inventories	10	272,309,485	178,390,239
Due from related parties	19		
Prepayments and other current assets	11	175,093,579	154,098,364
		<b>1,693,161,952</b>	<b>1,852,872,484</b>
<b>Non-current Assets</b>			
Property and equipment – net	12	1,632,843,040	1,213,094,509
Intangible assets – net	13	335,974,850	92,638,839
Right-of-use assets – net	14	38,029,387	17,263,237
Other non-current assets	15	52,984,643	42,039,456
Deferred tax assets	29	5,847,365	5,734,920
		<b>2,065,679,285</b>	<b>1,370,770,961</b>
<b>TOTAL ASSETS</b>		<b>3,758,841,237</b>	<b>3,223,643,445</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>L I A B I L I T I E S</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	435,067,307	395,020,752
Loans payable	17	345,000,000	30,000,000
Lease liabilities	18	4,905,372	3,903,845
Income tax payable		154,186,640	65,815,803
		<b>939,159,319</b>	<b>494,740,400</b>
<b>Non-current Liabilities</b>			
Lease liabilities – net of current portion	18	4,794,056	3,394,850
Retirement benefits obligation	25	23,094,734	21,903,845
		<b>27,888,790</b>	<b>25,298,695</b>
<b>TOTAL LIABILITIES</b>		<b>967,048,109</b>	<b>520,039,095</b>
<b>S T O C K H O L D E R S ' E Q U I T Y</b>			
Capital Stock	20	589,345,529	589,345,529
Additional Paid-in Capital	20	1,403,308,680	1,403,308,680
Retained Earnings		801,628,321	713,439,544
Remeasurements – net	25	- 2,489,402	- 2,489,402
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b>2,791,793,128</b>	<b>2,703,604,351</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>3,758,841,237</b>	<b>3,223,643,445</b>

(See Notes to Consolidated Financial Statements)

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

For the Period Ended Jul 1 to Sept 30, 2023

(In Philippine Peso)

	NOTES	Jul1 to Sept 30, 2023	Jul1 to Sept 30, 2022
<b>REVENUES</b>	22	<b>1,317,331,927</b>	<b>1,018,687,445</b>
<b>DIRECT COSTS</b>	23	<b>730,881,211</b>	<b>524,246,899</b>
<b>GROSS PROFIT</b>		<b>586,450,715</b>	<b>494,440,546</b>
<b>FINANCE INCOME</b>	8	<b>10,068,750</b>	<b>7,555,728</b>
<b>OPERATING EXPENSES</b>	24	<b>477,260,151</b>	<b>390,767,435</b>
<b>FINANCE COST</b>	17,18	<b>1,674,278</b>	<b>-</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>117,585,036</b>	<b>111,228,840</b>
<b>INCOME TAXES</b>	28	<b>29,396,259</b>	<b>27,807,210</b>
<b>PROFIT (LOSS)</b>		<b>88,188,777</b>	<b>83,421,630</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>88,188,777</b>	<b>83,421,630</b>
<b>EARNINGS PER SHARE</b>			
Basic Earnings per Share	30	<b>0.02</b>	<b>0.02</b>

(See Notes to Consolidated Financial Statements)

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

For the Periods Ended July 1 to September 30, 2023 and 2022

(In Philippine Peso)

	Notes	Capital Stock	Additional Paid-in Capital	Retained Earnings	Remeasurement	Total
Balance at July 1, 2019		9,375,500	-	(160,000)	-	<b>9,215,500</b>
Loss				(80,000)	-	<b>(80,000)</b>
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
<b>Balance at June 30, 2021</b>	20,25	<b>322,500,500</b>	<b>186,938,000</b>	<b>40,544,692</b>	-	<b>549,983,192</b>
Profit				198,189,818		198,189,818
Issuance of shares		40,000,000				40,000,000
<b>Balance at December 30, 2021</b>		<b>362,500,500</b>	<b>186,938,000</b>	<b>238,734,510</b>		<b>788,173,010</b>
Profit				0		0
Issuance of shares	20	102,318,320	478,130,300	102,134,015		682,582,655
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
Profit				83,421,630		83,421,630
Dividends						-
<b>Balance at September 30, 2022</b>	20,25	<b>464,818,820</b>	<b>665,068,300</b>	<b>424,290,155</b>	<b>(2,489,402)</b>	<b>1,551,687,873</b>
Profit				181,690,882		181,690,882
Dividends				(89,988,900)		(89,988,900)
<b>Balance at December 31, 2022</b>	20,25	<b>464,818,820</b>	<b>665,068,300</b>	<b>515,992,137</b>	<b>(2,489,402)</b>	<b>1,643,389,855</b>
Profit				99,365,643		99,365,643
Issuance of shares	20	82,026,709	738,240,380			820,267,109
Remeasurement loss	25					
Balance at March 31, 2023	20,25	546,845,529	1,403,308,680	615,357,779	(2,489,402)	2,563,022,586
Profit				98,081,765		98,081,765
Issuance of shares	20	42,500,000	-			42,500,000
Remeasurement loss	25					
Balance at June 30, 2023	20,25	589,345,529	1,403,308,680	713,439,544	(2,489,402)	2,703,604,351
Profit				88,188,777		88,188,777
Issuance of shares	20		-			-
Remeasurement loss	25					-
<b>Balance at September 30, 2023</b>	20,25	<b>589,345,529</b>	<b>1,403,308,680</b>	<b>801,628,321</b>	<b>(2,489,402)</b>	<b>2,791,793,128</b>



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

For the Period Ended September 30, 2023 and September 30, 2022

(In Philippine Peso)

	NOTES	September 30, 2023	September 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) before tax		117,585,036	111,228,840
Adjustments for:			
Depreciation	12,14,23,24	111,893,113	4,001,842
Amortization	12,24	2,009,384	
Operating cash flows before changes in working capital		231,487,533	115,230,682
Increase in operating assets:			
Short-term investment	-	256,412,750	71,070,115
Trade receivables	-	117,671,145	6,307,060
Inventories	-	174,865,462	1,762,583
Prepayments and other current assets	-	48,592,925	22,929,577
Other non-current assets	-	63,887,595	945,267
Increase/(Decrease) in trade and other payables		392,242,264	80,884,293
Cash generated from operations	-	37,700,079	119,331,171
Net cash from operating activities	-	37,700,079	119,331,171
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advances collected from related parties	19	185,827,987	101,253,490
Additions to Intangible Assets	13	197,967,953	
Additions to property and equipment	12	321,681,217	107,457,072
Net cash used in investing activities	-	333,821,183	6,203,582
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance costs paid	17,18	1,674,278	
Availment/(Payment) of loans	17	345,000,000	20,000,000
Net cash from financing activities		343,325,722	20,000,000
<b>NET INCREASE (DECREASE) IN CASH</b>	-	<b>28,195,539</b>	<b>93,127,588</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>463,290,392</b>	<b>195,682,918</b>
<b>CASH AT END OF YEAR</b>		<b>435,094,853</b>	<b>288,810,506</b>

(See Notes to Consolidated Financial Statements)

# FIGARO COFFEE GROUP, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023, June 30, 2023 and 2022

### 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.

As of June 30, 2023, the outstanding capital of the Group is ₱5,893,455,293 (excluding the additional paid-in capital of ₱1,403,308,680 with 589,345,529 shares issued).

As of June 30, 2023, the Group is 53.05% owned by Camerton, Inc., 15% owned by Monde Nissin Corporation and 6.86% owned by Carmetheus Holdings, Inc.

### **The Subsidiary**

The Parent Company's subsidiary is as follows:

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

The summarized financial information of the subsidiary for the year ended June 30, 2023 is as follows:

Total assets	<b>₱ 2,454,806,490</b>
Total liabilities	<b>1,109,059,335</b>
Net assets	<b>1,345,747,155</b>
Revenue	<b>4,284,080,714</b>
Direct costs	<b>2,436,381,543</b>
Operating expense	<b>1,256,745,482</b>
Finance cost	<b>1,817,310</b>
Profit before tax	<b>628,616,089</b>

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

On June 23, 2021, the Parent Company subscribed to 7,500 shares of FCSI with ₱50.00 par value per share at the subscription price of ₱27,751.73 per share for a total subscription price of ₱208,138,000. The said subscription resulted to an additional capital stock of ₱375,000 and additional paid-in capital of ₱207,763,000 in FCSI.

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

## 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.

- 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, 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.

- 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.

- 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.

- 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.

- 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 effective 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 to 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 interest 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 ten (10) years. The useful life of software and POS applications depending on the type and purpose of the software. Since all the POS software acquired and internally developed for the stores did not normally end after 2 year operations and all the POS of the stores that were opened more than 10 years ago are still operational without even some decline in its usefulness, we opted to use 10 years as the useful life of all the software including the applications for ERP, middleware and online ordering applications.

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, 2023, 2022 and 2021 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 ₱91,237,090 , ₱260,859,459, ₱180,836,659 and nil, in September 30, 2023, June 30, 2023, 2022 and 2021 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 September 30, 2023 and FY June 30, 2023, 2022 and 2021 revenues recognized amounted to ₱1,317,331,926 , ₱4,284,080,714 , ₱2,437,396,762 and ₱53,539,134 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 September 30, 2023, June 30, 2023 and 2022, the carrying amounts of financial assets measured at amortized cost amounted to P701,500,441 , ₱656,307,822 and ₱670,128,046 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 2023 and 2022.

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 2023 and 2022.

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 2023, 2022 and 2021, no provision for expected credit loss was recognized on Group's financial assets.

As of September 30, 2023 , June 30, 2023 and 2022, the carrying amounts of financial assets measured at amortized cost amounted to ₱701,500,441 , ₱656,307,822 and ₱670,128,046 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 2023 and 2022, Management believes the net realizable value of inventories approximate their costs, thus, no allowance for decline in value was recognized. As of September 30, 2023, June 30, 2023 and 2022, inventories amounted to ₱272,309,485 , ₱162,093,489 and ₱73,366,722 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 September 30, 2023, June 30, 2023 and 2022 the carrying amounts of the Group's property and equipment are ₱1,632,843,040 , ₱1,213,094,509 and ₱611,638,360 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. Amortization of computer software is recognized on a straight-line basis over its estimated useful life of ten (10) years. The useful life of software and POS applications depending on the type and purpose of the software. Since all the POS software acquired and internally developed for the stores did not normally end after 2 year operations and all the POS of the



stores that were opened more than 10 years ago are still operational without even some decline in its usefulness, we opted to use 10 years as the useful life of all the software including the applications for ERP, middleware and online ordering applications.

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 September 30, 2023, June 30, 2023 and 2022, the carrying amounts of the amounted P335,974,850, P92,638,839 and P3,803,060, 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 September 30, 2023, June 30, 2023 and 2022, the aggregate carrying amounts of the aforementioned assets amounted to P2,181,940,856, P1,477,094,949 and P769,607,674, 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 P5,847,365, P5,734,920 and P5,498,773, in 2023 and 2022, 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 P923,709, P2,683,409, P1,866,673 and nil in September 30, 2023, June 30, 2023, 2022 and 2021, respectively, as disclosed in Note 24. The Group's retirement benefit obligation as of June 30, 2023 and 2022, amounted to P23,094,734, P21,903,845 and P21,128,122, respectively, as disclosed in Note 25. Remeasurement recognized as other comprehensive gain and loss, net of related tax,

amounted to nil and ₱81,829 in June 30, 2023 and 2022, 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:

	July to Sept 2023	July to Sept 2022
Angel's Pizza	P 901,274,982	P 681,430,593
Figaro Coffee Group	361,281,918	312,268,449
Tien Ma's Taiwanese Cuisine	12,964,220	24,988,403
	<b>P 1,275,620,500</b>	<b>P 1,018,687,445</b>

### 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:

	July to Sept 2023	July to Sept 2022
National Capital Region	P 943,053,965	P 743,539,966
Provincial Areas	332,566,535	275,147,479
	<b>P 1,275,620,500</b>	<b>P 1,018,687,445</b>

## 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:

	Sept 2023	June 2023
Cash on hand	P 12,421,329	P 11,115,516
Cash in banks	422,673,524	452,174,877
	<b>P 435,094,853</b>	<b>P 463,290,393</b>

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

Finance income from banks amounted to nil in 2023 and 2022 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 5%. As of September 30 and June 30, 2023, short-term investments amounted to ₱597,243,090 and ₱895,000,000, respectively. Accrued interest income amounted to ₱4,821,596 and ₱12,671,418, as of September 30 and June 30, 2023.

## 9. TRADE AND OTHER RECEIVABLE

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

	<b>Sept 30, 2023</b>	June 30 2023
Trade	<b>₱ 208,599,349</b>	₱ 149,422,072
Accrued interest receivable (Note 8)	<b>4,821,596</b>	12,671,418
	<b>₱ 213,420,945</b>	₱ 162,093,490

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:

	<b>Sept 30, 2023</b>	June 30 2023
1 to 30 days	<b>₱ 96,412,678</b>	₱ 68,538,410
31 to 60 days	<b>44,977,129</b>	15,672,481
Over 60 days	<b>67,209,542</b>	65,211,181
	<b>₱ 208,599,349</b>	₱ 149,422,072

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 2023, 2022 and 2021, 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 P272,309,485 and P178,390,239, as of September 30, 2023 and June 30, 2023, as disclosed in Note 23.

The cost of inventories recognized as an expense amounted to P491,566,413 , P1,613,512,610 and P852,213,448 , in September 2023, June 2023, 2022 and 2021, as disclosed in Note 23.

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:

	Sept 30, 2023		2023		2022
Prepaid expenses	P	562,050	P	547,289	P 62,229
Prepaid rent (Note 17)		28,580,525		23,255,118	6,986,338
Advances to contractors		134,908,762		118,426,845	130,920,470
Advances to suppliers		10,385,150		8,956,478	8,498,676
Advances to officers and employees		657,091		2,912,634	2,898,450
	P	175,093,579	P	154,098,363	P 149,366,162

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 September 30, 2023 and June 30, 2023, are as follows:

	Office and Store Equipment	Building and Building Improvements	Total
<b>June 30, 2021</b>			
Cost	P 247,777,510	P 496,151,616	P 743,929,126
Accumulated depreciation	(68,429,335)	(188,285,719)	(256,715,054)
<b>Carrying Amount</b>	<b>179,348,175</b>	<b>307,865,897</b>	<b>487,214,072</b>
<b>Movements during 2022</b>			
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)
<b>Balance, June 30, 2022</b>	<b>422,931,115</b>	<b>188,707,245</b>	<b>611,638,360</b>
<b>June 30, 2022</b>			
Cost	501,481,140	576,125,381	1,077,606,521
Accumulated depreciation	(78,550,025)	(387,418,136)	(465,968,161)
<b>Carrying Amount</b>	<b>422,931,115</b>	<b>188,707,245</b>	<b>611,638,360</b>
<b>Movements during 2023</b>			
Balance, July 1, 2022	422,931,115	188,707,245	611,638,360
Additions	726,371,588	185,765,926	912,137,514
Depreciation	(247,407,998)	(63,273,367)	(310,681,365)
<b>Balance, June 30, 2023</b>	<b>901,894,705</b>	<b>311,199,804</b>	<b>1,213,094,509</b>
<b>June 30, 2023</b>			
Cost	1,227,852,728	761,891,307	1,989,744,035
Accumulated depreciation	(325,958,023)	(450,691,503)	(776,649,526)
<b>Carrying Amount</b>	<b>P 901,894,705</b>	<b>P 311,199,804</b>	<b>P 1,213,094,509</b>
<b>Movements during the periods</b>			
Balance, July 1, 2023	901,894,705	311,199,804	1,213,094,509
Additions	449,357,324	84,293,704	533,651,028
Depreciation	(91,247,877)	(22,654,620)	(113,902,497)
<b>Balance, September 30, 2023</b>	<b>1,260,004,152</b>	<b>372,838,888</b>	<b>1,632,843,040</b>
<b>September 30, 2023</b>			
Cost	1,677,210,052	846,185,011	2,523,395,063
Accumulated depreciation	(417,205,900)	(473,346,123)	(890,552,023)
<b>Carrying Amount</b>	<b>P 1,260,004,152</b>	<b>P 372,838,888</b>	<b>P 1,632,843,040</b>

In September 30, 203, June 2023 and 2022, all additions were paid in cash.

Depreciation is allocated as follows:

	<b>July to Sept 30, 2023</b>	<b>2023</b>	<b>2022</b>
Direct cost	<b>P 4,903,773</b>	<b>P 6,394,035</b>	P 89,463,451
Operating expenses	<b>108,998,724</b>	<b>304,287,330</b>	119,789,656
	<b>P 113,902,497</b>	<b>P 310,681,365</b>	P 209,253,107

In September 30, 203, June 2023 and 2022, 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 September 30, 2023, June 30, 2023 and 2022 are as follows:

	2023	2022
<b>Balance, July 1</b>		
Cost	P 10,424,331	P 1,331,195
Accumulated amortization	(6,621,271)	(951,447)
<b>Carrying Amount</b>	<b>3,803,060</b>	<b>379,748</b>
<b>Movements during the year</b>		
Balance, July 1	3,803,060	379,748
Additions	94,675,188	9,093,146
Amortization	(5,839,409)	(5,669,824)
<b>Balance, June 30</b>	<b>92,638,839</b>	<b>3,803,060</b>
<b>June 30</b>		
Cost	105,099,519	10,424,331
Accumulated amortization	(12,460,680)	(6,621,271)
<b>Carrying Amount</b>	<b>P 92,638,839</b>	<b>P 3,803,060</b>
<b>Movements during the period</b>		
Balance, July 1	92,638,839	3,803,060
Additions	247,967,953	
Amortization	(4,631,942)	
<b>Balance, September 30</b>	<b>335,974,850</b>	<b>3,803,060</b>
<b>September 30</b>		
Cost	353,067,472	10,424,331
Accumulated amortization	(17,092,622)	(6,621,271)
<b>Carrying Amount</b>	<b>P 335,974,850</b>	<b>P 3,803,060</b>

In 2023, 2022 and 2021, all additions were paid in cash.

The remaining useful life of computer software is ten (10) years.

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

Amortization of computer software is recognized on a straight-line basis over its estimated useful life of ten (10) years. The useful life of software and POS applications depending on the type and purpose of the software. Since all the POS software acquired and internally developed for the stores did not normally end after 2 year operations and all the POS of the stores that were opened more than 10 years ago are still operational without even some decline in its usefulness, we opted to use 10 years as the useful life of all the software including the applications for ERP, middleware and online ordering applications. Part of the Intangibles are the patents, trademarks, brand building investments, database developments for the Angels Pizza card members and databases and the customer database of the entire FCG Call center and Store Brands.

#### 14. RIGHT-OF-USE ASSETS – net

The carrying amounts of the Group's right-of-use assets as of June 30, 2023 and 2022, are as follows:

	2023	2022
<b>Balance, July 1</b>		
Cost	P 12,228,382	P 12,228,382
Accumulated depreciation	(7,428,290)	(4,859,059)
<b>Carrying Amount</b>	<b>4,800,092</b>	<b>7,369,323</b>
<b>Movements during the year</b>		
Balance, July 1	4,800,092	7,369,323
Additions	27,127,944	-
Depreciation	(14,664,799)	(2,569,231)
<b>Balance, June 30</b>	<b>17,263,237</b>	<b>4,800,092</b>
<b>Movements during the year</b>		
Balance, July 1	17,263,237	7,369,323
Additions	46,434,973	-
Depreciation	(25,668,823)	(2,569,231)
<b>Balance, September 30</b>	<b>38,029,387</b>	<b>4,800,092</b>
<b>June 30</b>		
Cost	85,791,299	12,228,382
Accumulated depreciation	(47,761,912)	(7,428,290)
<b>Balance, September 30</b>	<b>38,029,387</b>	<b>4,800,092</b>

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:

	Sept 30, 2023	2023	2022
Refundable deposits	P 38,612,904	P 30,323,844	P 18,038,829
Construction bond	13,771,739	11,115,612	2,484,941
Others	600,000	600,000	600,000
	<b>P 52,984,643</b>	<b>P 42,039,456</b>	<b>P 21,123,770</b>

Refundable deposits include those related to lease amounting to P30,323,844 and P16,682,622 as of June 30, 2023 and 2022, 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:

	Sept 30, 2023	2023	2022
Trade	<b>₱ 388,382,840</b>	<b>₱ 352,163,147</b>	₱ 185,899,180
Customers' deposits	<b>37,095,237</b>	<b>35,619,080</b>	29,422,778
Due to government agencies	<b>7,003,487</b>	<b>6,814,754</b>	79,722,817
Gift certificate payable	<b>585,743</b>	<b>423,650</b>	711,183
Accrued expenses	<b>2,000,000</b>	-	580,800
	<b>₱ 435,067,307</b>	<b>₱ 395,020,631</b>	₱ 296,336,758

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:

Bank Loans	Sept 30, 2023	2023	2022
Balance, July 1	<b>₱ 30,000,000</b>	<b>₱ 20,000,000</b>	₱ 80,000,000
Availments	<b>315,000,000</b>	<b>10,000,000</b>	-
Payments		-	-60,000,000
<b>Balance, June 30</b>	<b>₱ 345,000,000</b>	<b>₱ 30,000,000</b>	₱ 20,000,000

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 2023, 2022 and 2021, finance costs incurred and paid amounted to ₱1,817,310, ₱1,519,647 and nil, respectively.

The Group is not required to maintain any ratios or thresholds. In 2023 and 2022, 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	
	2023	2022	2023	2022
Not later than one (1) year	<b>₱ 4,067,044</b>	₱ 2,438,159	<b>₱ 3,833,905</b>	₱ 2,317,695
Later than one (1) year but not later than five (5) years	<b>3,442,947</b>	2,967,710	<b>3,394,850</b>	2,877,394
	<b>7,509,992</b>	5,405,869	<b>7,228,755</b>	5,195,089
Discount	<b>(281,237)</b>	(210,780)	-	-
Present value of minimum lease payments	<b>7,228,755</b>	5,195,089	<b>7,228,755</b>	5,195,089
Current portion	<b>3,833,905</b>	2,317,695	<b>3,833,905</b>	2,317,695
Non-current portion	<b>₱ 3,394,850</b>	₱ 2,877,394	<b>₱ 3,394,850</b>	₱ 2,877,394

Movement in lease liabilities are as follows:

	2023	2022
Balance, beginning	<b>₱ 5,195,089</b>	₱ 7,578,748
Additions	<b>3,298,643</b>	-
Finance cost (Note 27)	<b>157,864</b>	196,176
Payments	<b>(1,352,901)</b>	(2,579,835)
<b>Balance, ending</b>	<b>₱ 7,298,695</b>	₱ 5,195,089

The payment above includes finance cost incurred amounting to ₱157,864 and ₱196,176 and lease liability payment amounting to ₱1,352,901 and ₱2,383,659 in June 30, 2023 and 2022, 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:

	2023	2022
Under common control	P -	P -
Immediate parent	-	-
Key Management Personnel	-	287,081,477
	<b>P -</b>	<b>P 287,081,477</b>

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

#### 19.01.01 Ultimate Parent

The Group collected nil for both years.

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:

	September 30, 2023		June 30, 2023	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
<b>CI</b>				
Advances	P -	P -	P -	P -

The Group collected P718,900,456 and P67,872,436 in 2023 and 2022, 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:

	<b>September 30, 2023</b>				<b>June 30, 2023</b>			
	<b>Amount/</b>		<b>Outstanding</b>		<b>Amount/</b>		<b>Outstanding</b>	
	<b>Volume</b>		<b>Balances</b>		<b>Volume</b>		<b>Balances</b>	
<b>Stockholders</b>								
Advances	<b>₱</b>	-	<b>₱</b>	-	<b>₱</b>	-	<b>₱</b>	-

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, 2023			June 30, 2022		
	Amount/ Volume	Outstandin g Balances		Amount/ Volume	Outstanding Balances	
<b>Stockholders</b>						
Advances	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -

Advances paid to stockholders amounted to nil and ₱47,986,809 in 2023 and 2022, 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:

	September 2023		June 2023		2022
Capital stock	₱ 589,345,649	₱ 589,345,649	₱ 589,345,649	₱ 464,818,820	
Additional paid-in capital	1,403,308,680	1,403,308,680	1,403,308,680	665,068,300	
	₱ 1,992,654,329	₱ 1,992,654,329	₱ 1,992,654,329	₱ 1,129,887,120	

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

	2023		2022	
	Shares	Amount	Shares	Amount
<b>Authorized</b>				
₱0.10 par value per share	<b>6,600,000,000</b>	<b>₱ 660,000,000</b>	6,600,000,000	₱ 660,000,000
<b>Issued and fully paid</b>				
Balance, beginning	<b>4,648,188,200</b>	<b>464,818,820</b>	3,225,005,000	322,500,500
Additional issuance	<b>820,267,098</b>	<b>82,026,710</b>	1,423,183,200	142,318,320
Balance, end	<b>5,468,455,298</b>	<b>₱ 546,845,530</b>	4,648,188,200	₱ 464,818,820

### 20.01 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.

On October 12, 2022, Figaro Coffee Group, Inc., the Parent Company declared cash dividend at ₱0.01936 per share or ₱4,648,187,003 to stockholders of record as of November 21, 2022. The record date of the declaration of dividend is December 9, 2022.

### 20.02 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.

### 20.03 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:

- 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.
- 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.

As of June 30, 2023, the outstanding capital of the Group is ₱5,893,455,293 (excluding the additional paid-in capital of ₱1,403,308,680 with 589,345,529 shares issued).

As of June 30, 2023, the Group is 53.05% owned by Camerton, Inc., 15% owned by Monde Nissin Corporation and 6.86% owned by Carmetheus Holdings, Inc.

On February 2, 2023, the Company issued 820,268,295 common shares to Monde Nissin Corporation.

#### **20.04 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.

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

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

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

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

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



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

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

## 22. REVENUE

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

	July to Sept 30, 2023	2023	2022
Angel's Pizza	P 901,274,982	P 2,871,594,714	P 1,631,578,807
Figaro Coffee Group	361,381,298	1,176,617,871	743,002,890
Tien Ma's Taiwanese Cuisine	12,964,220	94,667,950	62,815,065
	P 1,275,620,500	P 4,142,880,535	P 2,437,396,762

## 23. DIRECT COSTS

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

	<b>July to Sept 30, 2023</b>	<b>2023</b>	<b>2022</b>
Inventories, June 30 (Note 10)	<b>₱ 178,390,239</b>	<b>₱ 95,681,440</b>	₱ 59,452,449
Purchases	<b>585,485,659</b>	<b>1,696,221,409</b>	887,784,666
Inventories acquired from business combination		-	-
Inventories, Sept 30 (Note 10)	<b>(272,309,485)</b>	<b>(178,390,239)</b>	(95,681,440)
Cost of materials used	<b>491,566,413</b>	<b>1,613,512,610</b>	851,555,675
Direct labor (Note 24)	<b>157,478,204</b>	<b>441,584,160</b>	251,207,924
Overhead	<b>81,836,594</b>	<b>292,893,653</b>	138,925,041
	<b>₱ 730,881,211</b>	<b>₱ 2,347,990,423</b>	₱ 1,242,346,413

Details of the overhead is as follows:

	<b>Sept 30, 2023</b>	<b>2023</b>	<b>2022</b>
Store and kitchen supplies	<b>₱ 11,004,609</b>	<b>₱ 84,268,309</b>	₱ 39,594,371
Communication, light and water	<b>18,830,205</b>	<b>57,349,965</b>	27,315,059
Security services	<b>6,109,827</b>	<b>21,845,053</b>	10,279,257
Taxes and licenses	<b>7,823,643</b>	<b>21,665,900</b>	10,094,784
Repairs and maintenance	<b>3,909,374</b>	<b>19,555,884</b>	9,571,488
Wastages and spoilage	<b>4,203,894</b>	<b>12,930,495</b>	6,819,588
Professional fees	<b>2,394,790</b>	<b>12,334,827</b>	5,541,575
Depreciation (Notes 12 and 13)	<b>4,903,773</b>	<b>6,394,035</b>	1,942,387
Representation and entertainment	<b>439,458</b>	<b>493,049</b>	300,727
Association Dues	<b>512,209</b>	<b>200,323</b>	86,799
Rentals (Note 27)	<b>21,436,439</b>	<b>53,43,409</b>	24,325,480
Others	<b>268,373</b>	<b>2,417,404</b>	3,053,526
	<b>₱ 81,836,594</b>	<b>₱ 292,893,653</b>	₱ 138,925,041

## 24. OPERATING EXPENSES

This account is composed of the following expenses:

	Sept 30, 2023	2023	2022
Advertisement and promotion	P 178,499,214	P 610,161,298	P 355,041,339
Depreciation (Note 12)	106,989,340	304,287,330	211,366,157
Commission	91,237,090	260,859,459	180,836,659
Short-term employee benefits (Note 25)	17,928,743	52,234,098	36,209,315
Transportation and travel	16,029,834	46,934,894	32,087,345
Communication, light and water	5,654,287	16,985,069	11,159,238
Taxes and licenses	4,980,032	14,342,967	9,803,636
Rentals (Note 27)	4,232,384	13,095,742	8,370,000
Representation and entertainment	3,629,429	10,428,955	7,159,097
Professional fees	17,623,523	7,048,094	34,838,767
Amortization (Note 13)	2,009,384	5,839,409	3,975,558
Management fees	2,548,394	5,000,000	5,000,000
Security services	1,193,823	3,349,209	2,357,121
Retirement benefits (Note 25)	923,709	2,683,409	1,866,673
Supplies	525,739	1,739,403	1,169,118
Repairs and maintenance	529,834	1,509,349	1,045,286
Insurance	124,994	432,095	238,321
Others	22,600,398	54,126,760	42,741,155
	P 477,260,151	P 1,357,006,132	P 945,264,785

## 25. EMPLOYEE BENEFITS

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

	Sept 30, 2023	2023	2022
Short-term employee benefits (Note 25.01)	P 175,406,948	P 493,818,258	P 287,417,239
Retirement Benefits (Note 25.02)	923,709	2,683,409	1,866,673
	P 176,330,657	P 496,501,667	P 289,283,912

## 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:

	Sept 30, 2023		2023		2022	
Salaries and wages	P	145,784,238	P	409,007,166	P	236,276,682
SSS, PhilHealth and HDMF contributions		19,652,559		63,722,329		23,790,785
Other employee benefits		9,970,150		21,088,763		27,349,772
	P	175,406,948	P	493,818,258	P	287,417,239

Allocation of short-term employee benefits is as follows:

	Sept 30, 2023		2022		2021	
Cost of sales (Note 23)	P	157,478,204	P	441,584,160	P	251,207,924
Operating expenses (Note 24)		17,928,743		52,234,098		36,209,315
	P	175,406,948	P	493,818,258	P	287,417,239

## 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:

	2023	2022
Discount rate	7.22%	5.18%
Expected rate of salary increase	5.00%	5.00%

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).

	2023	2022
Retiring after the reporting period Male and Female	14	14

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

	Impact on Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<b>June 30, 2023</b>			
Discount rate	+/-1.00%	3.60%	4.34%
Salary increase rate	+/-1.00%	8.41%	7.79%
June 30, 2022			
Discount rate	+/-1.00%	5.60%	6.37%
Salary increase rate	+/-1.00%	8.41%	7.79%

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:

	2023	2022	2021
Current service cost	P 1,716,489	P 1,472,489	P 2,106,276
Interest on the retirement benefit obligation	1,098,921	394,184	755,814
	<b>P 2,815,410</b>	<b>P 1,866,673</b>	<b>P 2,862,090</b>

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, 2021	P 4,361,503	P (858,957)	P 3,502,546	P (875,636)	P 2,626,910
Assumed during the business combination	(86,078)	-	(86,078)	21,520	(64,559)
Effect of change in tax rates	-	-	-	(72,950)	(72,950)
<b>Gain (loss) Balance at June 30, 2022</b>	<b>4,275,425</b>	<b>(858,957)</b>	<b>3,416,468</b>	<b>(927,066)</b>	<b>2,489,402</b>
Amount recognized during the year	-	-	-	-	-
<b>Gain (loss) Balance at June 30, 2023</b>	<b>P 4,275,425</b>	<b>P (858,957)</b>	<b>P 3,416,468</b>	<b>P (927,066)</b>	<b>2,489,402</b>

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

	2023	2022
Balance, July 1	P 19,813,040	P 17,949,555
Current service cost	1,716,489	1,472,489
Interest expense	1,098,921	394,184
Actuarial loss (gain)	-	(3,188)
	<b>P 22,628,450</b>	<b>P 19,813,040</b>

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

## 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 P5,424,034, P35,619,080 and P29,422,778 as of Sept 30, 2023, June 30, 2023 and 2022, respectively, which are to be refunded upon termination of the franchise agreement.

Royalty received from franchisees amounted to P13,341,589, P54,646,352 and P44,886,825 in 1<sup>st</sup> Qtr ending September 30, 2023, FYJune 2023 and FY2022, 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
<i>Angels Imus</i>	1	5	2	1	None	None	None
<i>Angels Kalayaan</i>	1	3	2	1	None	None	None
<i>Angels Pasig</i>	1	5	4	1	None	None	None
<i>Angels Antipolo</i>	1	5	4	1	None	None	None

All leases have extension option but are not enforceable because it requires mutual agreement of both parties as disclosed in Note 5.01.08.

Summary of right-of-use assets:

		<b>2023</b>		2022
Angels Imus	<b>P</b>	<b>436,566</b>	<b>P</b>	672,185
Angels Kalayaan		<b>694,383</b>		2,066,049
Angels Pasig		<b>117,365</b>		180,184
Angels Antipolo		<b>1,225,650</b>		1,881,674
	<b>P</b>	<b>2,473,964</b>	<b>P</b>	4,800,092

Summary of lease liabilities:

		<b>2023</b>		2022
Angels Imus	<b>P</b>	<b>521,146</b>	<b>P</b>	760,263
Angels Kalayaan		<b>1,500,662</b>		2,189,209
Angels Pasig		<b>137,480</b>		200,560
Angels Antipolo		<b>1,401,848</b>		2,045,057
	<b>P</b>	<b>3,561,136</b>	<b>P</b>	5,195,089

Summary of finance cost:

		<b>2023</b>		2022	2021
Angels Imus	<b>P</b>	<b>31,273</b>	<b>P</b>	38,863	48,295
Angels Kalayaan		<b>60,696</b>		75,427	93,734
Angels Pasig		<b>7,106</b>		8,831	10,974
Angels Antipolo		<b>58,789</b>		73,055	90,786
	<b>P</b>	<b>157,864</b>	<b>P</b>	196,176	243,789

Summary of depreciation:

		<b>2023</b>		2022	2021
Angels Imus	<b>P</b>	<b>224,062</b>	<b>P</b>	448,124	896,247
Angels Kalayaan		<b>327,082</b>		317,854	308,886
Angels Pasig		<b>50,029</b>		154,443	476,780
Angels Antipolo		<b>182,096</b>		364,194	728,390
	<b>P</b>	<b>783,269</b>	<b>P</b>	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, 2023 and 2022 amounted to ₱23,255,118 and ₱6,986,338, as disclosed in Note 11. Refundable deposits paid by the Group amounted to ₱30,323,844 and ₱18,038,829 as of June 30, 2023 and 2022, 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 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2023	2022	2021
Current tax expense	P 154,422,787	P 66,955,606	2,375,977
Deferred tax benefit	(236,147)	(892,334)	-
	<b>P 154,186,640</b>	<b>P 66,063,272</b>	<b>2,375,977</b>

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in June 30, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Accounting profit (loss)	P 616,746,559	P 264,253,090	43,160,669
Tax expense at 25%	154,186,640	66,063,272	10,790,167
Tax effects of:			
Effect of non-recognition of tax on gain on bargain purchase option	-	-	(8,414,190)
	<b>P 154,186,640</b>	<b>P 66,063,272</b>	<b>2,375,977</b>

## 29. DEFERRED TAX ASSETS

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

		<b>Retirement benefit obligation</b>		<b>Right-of-use asset and Lease liabilities</b>		<b>Total</b>
Balance, July 1, 2021	₱	4,487,388	₱	91,775	₱	<b>4,579,163</b>
Recognized in profit or loss		786,292		106,042		<b>892,334</b>
Recognized in other comprehensive income		27,276		-		<b>27,276</b>
<b>Balance, June 30 2022</b>	<b>₱</b>	<b>5,300,956</b>	<b>₱</b>	<b>197,817</b>	<b>₱</b>	<b>5,498,773</b>
Recognized in profit or loss		175,005		61,142		236,147
Recognized in other comprehensive income		-		-		-
<b>Balance, June 30 2023</b>	<b>₱</b>	<b>5,475,961</b>	<b>₱</b>	<b>258,959</b>	<b>₱</b>	<b>5,734,920</b>

## 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:

		<b>2023</b>		2022		2021
a. Net income (loss) from operations/ attributable to ordinary equity holders of the Group for earnings	₱	<b>462,559,919</b>	₱	221,867,605	₱	40,784,692
b. Weighted average number of ordinary shares for the purposes of earnings per share		<b>5,270,822,345</b>		3,936,596,600		1,659,380,000
c. Earnings per share (a/b)		<b>0.09</b>		0.06		0.02

The weighted average number of ordinary shares for the years 2023, 2022 and 2021 used for the purposes of basic earnings per share were computed as follows:

	Number of Ordinary Shares	Proportion to Period	Weighted Average	Total
<b>June 30, 2023</b>				
Outstanding shares at the beginning of the period	4,648,188,200	6/12	2,324,094,100	2,324,094,100
Outstanding shares at the end of the period	5,893,456,490	6/12	2,946,728,245	2,946,728,245
				<b>5,270,822,345</b>
<b>June 30, 2022</b>				
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
				<b>3,936,596,600</b>
<b>June 30, 2021</b>				
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
				<b>1,659,380,000</b>

## 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 September 30, 2023 and June 30, 2023 are presented below:

	September 30 2023		June 30 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets:</b>				
Cash	₱ 435,094,853	₱ 435,094,853	₱ 463,290,393	₱ 463,290,393
Trade receivables	213,420,945	213,420,945	162,093,489	162,093,489
Due from related parties	-	-	-	-
Other non-current assets	52,984,643	52,984,643	42,039,456	42,039,456
	<b>₱ 701,500,441</b>	<b>₱ 701,500,441</b>	<b>₱ 667,423,338</b>	<b>₱ 667,423,338</b>
<b>Financial Liabilities:</b>				
Trade and other payables	₱ 435,067,307	₱ 435,067,307	₱ 395,020,752	₱ 395,020,752
Due to related parties	-	-	-	-
Loans payable	345,000,000	345,000,000	30,000,000	30,000,000
Lease liabilities	9,699,428	9,699,428	7,298,695	7,298,695
	<b>₱ 789,766,735</b>	<b>₱ 789,766,735</b>	<b>₱ 432,319,447</b>	<b>₱ 432,319,447</b>

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

- Due to the short-term nature of cash, trade receivable, due from related parties, and trade and other payables (except customer deposits and due to government agencies) and due to related parties, their carrying amounts approximate their fair values.
- Other non-current assets having a long-term nature are carried at amortized cost. Management believes that fair value approximates amortized cost.
- Loans payable 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:

	September 2023		June 30 2023		2022
Cash in banks	₱	<b>435,094,853</b>	₱	<b>452,174,877</b>	₱ 191,480,802
Trade receivables		<b>213,420,945</b>		<b>162,093,489</b>	73,366,722
Due from related parties				-	384,156,752
Other non-current assets		<b>52,984,643</b>		<b>42,039,456</b>	21,123,770
	- ₱	<b>701,500,441</b>	₱	<b>656,307,822</b>	₱ 670,128,046

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

➤ Probability of Default (PD)

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

➤ Loss Given Default (LGD)

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

➤ Exposure at default (EAD)

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

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

<b>September 30, 2023</b>					
	PD rate	LGD rate	EAD		ECL
	a	b	c		d=a*b*c
		<b>0.00% to</b>			
Cash in banks	<b>0.00%</b>	<b>99.89%</b>	P	<b>435,094,853</b>	P
Trade receivables	<b>0.00%</b>	<b>100.00%</b>		<b>213,420,945</b>	-
Due from related parties	<b>0.00%</b>	<b>100.00%</b>		-	-
Other non-current assets	<b>0.00%</b>	<b>100.00%</b>		<b>52,984,643</b>	-
			<b>P</b>	<b>701,500,441</b>	<b>P</b>
					-
<b>June 30, 2023</b>					
	PD rate	LGD rate	EAD		ECL
	a	b	c		d=a*b*c
		<b>0.00% to</b>			
Cash in banks	0.00%	99.35%	P	452,174,877	P
Trade receivables	0.00%	100.00%		162,093,489	-
Due from related parties	0.00%	100.00%			-
Other non-current assets	0.00%	100.00%		42,039,456	-
			<b>P</b>	<b>656,307,822</b>	<b>P</b>
					-

#### 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 99.89% and 0.00% to 99.35% as of June 30, 2023 and 2022, 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 6.41% and 3.13% 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
<b>September 30, 2023</b>					
Trade payables	-	P -	P 435,067,307	P -	P 435,067,307
Due to related parties	-	-	-	-	-
Loans payable	5.5%	-	345,000,000	-	345,000,000
Lease liabilities	2.3% to 3.02%	-	4,905,372	4,794,056	9,699,428
		P -	P 784,972,679	P 4,794,056	P 789,766,735
<b>June 30, 2023</b>					
Trade payables	-	P -	P 191,210,169	P -	P 191,210,169
Due to related parties	-	107,000,000	-	-	107,000,000
Loans payable	5.5%	-	30,000,000	-	30,000,000
Lease liabilities	2.3% to 3.02%	-	2,317,695	2,877,394	5,195,089
		P 107,000,000	P 213,527,864	P 2,877,394	P 323,405,258

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
<b>September 30, 2023</b>					
Cash on hand	-	P 12,421,329	P -	P -	P 12,421,329
Cash in banks	Floating rate	422,673,524	-	-	452,174,877
Trade receivables	-	-	213,420,945	-	213,420,945
Other non-current assets	-	-	-	52,984,643	52,984,643
		P 435,094,853	P 213,420,945	P 52,984,643	P 701,500,441
<b>June 30, 2023</b>					
Cash on hand	-	P 11,115,116	P -	P -	P 11,115,116
Cash in banks	Floating rate	452,174,877	-	-	452,174,877
Trade receivables	-	-	162,093,489	-	162,093,489
Due from related parties	-	-	-	-	-
Other non-current assets	-	-	-	42,039,456	42,039,456
		P 463,290,393	P 162,093,489	P 42,039,456	P 667,423,338

### 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:

	<b>September 30, 2023</b>	<b>2023</b>	<b>2022</b>
Debt	<b>₱ 967,048,109</b>	<b>₱ 520,038,974</b>	₱ 407,408,159
Cash	<b>435,094,853</b>	<b>463,290,393</b>	195,682,918
Net debt	<b>531,953,256</b>	<b>56,748,581</b>	211,725,241
Equity	<b>2,791,793,128</b>	<b>2,703,604,471</b>	1,468,266,243
Net debt to equity ratio	<b>0.19:1</b>	<b>0.02:1</b>	0.14:1

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

#### 34. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 9, 2023.

## Management's Discussion and Analysis of Financial Condition and Results of Operations.

### *Key Performance Indicators ( KPIs )*

	<b>Unaudited Three Months Ended September 30, 2023</b>	<b>Audited Twelve Months Ended June 30, 2023</b>
Debt to Equity ratio	0.12:1	0.01:1
Net Debt to Equity ratio	- 0.03:1	-0.16:1
Asset to Equity ratio	1.35:1	1.19:1
Return on Equity	3.16%	17.11%
Current Ratio	1.8:1	3.75:1

#### **Notes:**

1 Debt to Equity ratio = Bank Debts / Total Equity

2 Net Debt to Equity ratio = Bank Debts less Cash and Cash Equivalents / Total Equity

3 Asset to Equity ratio = Total Assets / Total Equity

4 Return on Equity = Net Income / Total Equity

5 Current Ratio = Total Current Assets / Total Current Liabilities

### **Results of Operations**

<b>In Million Php</b>	<b>Three Months Ending September 30, 2023</b>	<b>Three Months Ending September 30, 2022</b>	<b>Change %</b>
Systemwide Sales	1,287,289,369	988,410,000	30%
Net Revenues	1,317,331,927	1,018,687,445	29%
Cost of Sales	730,881,211	674,246,899	39%
Gross Profit	586,450,715	344,440,546	19%
Operating Expense	468,865,679	233,211,707	22%
NIBT	117,585,036	111,228,840	6%
Income Tax	29,396,259	27,807,210	6%
NIAT	88,188,777	83,421,630	6%

## **Profitability**

Systemwide Sales for the first 3 months, from July 1 to September 30, 2023, grew by 30% from same periods of last year of P0.99B to P1.28B Systemwide Store Sales. This was brought about by the opening of stores which brought the total number of stores from 138 to 183 by end of September 2023 or 45 new stores within the period. This resulted however to 29% increase in revenues versus same periods last year as more Franchise stores were open during the period versus the previous years.

However, gross profit showed a lower improvement versus the volume at 19% primarily because of the bigger increase in cost of sales brought about by the increasing raw materials and the increase in minimum wage during the year which also resulted from the global inflation which affected all the direct raw materials. Operating costs also increased by 22%, though lower than the volume increase, as we managed to optimize our existing overhead capacities by maintaining it at the minimum level despite the increasing capacity requirements resulting from increasing volume from store opening.

Thus, Net Income before tax improved by 6% as a result of the improvement in volume resulting from store opening and expansions.

## **Financial Conditions and Liquidity**

Cash and Cash Equivalents as of September 30, 2023, stood at P435,094,853 almost the same level with the audited cash balance as of June 30, 2023 of P463,290,392. Cashflow from operations during the period provided a net outflow of P37.7M, as a result of increasing operations of 45 new stores or 33% increase in store count thereby resulting to increases in current assets. While the investing activities provided also a net outflow of P333.8M resulting from the increase in CAPEX for PPE and Intangibles of P520M and compensated by the collection of advances from related party amounting to P186M during the period. Meanwhile, financing activities provided a net cash inflow of P345M, to be used for the prompt payment discounts from suppliers and direct importation to address and cushion the increasing cost of raw materials from a local importer and distributor.

The short term bank loans for the prompt payment supplier discount can provide savings of around 15-20% while the cost of money is around 7-8%.

Current ratio declined from 3.75 times is to 1 from 1.8 times is to 1 as of September 30 versus the June 30, 2023 cutoff as a result of short term loans.

Likewise, Debt-to-equity ratio, increased from 0.01 to 0.12 is to 1 as of September 30, 2023 as a result also of the short term loan. However, such slight decline in liquidity ratio will translate into a more favorable profitability for the company in the long run as we leverage to improve the profit margin. All these liquidity ratios of FCG are well above and better as compared to its peers in the industry.

Total Asset to Equity ratio have significantly improved to 1.35 times as of September 30, 2023 versus 1.19 times as of June 30, 2023.

**AR2023**  
**FCG Q1 2023 September 30**

**Aging of Receivables**

	<b>0-7 days</b>	<b>8-15 days</b>	<b>16-30 days</b>	<b>31-60days</b>	<b>61-90days</b>	<b>91-120 days</b>	<b>over 120 days</b>	<b>Total</b>
Franchise and ISD Accounts	6,423,405	58,934,879	20,834,954	17,329,753	13,236,364	9,799,201	12,399,054	138,957,610.00
Others			10,219,440	27,647,376	5,439,054	2,493,475	23,842,394	69,641,739.00
<b>Total</b>	<b>6,423,405.00</b>	<b>58,934,879.00</b>	<b>31,054,394.00</b>	<b>44,977,129.00</b>	<b>18,675,418.00</b>	<b>12,292,676.00</b>	<b>36,241,448.00</b>	<b>208,599,349.00</b>